

EU REPORT 2025

REPORT ON THE FINANCIAL MANAGEMENT OF EUROPEAN
UNION FUNDS IN THE CZECH REPUBLIC

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OPENING MESSAGE

FROM THE SAO PRESIDENT

Dear readers,

The report you are holding is the 18th in the series. Over the years that we have been publishing the EU Report, we have identified a number of shortcomings – ranging from individual issues to systemic failures. It was in connection with the EU Report that we introduced the term “subsidy economy,” which has since become established in economic discourse. The *EU Report 2025*, however, is exceptional.

What makes it so is the timing of its release. At this very moment, preparations are reaching their peak for the Multiannual Financial Framework for the period after 2027 (MFF28+), which will determine the rules for the use of the EU budget for the following seven years. I am aware that every era brings its own problems. Yet the challenges of our time are undoubtedly among the most complex the EU has ever faced: questions of security – whether military, energy-related, or cyber; migration; population ageing and profound demographic changes; the impacts of climate change and the rising costs of mitigation; dependence on raw materials from third countries; fundamental shifts in the geopolitical and economic order, and more.

The list of priorities continues to grow. The resources do not. Quite the contrary. By the end of 2023, the EU's debt from market borrowing had risen significantly, exceeding EUR 458 billion, compared to EUR 348 billion in 2022. This increase is attributable primarily to loans under the *NextGenerationEU* instrument (approximately 60%), which by 2026 may more than double. Repayments of principal and interest within the *NextGenerationEU* framework may reach EUR 25 to EUR 30 billion annually under MFF28+. That is nearly 20% of the EU's current budget. The repayment of *NextGenerationEU* loans will not be completed until 2058.

The *NextGenerationEU* recovery instrument was introduced in response to the crisis caused by the COVID-19 pandemic. It was intended to strengthen the European economy, increase societal resilience, and deliver tangible results to Europeans through a wide range of projects. As the largest stimulus package ever adopted in the EU, it was meant to set an example. It was to chart the course toward a new model of economic growth, based on a clean, innovative, and inclusive economy, as well as digital and technological sovereignty. To what extent these goals have been achieved, and whether the results correspond to the price we will ultimately pay, is for you to judge.

One of the main contributions of this publication – particularly its second part, which we have prepared this year as an exceptional addition – lies in its description of the complex process of developing the Multiannual Financial Framework MFF28+. It demonstrates that ambitious plans and intentions must be rigorously confronted with actual results, and that future strategies must be adjusted accordingly.

This foreword is being written one week after the elections to the Czech Chamber of Deputies. The final stage of the difficult negotiations on the structure, use, and financing of the Multiannual Financial Framework MFF28+ will fall to the new government formed as a result of these elections. Unfortunately, it remains “the secret of all secrets” how that government will approach the task...

Thus far, we have not made full use of the potential that European funds have offered. It will be up to the new political leadership to negotiate rules and frameworks that enable us to maximise the impact of every euro that reaches us.

Clear and narrowly targeted allocation of resources with a requirement for multiplier effects, radical simplification of rules, continuous monitoring of progress toward objectives, greater co-financing by recipients, and the elimination of redundancies that do not directly and demonstrably contribute to fulfilling government priorities... These are formidable tasks.

However, solutions need not always involve billions of euros. The International Monetary Fund pointed out as early as five (!) years ago the existence of trade barriers that unnecessarily make the EU-27 a less competitive economic bloc than it could be. While trade barriers among the states within the United States amount, in manufacturing, to the equivalent of roughly a 10% tariff, among EU Member States they reach about 45%. In the case of services, the notional tariff resulting from excessive bureaucratic burden climbs as high as 110%. Can we afford such a situation at a time when the geopolitical and economic balance of power is changing so radically and so rapidly?

The answer is self-evident. It is for politicians to deliver the change that is needed.

Miloslav Kala
SAO President

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Editors' notes:

This publication covers primarily the period from 1 April 2024 to 31 March 2025 (period under review), which is why its editorial deadline was set for 31 March 2025. With a few minor exceptions, it contains summary data, numerical values and contextual information available up until the date indicated, or later, but current as at that date. Exceptions to this principle are rare, taking into account the significance and thematic relevance of the presented data. These data, however, are not subject to any deeper analysis or comparison and are purely illustrative.

Any minor differences in the summary values shown in the tables and charts are due to rounding.

Similar to previous editions of the EU Report, the documents for selected parts of this publication were prepared by the relevant organisational units of the Ministry of Regional Development (MoRD), the Ministry of Finance (MoF) and the State Agricultural Intervention Fund (SAIF), which play an indispensable role in the process of implementing EU budget support. The Audit Authority (AA) (Department 52 of the MoF) provided information about its outputs in the field of public audits and audits of EU funds. The National Coordination Authority (MoRD-NCA – an organisational unit of the MoRD) provided information about the drawdown of the allocated EU funds and the preparations for the next programming period. The SAIF provided materials for the subchapters on the Common Agricultural Policy (CAP) and the Common Fisheries Policy (CFP). New contributors include the Ministry of Industry and Trade (MoIT), which prepared material on the current status of the *National Recovery Plan* (NRecP), and the Ministry of the Interior (Mol), which provided information mainly on programmes co-financed from the European Union (EU) budget and focused on supporting internal policies. The report's authors would like to thank everyone in the aforesaid institutions for their professional approach to drawing up the materials.

The Supreme Audit Office (SAO) notes that third-party contributions might not correspond in some parts to the findings and assessments of the SAO, as they are presented in other parts of the EU Report.

A. MANY SUBSIDIES WITH LITTLE IMPACT ON THE CZECH REPUBLIC'S CONVERGENCE

A popular saying about rabbits and hunters may come to our mind when describing the long-term management of EU funds in the Czech Republic (literally: “*Too many hunters mean a rabbit’s death*”, meaning “*Too many cooks spoil the broth*”). What do rabbits and hunters have to do with the management of EU funds in the Czech Republic, just like in many other Member States? Surprisingly much! Simply apply the following facts to the equation...

Too many subsidy titles...

In our *EU Report 2023*¹, we provided an overview of the numbers of “European” subsidy titles. Table 1 below is taken from the *EU Report 2023*.

Table 1: Overview of the number of “European” subsidy titles in the Czech Republic in individual programming periods

Programming period	Subsidy titles co-financed from the EU budget		
	ESIF/EU funds	Direct payments, common market organisation	Total
2004–2006	91	6	97
2007–2013	260	13	273
2014–2020	165	23	188
2021–2027	155	21	176

Source: *EU Report 2023*, the SAO, 2023.

Leaving aside the first (shortened) programming period, we can see that EU support has been dispersed across many areas. Moreover, behind these figures lie tens of thousands of often small projects (many of them non-essential from the perspective of the national economy) which do not bring the necessary added value and have no potential to steer the Czech economy towards economic growth.

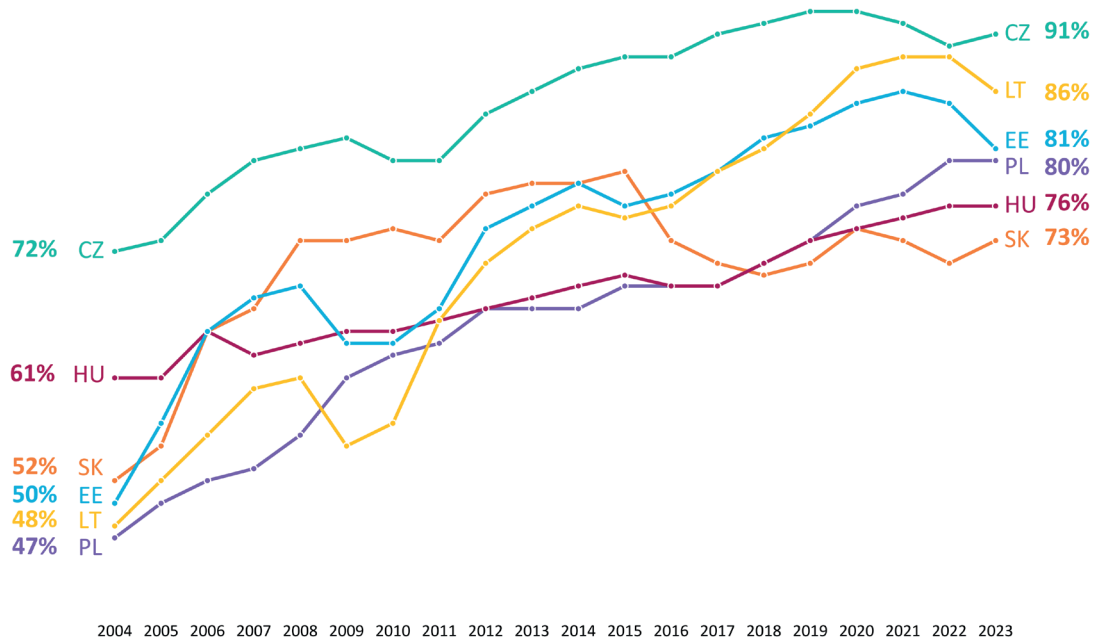
... without any significant impact on convergence.

The purpose of the “convergence process” is to level the playing field for various regions in the EU. The *EU Report 2024*² presented trends in the gross domestic product (GDP) of selected Member States that joined the EU together with the Czech Republic. We reproduce these data in Chart 1.

¹ *EU Report 2023*, subchapter A.2.

² *EU Report 2024*, Chapter A.

Chart 1: GDP growth in selected Member States in purchasing power parity compared to the EU average (100%)

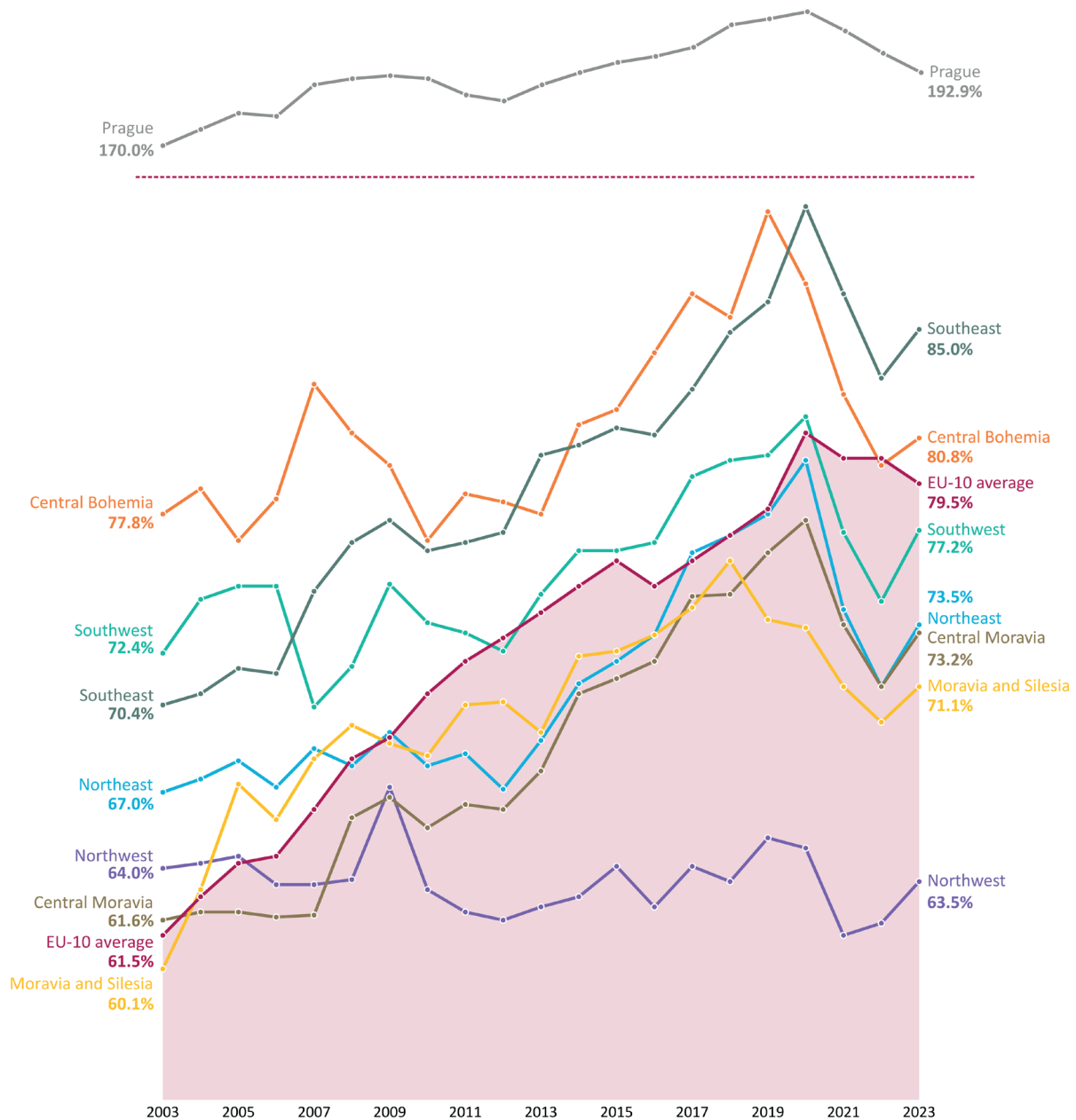


Source: EU Report 2024, the SAO, 2024.

The Chart shows that while the growth of Czech GDP, compared to the EU average, was 19 percentage points (p.p.), Poland achieved 33 p.p. and Lithuania as much as 38 p.p. It is apparent that hundreds of billions of Czech crowns channelled from the EU budget into the Czech Republic did not result in any significant convergence towards the EU average.

After joining the EU, the Czech Republic was less successful than most other Member States in capitalising on the potential for regional development. This is also confirmed by the following Chart, which shows the ratio of the GDP for individual Czech regions, compared with the average for regions in the Member States that acceded to the EU together with the Czech Republic in 2004 (EU-10). Here again, GDP values in purchasing power parity are used to compare the situation at the end of 2003 (i.e. shortly before the accession of these countries to the EU) with that at the end of 2023.

Chart 2: GDP in purchasing power parity in individual regions of the Czech Republic and in the EU-10 regions on average compared to the EU average (100%) in 2003 and 2023



Source: Eurostat; prepared by the SAO.

As can be seen from the Chart, only one of eight regions in the Czech Republic was below the EU-10 average in 2003. Twenty years later, this region was joined by another four. The North-West Region (comprising the Ústí nad Labem and Karlovy Vary administrative regions) even belongs among exceptions within the EU-10, as the GDP per capita expressed in purchasing power parity has not increased at all in this region, compared to the EU average, during Czechia's membership in the EU.

The high fragmentation of support and the fact that it was not targeted at growth-oriented areas of the economy significantly contributed to the insufficient pace of convergence of the Czech Republic's GDP towards the EU average. The effect of support provided from the EU budget (as well as from national resources) was not maximised in the form of lasting and sustainable growth of the Czech economy,

increased competitiveness, and the convergence of Czech regions towards the EU average.

Fragmentation of the support

As many as 300 valid strategies exist at the level of strategic management of subsidy policies³ – all of these strategies justify public expenditure on the widest possible range of activities, resulting in inefficient allocation of public resources. The economic assessment of the impacts of these strategies tends to be general, unrealistic, and lacking hard data that could be evaluated.

Applications for subsidies come from a wide variety of entities, ranging from municipalities that build new pavements, and swings and merry-go-rounds for children, to enterprises of all sizes applying for contributions to equip their training facilities, and to various representatives of the non-profit sector who, naturally, emphasise the necessity of their respective fields of activity. All these applicants feel they have an inalienable right to a share of Europe's prosperity. There is no doubt that the vast majority of supported projects contribute to this prosperity, to a greater or lesser extent. The problem, however, is that a substantial part of these projects represents immediate consumption or simple one-for-one replacement and do not deliver long-term effects.

Concentrations and savings

Concentrating support in selected areas of the economy can bring the greatest benefits in the medium term. Issues of administrative simplification, greater transparency and process cost reduction need to be resolved, both on the side of the implementation structure (i.e. subsidy providers) and on the side of applicants and beneficiaries.

The Supreme Audit Office called for this in previous years as well, for example in its *EU Report 2023*⁴. If the Czech Republic moves towards greater concentration of support from the EU budget, which would also involve a substantial reduction in the number of subsidy schemes, this will create an opportunity for more efficient use of the staffing capacities of managing authorities (MAs) and intermediate bodies (IBs) of operational programmes (OPs). This is not only about cutting staff in the implementation structure needed to administer the support provided and thereby saving on personnel expenditure, but also about reducing overhead costs. Moreover, the possibility of concentrating know-how and extending the activities of MAs and IBs towards direct support to applicants and beneficiaries appears to be even more important. This approach would bring further savings and a more efficient use of financial resources related to subsidies, primarily on the side of applicants/beneficiaries.

The objective must be to ensure that applicants and beneficiaries do not need to engage third-party companies to assist them with the preparation and revision of their applications and with other administrative services.

The proposed “client-oriented” approach of the implementation structure authorities would result in better-prepared applications free of errors complicating the process of project evaluation and selection. In particular, it would be possible to easily assess and exclude applications relating to projects that are insufficiently effective and efficient, or even completely ineffective and inefficient. This also entails the setting of rules and criteria for project assessment and selection – these rules and criteria should ensure that only applications with high potential for long-term growth effects and high added value are supported.

The low level of beneficiary co-financing should also be highlighted in this regard. The SAO has long pointed out that low or even zero beneficiary co-financing often leads to poor cost-effectiveness of the solutions chosen and generally reduces the efficiency of supported projects. If the level of beneficiary co-financing (depending on their type and the nature of supported projects) were increased, for example,

3 As at 31 March 2025, there were a total of 1,935 strategies in the Czech Republic, of which:

- 61 at international level;
- 286 at national level;
- 291 at regional level;
- 200 at district level;
- 1,097 at local level.

Source: strategy database – *Portal of Strategic Documents in the Czech Republic* (<https://www.databaze-strategie.cz/>).

4 *EU Report 2023*, Chapter A.

to 50%, many unnecessary projects would not be implemented at all. This would, in turn, allow for a better allocation of the relevant subsidy funds, i.e. to projects that are more needed and provide higher added value. There is a clear parallel in this regard with the low usage of refundable support in the form of various financial instruments (FIs).

Historical determinism?

It is remarkable that the Czech Republic has been affected by global crises (the economic crisis of 2008–2009, the COVID-19 crisis of 2020–2022, and the inflation and energy crisis linked to the war in Ukraine since 2022) more severely – with deeper and longer-lasting impacts – than most other Member States.

This points to a flawed long-term orientation of support from the EU budget and economic policy management in general. Investments were made primarily to maintain existing enterprises, including their focus, which ensured a certain degree of economic growth (for example, through the purchase of better machinery), a persistently low unemployment rate, and improvements in the environmental characteristics of production. On the other hand, investments were not directed into new and progressive areas and sectors that would have enabled a shift towards a modern innovation-driven economy with a high and sustainable growth rate and high added value.

In fact, the Czech Republic knows the path to greater competitiveness!

By its Resolution No 695 of 10 October 2024, the Government approved the *Economic Strategy of the Czech Republic: Czech Republic in the TOP 10*.⁵ This extensive document, prepared with the participation of 16 governmental institutions, defines, among other things, four main strategic areas:

- “Human capital, productivity and added value” – covers the development of education, support for research and innovation, digitalisation and improvement of the business environment. Its aim is to increase the added value of Czech enterprises and to ensure the long-term sustainability of public institutions.
- “Strategic infrastructure” – covers investments in energy, transport and digital infrastructure, with an emphasis on decarbonisation and security of energy and raw material supplies, including the reuse of materials.
- “Industrialisation with added value” – focuses on the development of technologically advanced sectors and the promotion of innovation in existing industrial sectors, with the aim of increasing the added value and competitiveness of Czech products; it also includes the development of the defence and security industry.
- “Financing” – includes the provision of access to available capital for strategic investments and the use of European funds and national budgets for sustainable development and stable public finances.

Although very broadly defined, these strategic areas provide a clear indication of priority areas for support (not only from the EU but also from national resources).

Support for and development of innovation should be one of the main investments in the prosperity and competitiveness of the Czech Republic and in improving the population’s quality of life. This is precisely the area in which our performance has fallen short so far. Research and innovation are among the key prerequisites for building a resource- and energy-sustainable economy with higher added value, for fostering targeted technological progress, and for enabling society to adapt to its benefits and risks. Conversely, yielding to lobbying pressures and thereby fragmenting public resources (especially those from the EU budget) will only perpetuate an unsuccessful public spending policy – a point the SAO has now made with regard to three consecutive programming periods.

⁵ The Implementation Plan for the Economic Strategy was published by the MoIT under Ref. No: MPO 23826/2025.

In line with the Economic Strategy, the SAO states: We must invest where it is necessary and where it can bring real benefits. While it may appear that sufficient funds are still flowing to us from Europe, the amounts are already considerably smaller than in previous programming periods and will continue to decline significantly. This makes it all the more important to set a very limited number of priorities and to use the available resources efficiently to achieve them.

... but this is not only about merely concentrating support.

As outlined above, support needs to be concentrated both vertically and horizontally.

It is clear that larger projects generally bring substantially greater benefits than smaller ones in terms of growth potential. Of course, this claim is not universally valid. It is logical that investing in large, prosperous companies to achieve minor changes will not bring the desired effect, whereas even relatively smaller investments in progressive small and medium-sized enterprises with a dynamic development plan will have high added value.

Resources are not unlimited, and in the interest of maintaining sustainable growth and accelerating convergence, the relatively generous support enjoyed by many sectors will need to be significantly reduced or discontinued. This will unlock part of the resources for more progressive sectors (see above) and also for areas which have so far not been targeted by support but which, in light of the current geopolitical situation, appear to be extremely necessary and important (for example, the field of security in a broader sense).

Czech entities must respond to the shortage of EU funding channelled through national programmes by increasing their activity in programmes directly managed by the Commission, where the Czech Republic has long ranked at the very bottom among Member States. Financial instruments (FIs), such as loans, guarantees, etc. (essentially refundable financial assistance) will also need to be more often incorporated into the investment plans of Czech beneficiaries and will gradually replace grants – a form of support that is currently more widely used but considerably more costly from the EU's perspective.

Further information on the preparation of the new EU Multiannual Financial Framework (MFF) and the related recommendations of the SAO will be presented in a separate Part Two of the *EU Report 2025*.

Based on the above information, the SAO recommends to:

- abolish or fundamentally reconsider (both substantively and formally) many strategic documents;
- concentrate available public resources as far as possible and target them at areas with high growth potential;
- change the configuration of the implementation structure;
- clearly define criteria and indicators so that their use enables simple and unambiguous assessment of their fulfilment and of the actual benefits achieved;
- reduce the administrative burden both on providers and on applicants/beneficiaries;
- reduce the level of co-financing from public budgets; this will increase the projects' cost-effectiveness as well as the multiplier effect of support from public resources;
- increase the responsibility of beneficiaries for meeting the established criteria.

SECTION I

AUDIT WORK BY THE SAO AND OTHER EXTERNAL AUDIT
BODIES IN THE FIELD OF EU BUDGET FUNDS ALLOCATED
TO THE CZECH REPUBLIC

B. SAO AUDIT WORK IN THE PERIOD UNDER REVIEW (04/2024–03/2025)

Subchapters B.1–B.4 of the *EU Report 2025* summarise the results of the SAO's audit activities in the twelve-month period under review (i.e. the period from 1 April 2024 to 31 March 2025) in the form of a comprehensive overview and comments on individual audits that concerned, either entirely or in part, EU budget funds (audits under review) and were completed during the period under review.

B.1 OVERVIEW OF APPROVED SAO AUDIT REPORTS

During the period under review, the SAO Board approved a total of 31 SAO audit reports, 19 of which concerned audits under review; this is the highest number ever. Such a high proportion of audits devoted to EU budget funds (more than 61%) attests to the importance that the SAO consistently places on auditing these funds.

Table 2: Overview of audits under review

Audit No	Audit subject	Published in SAO Bulletin (volume/ year)
23/07	State and EU funds earmarked for improving air quality	6/2024
23/09	State funds earmarked for selected measures against tax evasion	3/2024
23/11	State and EU funds earmarked for the care system for vulnerable children and its transformation	6/2024
23/13	State and EU funds earmarked for the development of combined freight transport	3/2024
23/16	State and EU funds spent by the Ministry of Industry and Trade on brownfield regeneration	4/2024
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	3/2024
23/18	Closing account of state budget chapter „Technological Agency of the Czech Republic“ for 2023, financial statements of the Technological Agency of the Czech Republic for 2023 and data submitted by the Technological Agency of the Czech Republic for evaluation of state budget implementation for the year 2023	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	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	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	4/2024
23/22	State and EU funds spent in connection with shifting the focus of psychiatric care to the community	4/2024
23/23	State funds from the corporate income tax and the administration of this tax	6/2024
23/29	State and EU funds earmarked for the support of social inclusion	6/2024
23/31	State and EU funds earmarked for land improvements	1/2025
24/01	State and EU funds earmarked for the construction and reconstruction of pavements and footpaths	1/2025
24/03	Funds earmarked for access to digital documents and electronic information resources in the network of libraries of the Czech Republic	1/2025
24/04	Funds spent by the Ministry of the Interior on the project Electronic Collection of Laws and International Treaties (e-Collection) and Electronic Legislation (e-Legislation)	3/2025
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	1/2025
24/10	Funds earmarked to support the infrastructure of regional social services	3/2025

Source: SAO Audit Information System /AIS/, March 2025.

Note: The colour designation of the audits under review corresponds to their purpose according to the legend:

	Financial audit
	Natural resources
	Revenues
	Cohesion and competitiveness

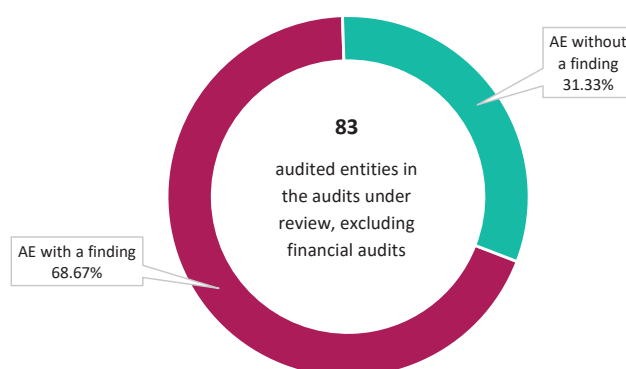
B.1.1 AUDITS UNDER REVIEW IN NUMBERS

Almost 58% of the audits under review in this period focused on the area of “cohesion and competitiveness”. As regards EU budget resources, this area has traditionally been the most frequently audited by the SAO. The main reason is the generally higher error rate, which has long affected expenditure in “cohesion and competitiveness,” including at European level (see also point C.2.1). Two audits dealt with expenditure in the area of “natural resources,” and two focused on revenue (in relation to the EU budget).

The audits under review also included four financial audits (FAs). As a rule, a FA focuses on verifying the closing accounts of State budget chapters, bookkeeping, financial statements, and verifying the accuracy of the data submitted for assessment of the State budget implementation. Hence, this type of audit has its own specific features differentiating it from legality and performance audits, and the nature of its audit findings is also different. The following statistical summaries (in subchapter B.1) therefore do not include Audits No 23/17 to No 23/20; they are covered in more detail in subchapter B.4.

In the 15 audits under review other than FAs, the SAO examined a total of 83 entities (i.e. the same number as in the previous period under review) – audited entities (AEs) – with several of them being audited in more than one audit.⁶

Chart 3: Distribution of audited entities according to the SAO’s audit findings



Source: AIS, March 2025.

The SAO found a total of 362 shortcomings in the audits under review (excluding FAs).⁷ As regards funds related to the EU budget, 38 of the SAO’s findings were quantifiable, with an aggregate value of CZK 1,115.68 million, of which the calculated amount of recoverable shortcomings reached CZK 511.01 million.

In as many as 11 of the audits under review (including two FAs), the SAO identified facts indicating breaches of budgetary discipline, and consequently submitted a total of 20 notifications to the competent tax authorities calling for further action.⁸ These notifications concerned a total amount of at least CZK 774,564,573.⁹

In two instances within a single audit, the SAO submitted notifications of suspected criminal offence.

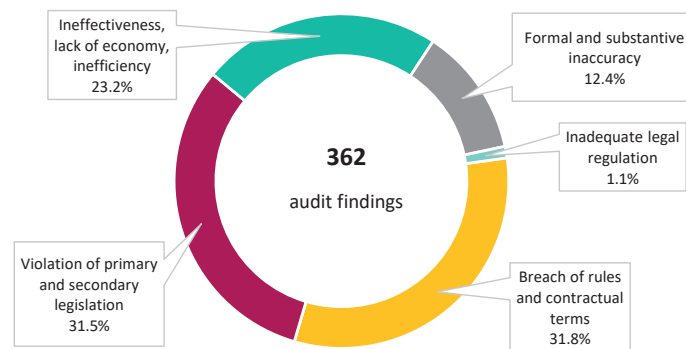
⁶ These were certain ministries acting as MAs for operational programmes.

⁷ Most of the individual shortcomings identified are not quantifiable due to their very nature.

⁸ The SAO submits notifications to tax authorities pursuant to Section 59 of Act No 280/2009 Coll., the Tax Code.

⁹ One of the notifications was submitted as unquantified.

Chart 4: Shares of the individual categories of audit findings

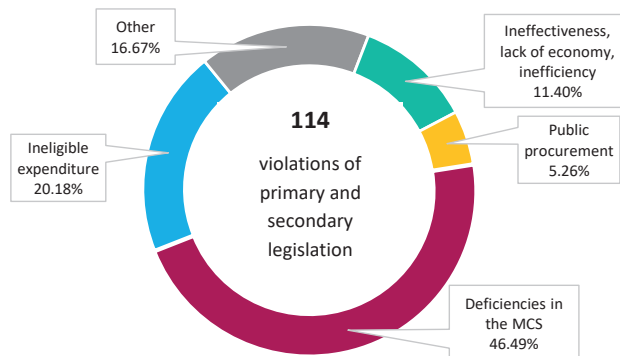


Source: AIS, March 2025.

Compared to the previous period under review, the number of audit findings increased by 60, i.e. by 20%; this is attributable to the greater number of audits under review. As regards their structure, there was an increase in the category of “ineffectiveness, lack of economy, inefficiency”¹⁰ and, in particular, “violation of statutory and subordinate legislation,”¹¹ which almost “caught up” with the traditionally most numerous – albeit less serious– category of “breach of rules and contractual terms”.

The distribution of audit findings (excluding findings made in FAs) in the category of “violation of statutory and subordinate legislation” is shown in the following Chart.

Chart 5: Nature and degree of violation of legal regulations



Source: AIS, March 2025.

Note: Each finding is classified according to the main legislation violated. If, for example, there was a violation of Act No 134/2016 Coll., on public procurement, that resulted in ineligible expenditure classified as a violation of Act No 218/2000, on budgetary rules, this finding was only categorised as “public procurement”.

The category of “other” includes violations of regulations during the period under review, primarily in the areas of public administration and nature conservation.

In its audit activities, the SAO is increasingly focusing on systemic shortcomings that generate further errors of varying degrees of severity. The number of identified breaches of legal regulations related to shortcomings in management and control systems (MCS) increased significantly compared to the previous period under review (see subsection B.1 of the *EU Report 2024*). The category of “MCS shortcomings” now accounts for more than 46% of all breaches of legal regulations.

A new category appears in this overview: “ineffectiveness, lack of economy, inefficiency”. Findings included here were not legally classified in the past.

By contrast, a significant decrease was recorded in the categories of “ineligible expenditure”¹² and “other” (in both cases by about 10 p.p.).

¹⁰ This does not include 13 similar findings where a breach of legislation was also identified. A total of 97 cases of ineffectiveness, lack of economy or inefficiency were identified.

¹¹ This category includes violations of binding EU law, national legislation and Government resolutions.

¹² This category includes ineligible expenditure in individual projects, ineligible projects and ineligible beneficiaries.

B.1.2 SUMMARY OVERVIEW OF OUTPUTS FROM AUDITS UNDER REVIEW

The statistical overview of the SAO's audit activities in the period under review, as presented above, does not provide more detailed information on individual audit findings. Nevertheless, it can be stated that **findings in the category of “ineffectiveness, lack of economy, inefficiency” (whether or not subject to legal classification) and “violation of statutory and subordinate legislation” (in particular, the subcategory of “MCS shortcomings”)** have the most serious impacts. These findings are reflected in the recommendations that the SAO regularly publishes in its annual reports and in EU reports.

In this context, and with regard to the SAO's recommendations set out at the end of Chapter A, reference is made here to audit findings in the following substantive areas:

- **fragmentation of support** (Audit No 23/11);
- **ineffectiveness of support in general or of supported projects** (Audits No 23/07, No 23/11, No 23/13, No 23/16, No 23/21, No 23/29, No 23/31, No 24/01 and No 24/10);
- **redundancy of support in general or of supported projects** (Audits No 23/11, No 23/21 and No 24/10).

In addition to the above findings, we also need to highlight **ineligible expenditure resulting from errors (whether intentional or unintentional) in the field of public procurement**. Such findings are typically classified as breaches of budgetary discipline under Act No 218/2000 Coll.¹³ and may result in notifications to tax authorities or the filing of criminal complaints. Table 3 provides a comprehensive overview of the audits under review in terms of the number of audited entities, the number and volume of notifications to tax authorities, and the number of criminal complaints filed, and also indicates whether the Government approved measures to remedy the identified shortcomings.

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

Table 3: Overview of the number of AEs, notifications to tax authorities, criminal complaints, and measures to eliminate identified deficiencies within the Audits under review

Audit No	Number of AEs			Notifications to tax authorities			Number of criminal complaints	Measures to eliminate identified deficiencies
	Total	With finding	Without finding	Number	Amount (in CZK)	Number of unquantified notifications		
23/07	10	5	5	2	5,574,000	1	2	Yes
23/09	3	2	1	0	0	0	0	No
23/11	3	2	1	1	1,312,337	0	0	Yes
23/13	8	6	2	2	11,052,517	0	0	Yes
23/16	2	0	2	0	0	0	0	No
23/17	1	1	0	0	0	0	0	Yes
23/18	1	1	0	0	0	0	0	Yes
23/19	1	1	0	1	72,479	0	0	Yes
23/20	1	1	0	1	15,618,121	0	0	Yes
23/21	7	7	0	3	9,117,803	0	0	Yes
23/22	11	5	6	3	1,603	2	0	Yes
23/23	4	2	2	0	0	0	0	Yes
23/29	8	8	0	1	0	1	0	Yes
23/31	3	3	0	0	0	0	0	No
24/01	4	4	0	0	0	0	0	No
24/03	4	3	1	2	12,784,937	0	0	No
24/04	2	2	0	1	700,205,422	0	0	No
24/05	4	2	2	0	0	0	0	No
24/10	10	6	4	4	19,129,634	0	0	No
Total	87	61	26	21	774,868,855	4	2	–

Source: *SAO Bulletin*, Resolutions of the Government of the Czech Republic on SAO audit reports from the audits under review and internal information systems of the SAO.

Subchapters B.2–B.4 present the individual audits under review. We provide a brief description of these audits and an overview of the SAO's most significant audit findings concerning funds related to the EU budget that were made within the framework of the audits. Where no notifications to the tax authorities or criminal complaints were filed, or where, for any reason, no measures were set to remedy the identified shortcomings (e.g. because such measures were not necessary or because the audit reports have yet to be discussed by the Government), this information is not explicitly stated.

B.2 LEGALITY AUDITS AND PERFORMANCE AUDITS RELATING TO EU BUDGET EXPENDITURE

This subchapter summarises the basic information and principal findings published by the SAO in the reports of 13 legality and performance audits reviewed.

B.2.1 COHESION AND COMPETITIVENESS

Audits focused on expenditure intended to support “cohesion and competitiveness” projects are clearly the largest group of audits related to the EU budget. A total of 11 audits belonged in this group in the period under review.

Audit No 23/11 – *State and EU funds earmarked for the care system for children at risk and its transformation*

The SAO examined whether State resources and EU funds (OP *Human Resources and Employment* (OP HRE), OP *Employment 2014–2020* (OPEm), and OP *Employment Plus* (OPEm+)) earmarked for the system of care for children at risk and its transformation were used by the Ministry of Labour and Social Affairs (MoLSA), the Ministry of Education, Youth and Sports (MoEYS), and the Ministry of Health (MoH) effectively and economically.

The audit was only carried out at the project level. The audited volume of finances amounted to CZK 701.24 million (of which CZK 572.04 million from the EU budget). The SAO quantified the identified shortcomings at CZK 1.31 million (of which CZK 1.12 million from the EU budget).

For the first time in history, the SAO focused on the approach of individual AEs to the tasks and activities assigned to them in the area of care for children at risk, in particular on the achievement of selected transformation goals set out in strategic, policy and methodological documents. These activities were intended to reduce the number of children in institutional care, raise its quality standards and harmonise procedures in the area of care for children at risk.

Table 4: Share of co-financing from the EU budget in relation to the state budget contribution in individual OPs (%)

Source of financing	Share of contribution from the EU budget (%)	Paid (CZK million)
OP HRE ¹⁴	85.000	178.89
OPEm ¹⁵	85.000	289.92
OPEm+ ¹⁶	76.735	29.56
Competition projects of OPEm	85.000	202.88

Source: prepared by the SAO.

14 Project *Systemic support for the transformation of the system of care for children and families at risk.*

15 Projects *Systemic development and support of tools for the social and legal protection of children and Support for systemic changes in the area of care services for children, young people, and families at risk in the Czech Republic.*

16 Projects *Standardization of the process of ensuring substitute family care for children and Unification of the approach to children at risk.*

Shortcomings identified by the SAO

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 financed from the OP HRE, OPEm and OPEm+ and implemented by the MoLSA, with a value exceeding CZK 498.36 million, did not attain the transformation goals. The number of children in institutional care did not significantly decrease, the system of care was not consolidated within a single ministry and the desired changes in the area of care quality standards were not achieved. The effectiveness of expenditure in this field was therefore significantly reduced.**

The MoLSA allocated a further almost CZK 202.88 million from the OPEm to support the transformation of the system through 71 competitive projects implemented mainly by social service providers. However, in these projects, the beneficiaries repeatedly produced similar, mutually transferable analytical and methodological outputs. Of the total number of 71 projects, beneficiaries submitted a methodology as their output in 68 projects, and analyses in 28 projects. From among these methodologies and analyses, 27 focused on the topic of creating networks, i.e. service networking, with most of them declaring that the methodology (or analysis) produced could be transferred from the environment/location in which it was developed. During the same period, the MoLSA itself – within its own project *Systemic development and support for measures of social and legal protection of children* – developed similar methodological materials on networking, intended for nationwide use. This significantly reduced the effectiveness of the expenditure.

Within the audited projects, further shortcomings were identified at the MoLSA:

- The MoLSA spent CZK 700,000 excluding VAT (CZK 847,000 including VAT) ineffectively on the creation and administration of the *Interactive Catalogue of Phenomena and Services for Children and their Families*, given that the catalogue was still not available as of September 2023 and therefore could not be used. At the same time, it cannot be demonstrated that the online tool was, in fact, ever functional.
- The MoLSA failed to meet the requirements of Act No 359/1999 Coll.¹⁷ given that, as from 2013, it failed to provide an information system for the social and legal protection of children (SLPC) capable of providing the competent bodies in this field with data on applicants for adoption or foster care, on children listed in the register of children for adoption or foster care, and on persons included in the register. Since 2023, the MoLSA has been spending additional funds (up to CZK 6.43 million) on an alternative solution, specifically on creating records in the form of shared MS Excel spreadsheets. This solution does not meet the legal requirements and the MoLSA itself considers it provisional. The Ministry is thus again spending funds ineffectively and inefficiently – this time in the ongoing project *Standardisation of the process of ensuring substitute family care for children*. Since 2018, the MoLSA has already spent almost CZK 2.13 million (including VAT) on ensuring IT support for the SLPC. According to the SAO's findings, the level of IT support has not even reached the state that the MoLSA itself set as its goal as early as 2018. As a result of the MoLSA's inactivity, social workers are burdened with unnecessary administrative work.
- In the project *Systemic support for the transformation of the system of care for children and families at risk* (SLPC1), the MoLSA declared that a minimum network of services for families and children at risk would be established in the participating administrative regions and municipalities with extended competence (MEC). However, the MoLSA did not provide an analysis for each participating MEC and therefore failed to adequately ensure the design and testing of processes and procedures for setting up the minimum service network at the level of each given MEC and administrative region. **The MoLSA thus spent funds on the Analysis of the local service network and design of its optimal form partially ineffectively to an extent of up to CZK 158.05 million, representing the budgeted funds for the relevant key activity of the SLPC1 project.**

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

- The output of the project concerning the creation of a local network in a particular MEC in the Central Bohemian Region (MEC Networking Project) was a networking methodology, which was also the only indicator used by the MoLSA to assess the achievement of this project's objectives. However, the MoLSA implemented another similar project in the same locality. The SAO compared the outputs and activities of the two projects and found, among other things, that identical activities were carried out at approximately the same time. In several of its chapters, the networking methodology developed in the MEC Networking Project reproduced the MoLSA's own materials, and the authors even referred to the work of the MoLSA's network coordinator in the SLPC1 project. **In its role as the MA in the approval of the MEC Networking Project, the MoLSA therefore failed to proceed in accordance with the *Methodological guideline for the management of calls, evaluation and selection of projects in the Programming Period 2014–2020*, as the latter requires not only effectiveness, economy and efficiency of the expenditure, but also its necessity. The Government introduced this requirement precisely in response to shortcomings identified in previous programming periods. The MoLSA approved the MEC Networking Project and paid a total of CZK 1.31 million to the beneficiary.**

The SAO concluded that these funds had been spent ineffectively and in an uneconomical manner.

Notifications to tax authorities and criminal complaints

Based on the findings made in this audit, a notification was submitted to the tax authority regarding the total amount of CZK 1.31 million, of which CZK 1.12 million consisted of funds from the EU budget.

Audit No 23/13 – State and EU funds earmarked for the development of combined freight transport

The purpose of the audit was to verify whether the State and EU funds earmarked for the development of combined freight transport were used effectively, economically and in compliance with legal regulations.

At the Ministry of Transport (MoT), the audit examined the MoT's policy, management and control activities relating to support for the development of combined freight transport, including the monitoring of the elimination of relevant shortcomings identified in previous Audits No 14/03 and No 18/16.¹⁸ On the part of beneficiaries, the audit assessed the attainment of the objectives and benefits, as well as the fulfilment of economic assumptions that had originally been given as justification for the need to support the projects, as well as compliance with the conditions set for the beneficiaries.

The audited amount of financial resources at both systemic and project levels totalled CZK 534.2 million. The SAO quantified the identified shortcomings at CZK 14.7 million (all from the EU budget).

Shortcomings identified by the SAO

The support provided for the development of combined freight transport did not contribute, in terms of effectiveness, to any greater use of this mode of transport. The SAO detected a risk that the national target of shifting 30% of road freight transport over 300 km to rail or inland waterway transport by 2030 would not be met. The MoT planned to support projects for the development of combined freight transport through the provision of CZK 4,697 million, but in reality, it provided financial support for only 14 projects worth a total of CZK 648.4 million.¹⁹ 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. Moreover, there is a risk that the supported projects will not reach the anticipated transport volumes in the coming years. The MoT has 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 transport.

¹⁸ Audit No 14/03 — *Funds earmarked for the development and modernisation of waterways and ports and for the support of multimodal freight transport*, Audit No 18/16 — *Waterways development and support*.

¹⁹ A total of CZK 534.2 million was paid by 31 December 2023.

The SAO did not identify any uneconomical use of the support by the MoT or any breach of legal regulations. However, it found that six audited projects did not achieve the expected results. In the case of two projects, the SAO identified unauthorised use of funds totalling more than CZK 11 million.

Notifications to tax authorities and criminal complaints

In view of the audit findings made in Audit No 23/13, the SAO submitted to the tax authority two notifications of a breach of budgetary discipline, corresponding to the total amount of more than CZK 11 million.

Measures to remedy the identified shortcomings

The Government instructed the Ministry of Transport to implement the following measures, in particular:

- comply with Regulation (EU) 2024/1679²⁰, in particular with regard to the development of railway infrastructure focusing on the needs of rail freight transport;
- implement the State support programme *Development of Railway Sidings* under the OP *Transport 2021–2027* (OPT) as support for access points to the railway;
- develop a concept for loading facilities and marshalling yards;
- continue preparations for the implementation of the *Děčín Water Lock* project.

Some of the measures are of a general nature, and it therefore cannot be determined whether they are sufficient to increase efficiency of support for combined transport and to remove obstacles to its development.

Audit No 23/16 – State and EU funds spent by the Ministry of Industry and Trade on brownfield regeneration

The aim of the audit was to verify whether State and EU funds earmarked for the brownfield regeneration were used by the MoIT effectively, economically and in compliance with legal regulations. The SAO also examined whether this support contributed to reducing the number of brownfields intended for business use in the Czech Republic. The SAO carried out the audit at the MoIT and at the business and investment promotion agency CzechInvest, established by the MoIT (a contributory organisation).

In 2018–2023, the MoIT provided support amounting to CZK 5,059 million, of which CZK 4,347 million came from the EU budget, and financially supported 415 projects implemented in brownfield locations. Considering the total number of 4,349 brownfields recorded in the “*national brownfields database*,” the MoIT supported the regeneration of less than one tenth of them.

Out of the five audited programmes, the MoIT supported brownfield regeneration through three programmes financed from State funds and two programmes financed from EU funds. EU funding was provided under the National Recovery Plan (NRecP) and the OP *Enterprise and Innovation for Competitiveness* (OP EIC).

The audited funds at the system level amounted to almost CZK 5,065 million (with CZK 4,347 million coming from the EU budget) and at the project level to CZK 351 million (CZK 285 million from the EU budget).

The SAO previously addressed the area of brownfield regeneration in Audit No 18/01²¹, in which it pointed out that after project implementation, the MoIT had failed to monitor whether businesses had achieved the expected benefits. The MoIT adopted corrective action in response to this finding. In Audit No 23/16, the SAO verified on a sample of ten projects that the MoIT had implemented the corrective action and had better information on the actual benefits achieved by the supported projects.

20 Regulation (EU) 2024/1679 of the European Parliament and of the Council of 13 June 2024 on Union guidelines for the development of the trans-European transport network, amending Regulations (EU) 2021/1153 and (EU) No 913/2010 and repealing Regulation (EU) No 1315/2013.

21 Audit No 18/01 – *Support for commercial real estate and business infrastructure*.

Shortcomings identified by the SAO

The support provided by the Ministry of Industry and Trade for brownfield regeneration projects reduced the number of brownfields in the Czech Republic, but not to the extent originally planned by the MoIT. Interest in support from EU funds far exceeded demand for support from State funds. In the vast majority of cases, support was drawn in the form of subsidies, and only to a minimal extent in the form of financial instruments (FIs).

As regards support channelled through FIs, four brownfield regeneration projects received a total 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 pointed out a risk of uneconomical spending in relation to the remuneration for the “financial intermediary”, since the remuneration was calculated on the basis of an amount higher than that actually managed.

Measures to remedy the identified shortcomings

As of the editorial deadline of the *EU Report 2025*, the MoIT had not submitted to the Government its position on the audit reports, including proposals for measures to remedy the identified shortcomings.²² However, the completed comment procedure on the MoIT’s position regarding the SAO audit reports shows that the MoIT plans to adopt measures to minimise the remuneration paid to the “financial intermediary” in cases where support is provided in the form of FIs (this remuneration is covered from EU funds).

If the MoIT indeed adopts a measure to minimise the remuneration paid to the “financial intermediary”, the costs of the remuneration related to this form of support should decrease, thereby increasing the efficiency of support provided from EU funds.

[Audit No 23/21](#) – *State and EU funds earmarked for competitive projects to support employment and adaptability of the workforce from Operational Programme Employment 2014–2020*

The objective of the audit was to verify whether State budget and EU funds earmarked for supporting employment and workforce adaptability under OPEm competitive projects were used effectively, efficiently and in compliance with legal regulations.

The audit was carried out at the MoLSA, focusing on its role as the managing authority of the OPEm, and at six selected subsidy beneficiaries with regard to the implementation of a total of ten projects. The audit targeted funds spent under specific objective (SO) 1.1²³ of the OPEm through five calls for competitive projects.

At the MoLSA, the audit examined whether it had set objectives and indicators for SO 1.1 in such a way that their fulfilment could be monitored, evaluated and demonstrated. It also assessed whether the MoLSA had established quantitative indicators to evaluate the effects of support in a longer term, and whether it had determined the allocation of calls for SO 1.1 on the basis of relevant analyses and current developments. The audit also reviewed the MoLSA’s project evaluation and selection process and its control activities.

For the selected subsidy beneficiaries, the audit assessed whether they had used the funds for implementing OPEm competitive projects effectively, efficiently and in compliance with legal regulations and with the set terms of support.

At the system level, audited funds amounted to CZK 1,228.85 million (of which CZK 1,067.85 million was from the EU budget). At the project level, the audited volume of funds reached nearly CZK 112.70 million (of which CZK 97.39 million was from the EU budget). The SAO quantified the identified project-level shortcomings at CZK 9.12 million (of which CZK 7.75 million was from the EU budget).

22 The Government discussed the opinion on the audit report on 2 July 2025 and instructed the Minister of Industry and Trade to take the SAO’s conclusions into account when preparing future brownfield support programmes and to minimise the remuneration paid to the “financial intermediary” by continuously adjusting the allocation according to actual market demand.

23 OPEm specific objective 1.1.1 *Increase employment of supported persons, in particular older, low-skilled and disadvantaged persons.*

In previous years, similar issues relating to employment and workforce adaptability had been addressed, for example, in Audits No 18/28 and No 19/23.²⁴

Shortcomings identified by the SAO

For the fulfilment of SO 1.1.1, the MoLSA set only one long-term quantitative objective, aimed at achieving a desirable change in the population (to increase the general employment rate of persons aged 20–64 to a target value of 75%). **The target value of this indicator was already exceeded in the year when the support was launched.**

The support was targeted at various disadvantaged groups. Further objectives were defined only in general terms (e.g. increasing the number of job seekers or those interested in employment). The MoLSA did not establish any indicators to monitor changes at the population level of the various disadvantaged groups. All indicators related solely to the number of project participants. However, participation and attained qualifications often failed to improve the participants' labour market position. **The indicators used did not enable the MoLSA to monitor and evaluate whether the funds had been spent effectively and efficiently.**

The MoLSA's monitoring of the competitive projects did not allow for evaluation of their benefits, as it could not be determined whether participants found jobs as a result of taking part in the project. The projects contributed to a short-term increase in employment (primarily during the project duration), **while no long-term benefits were identified in terms of increasing the employment rate.**

In several cases, the MoLSA spent funds on ineligible expenditure (e.g. on activities that were not in line with the call or the decision, on support for persons outside the target groups, or on a training course that had no impact on finding a job).

In certain cases, the MoLSA applied unequal treatment towards applicants during the assessment of subsidy applications, and its control activities failed to detect shortcomings on the part of beneficiaries.

For the audit sample of ten projects from six beneficiaries, the Supreme Audit Office concluded that only in one case did the beneficiary use the funds effectively, albeit with reduced efficiency. In two cases the beneficiaries spent all the funds ineffectively and inefficiently, as they supported people who did not belong in the target groups. In the remaining seven cases, the SAO identified partial shortcomings that reduced the effectiveness and efficiency of the funds used.

Notifications to tax authorities and criminal complaints

In four projects, the SAO identified shortcomings indicating a breach of budgetary discipline due to violation of the conditions set out in the subsidy award decision (the total amount of ineligible expenditure reached up to CZK 9.12 million).²⁵ For example, in these projects, beneficiaries supported persons who did not fall within the target groups, failed to prove the rationale behind including the supported persons in the target group, or claimed expenditure for activities that brought no benefit to the target group.

²⁴ Audit No 18/28 – Funds earmarked for the implementation of measures of Operational Programme Employment 2014–2020 to increase employment and adaptability of the workforce; Audit No 19/23 – Support for employment of people over 50 and for the policy of positive ageing from Operational Programme Employment.

²⁵ Three notifications concerning four audited projects were submitted to the tax authority during the audit. In the case of one AE, the notification concerned two projects.

Measures to remedy the identified shortcomings

The MoLSA accepted the SAO's audit findings and, in most cases, adopted a number of specific measures to improve both the current situation and future practice. The aim of these measures was to improve the system of providing support co-financed from the EU budget with a view to increasing the employment of disadvantaged persons, to ensure effective and efficient use of funds, and to comply with the established rules.²⁶

As a result of the audit carried out by the SAO, an indicator was introduced that will improve the ability to evaluate the success of support (better assessment of project benefits), and the conditions of announced calls were refined.

The proposed measures have the potential to improve the system of providing support co-financed from the EU and to enhance the administration and control of support, including compliance with the established rules. The SAO will continue to monitor this area and the implementation of the declared measures. Their effectiveness will only be verifiable by a follow-up audit.

Audit No 23/22 – *State and EU funds spent in connection with shifting the focus of psychiatric care to the community*

The SAO audit aimed to verify whether State budget and EU funds earmarked for shifting psychiatric care to the community were used effectively and in compliance with legal regulations.

The SAO examined whether the procedures of the MoH, as a beneficiary of OPEm funds and simultaneously a provider of subsidies to individual mental health centres (MHCs), complied with legal regulations. It also reviewed the procedures applied by the MoLSA as the managing authority of the OPEm and by selected subsidy beneficiaries. The SAO further assessed whether, and to what extent, the procedures of both Ministries contributed to achieving the set objective, i.e. shifting the focus of psychiatric care to the community. Specifically, the SAO audit concentrated primarily on three projects for which the MoH drew a total of CZK 442 million from the OPEm. Of this amount, the MoH provided CZK 407 million as a subsidy for the establishment and pilot operation of 29 MHCs for persons with severe mental illness.

The audited funds at the system level amounted to almost CZK 1,958.92 million (with CZK 342.94 million coming from the EU budget) and at the project level CZK 442.14 million (CZK 342.94 million from the EU). Quantifiable shortcomings amounting to CZK 14 million were identified (all from the State budget) at the project level.

An audit with a similar focus has yet to be carried out by the SAO; however, Audit No 23/22 partly followed up on Audit No 21/17²⁷.

Shortcomings identified by the SAO

The SAO identified breaches of binding OPEm rules committed by both audited Ministries in project administration. The MoH, in violation of Act No 320/2001 Coll.,²⁸ failed to ensure thorough inspections in several cases. Specifically, the findings were as follows:

- **Due to insufficient verification of supporting documents, the MoH paid four subsidy beneficiaries an additional CZK 32,000 to which they were not entitled.**

²⁶ These included:

- expanding the data used to evaluate the success of support to include the number of disadvantaged persons placed in jobs;
- refining the conditions of calls announced for similar projects in the Programming Period 2021–2027, e.g. conditions for the eligibility of evaluation reports in projects or the definition of target groups;
- improving the MCS for providing subsidies, in particular in the area of inspections, e.g. more thorough verification of whether supported persons belonged to the defined target groups;
- conducting internal training for staff administering similar projects to prevent the recurrence of errors identified by the SAO's audit;
- modifying the obligations of subsidy beneficiaries (introducing a mandatory indicator regarding the number of disadvantaged persons placed in jobs).

²⁷ Audit No 21/17 – *State and EU budget funds to support humanisation of psychiatric care.*

²⁸ Act No 320/2001 Coll., on financial audits in the public administration and amending some related laws (the Financial Audits Act).

- **The MoH jeopardised the implementation of one project by not submitting all required documents in time for proper filing of the application.** In violation of the *General Part of the Rules for Applicants and Beneficiaries under the Operational Programme Employment*, as amended, the MoLSA – as the MA – again called on the MoH to remedy the situation.
- **The MoH incorrectly requested a change to the target value of an indicator in one of the projects, and the MoLSA approved the change even though the original value had been one of the conditions for approving the support.**
- The SAO identified a number of other formal shortcomings at both the MoH and the MoLSA in connection with three audited projects; however, these findings were not serious.

For some subsidy beneficiaries (operators of MHCs), the SAO identified breaches of the set conditions. The breaches included, for example, a failure to extend a contract between cooperating entities under the project or **duplicate use of supporting documents for subsidy reimbursement. These practices indicate unauthorised use of part of the funds, which resulted in a notification to the tax authority on a breach of budgetary discipline.**

Notifications to tax authorities and criminal complaints

Further to this audit, the SAO submitted a total of three notifications to the tax authority. On the basis of these notifications, the competent tax authority carried out an inspection and imposed tax levies amounting in total to CZK 117,000.

Measures to remedy the identified shortcomings

When the audit report was discussed by the Government, both audited Ministries proposed measures to remedy the identified shortcomings. The SAO considers it essential that both Ministries confirmed the necessity of close cooperation and committed to more intensive joint action in mental health care, in planning and introducing further tools (both financial and institutional) to further develop the MHC network, and in implementing steps to secure an increased – and sufficient – number of professional staff in the field.

The MoH secured additional funds (both investment and operating) for the development of community-based mental health care and is addressing further steps necessary for the reform of mental health care, for example in terms of training health professionals.

Audit No 23/29 – State and EU funds earmarked for the support of social inclusion

The SAO examined whether the MoLSA and selected support beneficiaries used funds earmarked in the OPEm for the social inclusion of persons living in socially excluded areas (SEAs) effectively, efficiently and in compliance with legal regulations. In territories comprising SEAs, the supported projects were intended especially to enhance the participation of socially excluded persons in the labour market and society, to further develop social entrepreneurship, to increase the quality and sustainability of social services, and to use social innovations more widely.

The audited funds at the system level amounted to almost CZK 2,845.22 million (with CZK 2,399.31 million coming from the EU budget) and at the project level, CZK 653.69 million (CZK 538.55 million from the EU). At the project level, the identified shortcomings were quantified at CZK 0.28 million (CZK 0.24 million of which was from the EU budget).

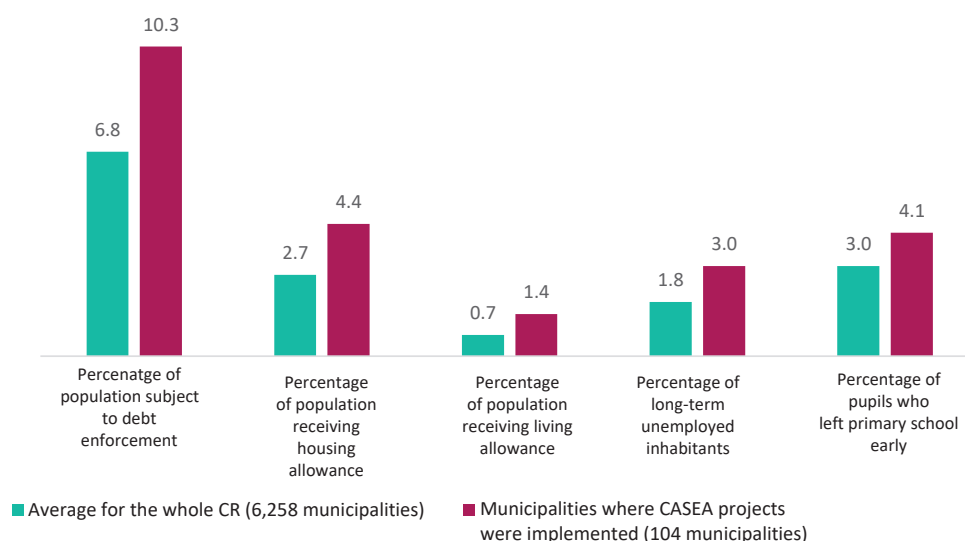
In the previous period, audits No 17/02, No 18/33 and No 21/29 were carried out in an area directly related to social inclusion.²⁹

²⁹ Audit No 17/02 – Support for social housing as part of the social inclusion policy; Audit No 18/33 – Subsidy from the operational programme Prague – Growth Pole of the Czech Republic provided for promoting social inclusion and combating poverty; Audit No 21/29 – State budget and EU funds for support of family policy.

Shortcomings identified by the SAO

The MoLSA, as the managing authority of the OPEm, provided a total of CZK 2.8 billion for projects whose impacts on persons living in SEAs were only limited and short-term. The support for social inclusion led only to the mitigation of some consequences of social exclusion, but not to addressing its deeper causes. The supported projects resulted in more permanent integration³⁰ into the labour market for 4,601 out of 19,358 participants (i.e. 24%) who were originally unemployed and inactive. Over the entire Programming Period 2014–2020 (PP14+), projects under the coordinated approach to socially excluded areas (CASEA) resulted in the establishment of only two social enterprises. The impacts of these projects on the development of social entrepreneurship in municipalities with SEAs were therefore minimal. The highest level of the social exclusion index persisted in 2023 in 58 out of 104 municipalities where CASEA projects had been implemented.³¹

Chart 6: Comparison of the Social Exclusion Index in municipalities in the Czech Republic (data for 2023) (%)



Source: prepared by the SAO according to the Social Exclusion Index (data from MoRD and MoLSA).

In managing OPEm support, the MoLSA focused primarily on the utilisation of funds and financed even projects without clear and binding objectives. The MoLSA also failed to monitor or evaluate whether the funds spent helped address fundamental causes of social exclusion of persons living in SEAs. In the administration of some projects, the MoLSA acted in contravention of legal regulations and OPEm rules, for example by approving a beneficiary's request for a change that was contrary to an OPEm call, by not publishing an update to an OPEm call, or by missing deadlines for settling payment claims.

The SAO reviewed nine OPEm projects on which beneficiaries spent a total of CZK 656.1 million. Of this amount, CZK 376 million (i.e. 57%) was used for personnel costs. **None of the beneficiaries achieved all of the project objectives in full.** The funds spent thus made only a limited contribution to improving the situation of supported persons.

Notifications to tax authorities and criminal complaints

The MoRD Department – Agency for Social Inclusion (the MoRD-ASI), as a beneficiary, failed to implement the key activities of the project *Systemic Provision of Social Inclusion* worth CZK 277.7 million to the extent set out in the conditions for the use of support, which the SAO considered an indication of a breach of budgetary discipline. In this context, the SAO submitted a notification to the tax authority.³²

³⁰ The SAO checked the participants' employment 6 and 12 months after the end of their participation in the project.

³¹ The Social Exclusion Index tracks five basic aspects of social exclusion: long-term unemployment, material need, housing need, indebtedness and early school leaving.

³² The tax authority imposed a proportional penalty on the MoRD-ASI for a breach of budgetary discipline corresponding to CZK 277,749, of which EU funds accounted for 77.56%, i.e. CZK 215,422.

Measures to remedy the identified shortcomings

The following measures were proposed and adopted by the responsible bodies, i.e. the MoLSA and the MoRD:

1. The MoLSA will amend OPEm+ methodologies so that only projects with specific and measurable objectives, reflected in the legal acts on the provision of support, can be recommended for support;
2. The MoLSA will ensure a general commitment of all beneficiaries to achieve a certain minimum result (possible exceptions, e.g. for projects using unit costs, will have to be justified);
3. As of 1 January 2025, the MoLSA ensured the operability of the previously non-functional IS ESF system intended for monitoring supported persons within the OPEm+;
4. The MoLSA will evaluate the impacts of OPEm+ projects aimed at the social inclusion of low-skilled and indebted persons;
5. The MoLSA has removed from the OPEm+ the possibility of reporting completion of a financial literacy course under the indicator for monitoring an increase in qualifications or retraining;
6. The MoRD has taken steps to ensure the institutional anchoring of the Agency for Social Inclusion;³³
7. The MoRD will prepare and submit to the Government Committee for Regional Policy options for involving local governments in financing the Agency for Social Inclusion;
8. The MoRD will introduce monitoring of the implementation of “*social inclusion plans*” in cooperating municipalities, i.e. it will continuously monitor the impacts of support provided in the area of social inclusion at the local level;
9. The MoRD will ensure annual updates of data contained in the social module of the AGIS information system, which is used at the local level (e.g. by mayors) for designing and adopting measures in the field of social inclusion.

Of the above-mentioned measures, measures 3, 5 and 6 have already been implemented by the Ministries. The fulfilment of the other measures can only be verified in subsequent audits, or through ongoing monitoring of social inclusion.

Major legislative changes relevant to social inclusion have yet to be implemented (e.g. the introduction of a single State social assistance benefit) or are only in pilot testing (the “integration jobs instrument”). Assessment of the impacts of this audit is therefore not yet relevant. In terms of the impacts of previous audits, the following facts were identified:

- Following the report of Audit No 21/29, the *Family Policy Strategy 2023–2030* was approved and is currently being implemented, among other measures. The Financial Settlement Decree was amended, eliminating the duplicate administrative burden on beneficiaries connected with financial settlement. The assessment of intervention logic and theory of change was introduced at the level of individual OPEm+ calls.
- Following the report of Audit No 22/28,³⁴ with effect from 1 July 2024, the OPEm+ introduced an obligation for direct award projects: applicants must always set a target value for at least one result indicator, requiring them not only to deliver outputs but also to achieve specific results.

³³ See Government Resolution No 580 of 28 August 2024.

³⁴ Audit No 22/28 – *State budget and EU funds earmarked for employment support*

Audit No 24/01 – State and EU funds earmarked for the construction and reconstruction of pavements and footpaths

The objective of the audit was to verify whether State and EU funds were used effectively, economically and in compliance with legal regulations.

The audit focused on the policy, coordination and control activities of the MoT in this field, and on the activities of the MoRD, the Centre for Regional Development of the Czech Republic, and the State Fund for Transport Infrastructure (SFTI) in providing this support. The SAO examined the provision, drawdown and use of State and EU funds earmarked for the construction and reconstruction of pedestrian infrastructure. The SAO reviewed and evaluated the effectiveness and economy of the provision and use of funds (from both national SFTI resources and EU resources paid from the IROP) on a sample of 23 projects.

The audited funds amounted to CZK 4,457 million at the system level, with CZK 4,341 million coming from the European Union budget. At the project level, the volume of audited funds amounted to CZK 80 million (CZK 76 million from the EU budget).

Shortcomings identified by the SAO

The MoRD, as a provider of support, lacks an analysis of the initial state of the given area, its shortcomings and possible solutions.

In the *Integrated Regional Operational Programme (IROP)* or in the *Integrated Regional Programme 2021–2027 (IRP)*, the MoRD did not set any specific measurable objectives or indicators for support provided for the construction and reconstruction of pedestrian infrastructure. It will therefore be very difficult to evaluate their fulfilment, or to demonstrate the actual impacts of the support and the specific changes (progress) achieved in the area.

In the *Traffic Safety* activity³⁵, the MoRD did not proceed fully in line with the requirements of the following documents in establishing the IROP indicator framework:

- Regulation No 1303/2013³⁶ (Common Provisions Regulation 14+);
- Regulation 2018/1046³⁷ (Financial Regulation);³⁸
- the methodological guideline issued by the MoRD *Principles for the Development and Use of Indicators in the Programming Period 2014–2020*.

Despite its administrative complexity, the current system of providing support for the construction and reconstruction of pedestrian infrastructure does not ensure effective and economical usage of support expenditure. For eight out of a sample of 12 projects financed from the IROP, the SAO found the EU support not effective or only of limited effectiveness. In the case of six of these projects, the SAO also concluded that the funds had completely or partially been spent in an uneconomical manner.

Measures to remedy the identified shortcomings

The SAO considers it important to ensure the safety and accessibility of pavements and footpaths and, based on the results of its audit, it recommended reviewing and changing the current form of support for the construction and reconstruction of pavements and footpaths.

³⁵ The *Traffic Safety* activity defined the scope of possible use of support under SO 1.2 and 4.1 IROP.

³⁶ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the *European Regional Development Fund*, the *European Social Fund*, the *Cohesion Fund*, the *European Agricultural Fund for Rural Development* and the *European Maritime and Fisheries Fund* and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.

³⁷ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.

³⁸ This Financial Regulation adopted for PP14+ also applies, following several amendments, to PP21+.

Audit No 24/03 – Funds earmarked for access to digital documents and electronic information resources in the network of libraries of the Czech Republic

The audit aimed to verify whether funds earmarked for providing access to digital documents and electronic information resources in the Czech library network were used effectively, economically and in compliance with legal regulations.

The Ministry of Culture (MoC) spent a total of CZK 446.7 million from the State budget and from the NRecP to support the digitisation of library collections and electronic information resources in the 2017–2023 period. The National Library of Technology (NLT) used CZK 1,056.1 million in 2017–2022 to ensure access to electronic information resources through the project *National Centre for Electronic Information Resources – CzechELib* (CzechELib), financed from the European Structural and Investment Funds (ESIF) and the State budget.

Funds amounting to CZK 1,338.66 million (of which CZK 753.52 million came from the EU budget) were audited at the system level. At the project level, audits covered funds in the amount of CZK 1,125.54 million (of which CZK 753.52 million was from the EU budget). The SAO quantified the shortcomings identified at the system level at CZK 12.75 million (all from the State budget). At the project level, the shortcomings were quantified at CZK 0.04 million (all from the State budget).

Shortcomings identified by the SAO

The SAO identified shortcomings only at the MoC as the provider of national subsidies under the *Public Information Services of Libraries* (PISL) programme. In the case of the NLT as a subsidy beneficiary under both the PISL programme and the *OP Research, Development and Education* (OP RDE), a shortcoming was identified only in one project financed from the national PISL programme. No shortcomings were found in the CzechELib project financed from the OP RDE. Projects financed from the NRecP were in the implementation stage during the audit. For these projects, the audit therefore examined the submission of the applications and the issuing of the subsidy award decisions.

Audit No 24/04 – Funds spent by the Ministry of the Interior on the project *Electronic Collection of Laws and International Treaties (e-Collection)* and *Electronic Legislation (e-Legislation)*

The objective of the audit was to verify whether the Mol used funds earmarked for the preparation and implementation of the project *Electronic Collection of Laws and International Treaties (e-Collection)* and *Electronic Legislation (e-Legislation)* (together eSeL) effectively, efficiently and in compliance with legal regulations.

Given the focus of this audit, scrutiny was directed solely at the project level, where funds amounting to just under CZK 725.0 million were audited (CZK 382.5 million from the EU budget). The SAO quantified the identified shortcomings at CZK 700.2 million (of which CZK 382.5 million was from the EU budget).

Shortcomings identified by the SAO

According to Act No 134/2016 Coll.³⁹ (Public Procurement Act), the contracting authority may not allow a substantial modification of the commitment under a public contract during its term without launching a new contract award procedure.

The Mol concluded a total of 14 amendments to the eSeL contract, whereby it, among other things, postponed the delivery deadline from 15 October 2020 to 29 February 2024. In some of these amendments, the Mol cited unforeseeable circumstances – namely insufficient cooperation from “partner institutions” – as the primary reason for its conclusion. However, insufficient cooperation of such institutions was a circumstance the Mol could have foreseen. From the very beginning of

39 Act No 134/2016 Coll., on public procurement.

the project implementation, the MoI knew of the necessity to involve the institutions (suppliers and operators of third-party information systems), while undertaking in the eSeL contract to ensure their proper and timely cooperation.

Among other reasons for concluding some of the amendments, the MoI cited, for example, issues relating to the integration of the eSeL with systems managed by the MoI itself or falling under its remit. In addition, in the justification for the amendments, the MoI referred to the need for essential modifications of the eSeL that allegedly resulted from a gradual increase in the scope of analytical work during implementation. However, the MoI repeatedly used this reasoning for the same parts of the deliverable, even though in previous amendments, it had already adjusted the relevant deadlines and the supplier had declared that it would be capable of delivering the work within the revised deadlines. **Hence, in these cases, the changes were caused by circumstances the MoI could have foreseen.**

The MoI thus concluded some amendments to the eSeL contract in violation of the conditions under which the Public Procurement Act permits substantial modifications of commitments under public contracts. The need for changes arose from circumstances that the MoI, as a contracting authority acting with due diligence, could have foreseen. **By concluding the amendments, the MoI therefore carried out an unlawful substantial modification of the commitment under the contract. The total period of performance of the commitment (contractual obligation) is one of the key circumstances, as it affects the supplier's considerations regarding the offer to be submitted, and even whether or not to submit an offer in the first place. Had the delivery deadline already been set in the tender documentation in the form corresponding to the contract amendments, this could have motivated other suppliers to participate and could have led to the selection of a different offer for implementing the public contract.**

The MoI thus unlawfully used CZK 581 million spent on the performance of the eSeL contract, as this expenditure involved a breach of the Public Procurement Act.

By failing to proceed in accordance with the Public Procurement Act when concluding the amendments to the eSeL contract, the MoI also breached the conditions for the provision of the subsidy. **The SAO concluded that the MoI's conduct resulted in an irregularity of up to CZK 473 million, representing the share of funds provided from the IROP.**

Notifications to tax authorities and criminal complaints

A notification was submitted to the tax authority due to a breach of budgetary discipline in relation to funds exceeding CZK 700.20 million. This total amount includes both State budget funds and EU funds from the IROP, as quantified above.

Audit No 24/05 – Funds spent under technical assistance on activities related to publicity and promotion of operational programmes and projects implemented in the Programming Period 2014–2020

The audit aimed to verify whether funds spent under technical assistance on activities related to publicity and promotion of selected OPs and projects were used effectively, economically and in compliance with legal regulations.

The audit was carried out at:

- the MoRD, as regards the fulfilment of its role as the managing authority of the OP *Technical Assistance 2014–2020* (OPTA14+) and the IROP in the administration and control of publicity and promotion projects implemented under OP's technical assistance in 2014–2020;
- the Centre for Regional Development of the Czech Republic, in respect of its activities as a beneficiary of support from the IROP under the implementation of Priority Axis (PA) 5 – *Technical Assistance* in the projects selected for audit;

- the MoIT, in relation to the fulfilment of the part of the Joint Communication Strategy⁴⁰ falling under the responsibility of the MoIT, and to the administration and control of publicity and promotion projects under the technical assistance provided within the OP EIC;
- the Business and Innovation Agency, as regards its activities as a beneficiary of support from the OP EIC within the implementation of PA 5 – *Technical Assistance* in the projects selected for audit.

The audit examined whether the objectives of the intervention, i.e. the medium-term change described by means of the result indicators set out in the *Joint Communication Strategy for the European Structural and Investment Funds in the Czech Republic in the Programming Period 2014–2020*, had been achieved. The SAO also verified whether the MAs of the respective OPs had defined in their programme and project documents such objectives and activities to support publicity and promotion of the economic, social and territorial cohesion policy (the Cohesion Policy) as could contribute to the achievement of the intervention objectives. It also verified whether the tasks laid down in the annual communication plans of the IROP had been fulfilled, the extent to which the objective of “programme funds drawdown” had been achieved, and whether the project objectives and the assumptions set out in the applications for support had been achieved.

The audited volume of funds amounted to CZK 363 million (of which CZK 309 million was from the EU budget) at the system level and to CZK 360 million (of which CZK 306 million was from the EU budget) at the project level.

In previous years, Audits No 15/26 and No 19/01 dealt with the issue of publicity.⁴¹

Shortcomings identified by the SAO

Expenditure on promotion and publicity was used effectively, and the funds spent had an impact on the awareness of supported projects, the level of information and the awareness of the general public about the ESIF.

The MoRD spent CZK 208 million on the promotion and publicity of the OPTA14+. A total of CZK 130 million was spent on the same activities under the IROP, which represented 72% of the planned expenditure. The MoIT spent CZK 25 million, i.e. 16% of the approved funds, on the promotion and publicity of the OP EIC. The low drawdown rate corresponded to the requirement of the European Commission to minimise outsourcing of communication measures. The drawdown of the planned budgets was also affected by the pandemic measures adopted in 2020–2021, when, for example, open days were cancelled and seminars and conferences were held online.

The SAO identified shortcomings in public procurement. In the audit of the IROP, it found that half of the contracts for the procurement of promotional items had been awarded on the basis of a single tender. Contracts for photographic services, from simple orders to above-threshold procurement procedures, always had the same winner. The SAO also found that the same tenderers were competing repeatedly – out of a sample of 34 award procedures, 20 contracts were carried out by five suppliers.

Audit No 24/10 – Funds earmarked to support the infrastructure of regional social services

The audit aimed to verify whether the funds provided by the Ministry of Regional Development for social services infrastructure were used effectively and in compliance with legal regulations.

The audit was carried out at the MoRD, as regards its activities as the managing authority of the IROP and the IRP, and at eight selected beneficiaries of support, where the implementation of 14 supported projects was examined.

⁴⁰ *Joint Communication Strategy for the European Structural and Investment Funds in the Czech Republic in the Programming Period 2014–2020*, MoRD-NCA, 2014.

⁴¹ Audit No 15/26 – *European Union and State budget funds spent on publicity and promotion activities for operational programmes and projects implemented in the Programming Period 2007–2013*; Audit No 19/01 – *Funds spent for technical assistance in the Operational Programme Enterprise and Innovation for Competitiveness*.

At the MoRD, the audit evaluated whether the system in place had the prerequisites for the effective provision of support for social services infrastructure. The impacts of shortcomings identified at the system level on the actual implementation of the selected projects were evaluated, where relevant.

At selected beneficiaries of support, the audit assessed whether they had used the funds provided effectively and in compliance with legal regulations to improve the quality and availability of social services.

In previous years, Audits No 20/22 and No 14/05 dealt with the issue of social services.⁴²

The audited volume of funds amounted to CZK 5,970 million (of which CZK 5,481 million was from the EU budget) at the system level and to CZK 358 million (of which CZK 324 million was from the EU budget) at the project level.

Shortcomings identified by the SAO

The MoRD cooperated with the MoLSA in setting the conditions of support from the IROP, but during project implementation, it failed to take into account or monitor the complementarity of IROP projects with projects supported by the MoLSA.

The conditions of one of the calls for applications for subsidies, with a financial allocation of CZK 2,505 million, did not provide for sufficient verification of necessity, thus allowing some of the beneficiaries to purchase cars that were not needed.

In the IROP calls, the MoRD did not set objectives to be achieved by beneficiaries through the implementation of their projects, nor did it define appropriate indicators for their measurement and for demonstrating the achievement of the desired qualitative changes. As a result, the MoRD neither monitored nor evaluated the contribution of the supported projects to improving the quality and availability of social services. The MoRD thus acted in contravention of the law (Section 39(1) of Act No 218/2000 Coll.⁴³).

Out of 14 projects implemented by eight beneficiaries of support, the SAO concluded that the funds had been spent effectively in ten cases. In two cases, the expenditure was found effective with minor shortcomings, and in two cases of limited effectiveness.

Notifications to tax authorities and criminal complaints

The SAO identified shortcomings at beneficiaries indicating a breach of budgetary discipline of up to CZK 19.13 million (of which CZK 17.12 million was from the EU budget), representing 5.3% of the total amount audited at the project level. These shortcomings consisted in:

- the negligible use of cars purchased from the subsidy for providing social services;
- the use of kitchen equipment purchased from the subsidy for commercial purposes (i.e. in an unauthorised manner);
- errors in expenditure eligibility;
- errors in public procurement.

The SAO submitted four notifications of a breach of budgetary discipline to the tax authorities, amounting to CZK 19.13 million.

⁴² Audit No 20/22 — *State funds for investments in social services*; Audit No 14/05 — *Funds earmarked for financing selected programmes within the competence of the Ministry of Labour and Social Affairs*.

⁴³ Act No 218/2000 Coll., on budgetary rules and amending some related laws (Budgetary Rules).

Measures taken to remedy the identified shortcomings

Based on the audit results, the SAO recommended the following to the MoRD:

- to cooperate with the MoLSA on more effective use of the complementary aspects of the IROP and OPEM projects (and the IRP and OPEM+ projects) in practice, especially in view of the imminent staff shortages in social services;
- to set appropriate indicators for assessing the benefits of support provided from the IROP/IRP, including qualitative changes that social services bring to clients, e.g. by using relevant quality standards for social services;
- in the evaluation of applications for support, to consistently assess the requirements aimed at the purchase of equipment and, at the same time, reflect on the proportionality of such requirements (e.g. for the purchase of vehicles) in relation to the volume and scope of the services provided as well as the number of clients served.

B.2.2 NATURAL RESOURCES

In the period under review, the SAO completed two audits focusing on the EU budget heading “*Natural Resources and Environment*”.

Audit No 23/07 – *State and EU funds earmarked for improving air quality*

The objective of the audit was to verify whether State and EU funds intended for the implementation of projects aimed at improving air quality were used effectively and in compliance with legal regulations.

In the audit, the SAO examined EU funds from the *OP Environment 2014–2020* (OPEn14+) and the *OP Environment 2021–2027* (OPEn), funds from Chapter 315 of the State budget – *the Ministry of the Environment* (MoE) provided under the *New Green Savings Programme* (NGS), as well as funds from the State Environmental Fund (SEF) provided through the *National Environment Programme* (NEP).

The audit focused on the fulfilment of the roles of managing authority (MA) and programme administrator (both exercised by the MoE), and of the intermediate body (the SEF in this case) in the administration, implementation and evaluation of the OPEn14+ programmes and projects. Selected projects were audited both at the level of the IB and at selected beneficiaries of support. The audit also examined the administration, implementation and evaluation of the OPEn, NGS and NEP programmes, focusing within these programmes on the setting of the support system and the evaluation of benefits in terms of improving air quality. The audit further verified the achievement of air quality objectives by 2020 and in the subsequent years 2021 and 2022, and examined the implementation of measures under the *National Emission Reduction Programme of the Czech Republic* under the remit of the MoE.

The audited volume of funds amounted to CZK 96,107.51 million (of which CZK 23,987.67 million from the EU budget) at the system level and to CZK 109.23 million (entirely from EU funds) at the project level. At the project level, recoverable shortcomings of CZK 5.61 million (all from the EU budget) were identified.

Shortcomings identified by the SAO

The MoE spent CZK 2.9 billion from PA 2 – *Improving air quality in human settlements* of the OPEn14+ on reducing emissions from industry. **The MoE spent part of the funds, amounting to more than CZK 103 million and earmarked for reducing dust levels in industry, ineffectively. Funds from the**

OPEn14+ contributed only minimally to reducing sulphur dioxide and nitrogen oxide emissions between 2014 and 2022.

In the supported OPEn14+ projects aimed at reducing dust from area sources, which included the purchase of dust reduction machinery, two categories of multifunctional machines were essentially procured: a base machine with a sweeping attachment (usually a wheel loader) or a dedicated sweeping vehicle.

If applicants stated in their applications for support that they intended to purchase a wheel loader or a reloading excavator with a spraying system attachment, the MoE and the SEF did not support the projects. However, if applicants stated that they would purchase a machine, e.g. a multifunctional dust control unit, without a specific machine type specification, the MoE and the SEF supported such projects, even though, in fact, the beneficiaries usually purchased a wheel loader with a sweeping attachment. On the basis of payment claims, the MoE and the SEF considered expenditure on the purchase of wheel loaders to be eligible.

The MoE and the SEF supported 32 projects aimed at reducing dust from area sources, with the subject of these projects being the purchase of multifunctional equipment for dust reduction, while the technology actually purchased was a base machine and a sweeping attachment. The total subsidy provided amounted to almost CZK 106 million, of which more than CZK 103 million had been paid out by 31 December 2022.

Funds from the OPEn14+ in the amount of up to CZK 103.62 million were used ineffectively by the MoE, as the acquisition of new technology in the form of a base machine such as a wheel loader, skid steer loader, tractor or telescopic handler exceeded the objectives of the supported activity of reducing dust from area sources. Expenditure on acquiring these technologies cannot be regarded as eligible project expenditure, as this equipment serves primarily purposes other than emission reduction (mainly material handling) and can be purchased independently. This therefore constitutes an irregularity within the meaning of Common Provisions Regulation 14+.⁴⁴

The SAO also examined, *inter alia*, the provision of a subsidy to a beneficiary for the implementation of a project to reduce dust from its establishment. **However, the beneficiary was, in fact, not the owner or operator of a stationary source of air pollution to the extent specified in the application for support; therefore, pollutant emission reductions could not be achieved in the expected scope. The beneficiary was thus not an eligible applicant under the terms of the call. The MoE paid the beneficiary a subsidy of CZK 5.57 million, representing 75% of the total eligible expenditure reported. By means of the audit, the SAO identified facts indicating a breach of budgetary discipline.**

In the course of implementing one and the same project, the beneficiary purchased a mobile sweeping and vacuuming machine for paved surfaces consisting of a wheel loader and a sweeping attachment, which could not be used for top spraying of stockpiled material heaps or for spraying the area for handling bulk materials to the required extent. The beneficiary did not implement the project in line with the project compliance analysis. The subsidy granted amounted to CZK 5.25 million.⁴⁵ **The machine acquired was to be used for regular cleaning of internal roads once a day during the operation of the premises and for spraying (daily during the operation of the premises) of the stored material (heaps with a minimum area of 850 m²). The SAO's on-site inspections and aerial images comparison showed that during the project implementation or sustainability period, the beneficiary included in the machine logbook and vehicle entry records days when the premises were not in operation or when no bulk material was present there.**

⁴⁴ The SAO's assessment relied on decisions rendered by the Municipal Court in Prague on the basis of actions brought by applicants excluded from support under call No 8. In two cases, the court dismissed the actions and upheld the SEF's decisions, and in one case, the court declared the SEF decision null and void (non-existing). The MoE subsequently, by its decision on appeal of 18 March 2021, confirmed the SEF's position on the failure to meet the eligibility conditions in this case as well. In this decision, the MoE stated, among other things, that the reference document on best available techniques for reducing emissions from storage clearly referred, with regard to such sources, to water spraying/water curtains and jet spraying, and not to loaders or similar machinery.

In its reasoning for dismissing the action, the Municipal Court stated, *inter alia*, that it was illogical (and contrary to the fundamental rationale behind the OPEn14+) to require support for acquiring equipment which, in itself, constitutes a source of pollution (exhaust gas emissions, dust dispersion when handling/moving the equipment, etc.). According to the court, support for the given activity is possible on condition that dust from area sources is reduced. The acquisition of new equipment whose primary function is other than dust reduction, and where the relevant technology is only one of its components, is not explicitly accepted.

⁴⁵ This is part of the subsidy granted for reimbursing expenditure on the purchase of multifunctional equipment (a wheel loader and a sweeping attachment). Eligible expenditure of the project further included costs for project management and public contract administration. The total subsidy amounted to CZK 5.57 million – see above.

The support in question was granted for a project under Article 36 of Regulation No 651/2014⁴⁶. The beneficiary was therefore required to ensure that the subject of support (the machine) would be used exclusively on the premises linked to the project throughout its sustainability period. The beneficiary was thus not allowed to use this machine for other purposes (e.g. by renting it out or by providing road cleaning services to other entities), not even on a supplementary basis. However, the SAO found that the wheel loader's operating hours indicator⁴⁷ logged about six times more time than the time required to perform the project activities. The beneficiary did not use the acquired machine solely for activities carried out within the project. **The beneficiary thus spent funds of up to CZK 5.57 million (see above) ineffectively on project implementation, as the beneficiary breached the subsidy conditions laid down in the relevant subsidy award decision.**

On the basis of two mandate contracts, the beneficiary entrusted one selected company with the project management and the complete administration of the public contract. Expenditure on project management, amounting to CZK 211 thousand excluding VAT, and on the complete administration of the public contract, amounting to CZK 225 thousand excluding VAT, was included in the eligible expenditure of the project. When awarding below-the-threshold public contracts, the beneficiary was required to act in compliance with the principles of transparency, proportionality, equal treatment and non-discrimination. **The beneficiary failed to proceed in accordance with the procurement guidelines under the OPEn14+. It did not observe the principle of transparency, as it failed to prepare and maintain written documentation of all significant acts related to the selection of the contractor. At the same time, the beneficiary did not adhere to the principle of non-discrimination, since it did not select the service provider in a demonstrable manner, e.g. by contacting other suppliers, conducting market research, or by another means ensuring the participation of several suppliers, thereby restricting the circle of potential tenderers.**

The SAO's inspection of similar projects found that a wheel loader with the same sweeping attachment was purchased in at least six other cases, where it was also supposed to reduce emissions by regular spraying of stockpiled material heaps with an area ranging from 300 to 6,000 m². **In at least seven projects, machines were acquired which did not allow for top spraying of stockpiled material heaps with pressurised water. For these projects, beneficiaries were paid a total of CZK 12.49 million from the Cohesion Fund (CF) and CZK 15.22 million from the European Regional Development Fund (ERDF). The MoE spent funds of up to CZK 27.71 million ineffectively.**

Notifications to tax authorities and criminal complaints

Based on the findings, the SAO submitted two notifications to the tax authority relating to EU funds. One of the notifications was not quantified, while the other concerned an amount exceeding CZK 5.57 million.

The SAO also filed two criminal complaints. In both cases, the SAO was advised by the European Public Prosecutor's Office that they had decided to initiate criminal proceedings.

Measures taken to remedy the identified shortcomings

The SAO considers the following measures to be crucial:

- limiting or eliminating support for reducing dust emissions from area sources, and more specifically support for the purchase of sweeping attachments combined with a base machine, e.g. a wheel loader;
- transposing Directive 2024/2881,⁴⁸ including the new pollution level limits, and in particular proposing any measures to ensure compliance by 2030;
- introducing impact assessments of heat source replacements under the NGS programme, using a model similar to that applied to boiler subsidies under the OPEn14+.

⁴⁶ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

⁴⁷ The operating hours indicator provides information on the amount of work performed by the wheel loader since its acquisition.

⁴⁸ Directive (EU) 2024/2881 of the European Parliament and of the Council of 23 October 2024 on ambient air quality and cleaner air for Europe

The MoE adopted most of the measures either during the audit or before the approval and publication of the audit report. In particular, under the OPEn14+, the MoE no longer supports activities aimed at reducing dust emissions from area sources.

Based on the SAO's audit, the SEF carried out an *ex post* review of public contracts for at least three projects aimed at reducing dust emissions from area sources, and it also identified and quantified irregularities.

The SAO also considers it important to highlight the high daily concentrations of PM_{2.5} particles in the Czech Republic compared to the newly proposed pollution level limit in Directive 2024/2881 and compared to the values recommended by the World Health Organisation, which poses a risk to the health of the population of the Czech Republic.

Audit No 23/31 – State and EU funds earmarked for land consolidations

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 legal regulations.

At the system level, the audit focused especially on whether the Ministry of Agriculture (MoA), which is the authority responsible for land consolidation, had drawn up strategic and policy documents comprising comprehensive information on the necessary scope of land consolidation, a time estimate for its implementation and the volume of financial resources required for its completion. The SAO also verified whether the MoA had consistently monitored and evaluated the effectiveness and economy of the expenditure of financial resources and the fulfilment of the set strategic objectives, and whether it had established functional mechanisms for these purposes. On selected samples of comprehensive land consolidations, it was verified in particular whether the State Land Office (SLO) had acted in compliance with legal regulations and monitored the existence, relevance and intensity of the public interest behind land consolidation. The audit also examined whether the SLO proposed and implemented land access, anti-erosion, water management and environmental measures in a balanced proportion and with regard to their necessity, effectiveness and scope.

Funds in the amount of CZK 15,162 million (of which CZK 3,975 million from the EU budget) were audited at the system level and shortcomings amounting to CZK 9.17 million were identified. At the project level, the funds audited amounted to CZK 426.07 million (of which CZK 225.51 million from the EU budget).

In previous years, land consolidation was examined primarily in Audit No 14/40,⁴⁹ which aimed to verify the management of financial resources from the *Rural Development Programme of the Czech Republic for the period 2007–2013* (RDP7+) and national sources. That audit revealed that only 11% of land access measures, 7% of agricultural land protection measures, 10% of water management measures and 5% of measures for the protection and creation of the environment proposed in the “*plans of common facilities*” had been implemented in the Czech Republic since 1995.

Shortcomings identified by the SAO

The Ministry of Agriculture did not consistently monitor and evaluate the effectiveness and economy of the expenditure, thereby failing to fulfil its statutory duties. The SAO identified cases of ineffective and uneconomical expenditure at the SLO. Neither the MoA nor the SLO have any estimates of the amount of funds required to complete all planned land consolidations in the Czech Republic. **The SAO roughly estimated this amount at a minimum of CZK 144.9 billion. At the current rate of implementation, it would take at least 50 years to complete land consolidations in 9,186 land registry territories (i.e. approximately 75% of land registry territories) where they have yet to be carried out.**

49 Audit No 14/40 – Funds earmarked for the payment of land consolidation costs.

The SLO prioritised the construction and repair of dirt roads over measures aimed at protecting the agricultural land fund, spending nearly 80% of available resources (CZK 12 billion) on the construction or reconstruction of dirt roads since 2013. Only CZK 3.3 billion was spent on other measures (anti-erosion, water management and environmental).

Expenditure of CZK 6.15 million on the creation of the *Land Consolidation Overview* application was ineffective, as were expenses of approximately CZK 3 million relating to its administration. Between 2000 and 2018, the latter were spent on the preparation of 29 sets of design documents, none of which were eventually used for the implementation of plans of common facilities. The SAO also considered these expenditures on the application's administration uneconomical.

The MoA set general and non-measurable objectives for land consolidation. The monitoring indicators were insufficient, no impact indicators were set, and the output and result indicators were of a statistical nature (e.g. number of projects, number of plots and area of land where land consolidation was carried out). In these settings, the MoA cannot monitor the achievement of objectives, benefits and impacts of the support provided.

The MoA also failed to systematically monitor and evaluate the effectiveness and economy of spending on land consolidation and thus failed to fulfil its statutory duties.

B.3 AUDIT OF REVENUES LINKED TO EU BUDGET FUNDS

The area of revenues linked to EU budget was subject to two audits in the period under review.

Audit No 23/09 – *State funds earmarked for selected measures against tax evasion*

The objective of the audit was to verify whether State funds earmarked for selected measures against value added tax (VAT) evasion were spent effectively and in compliance with legal regulations.

Two new instruments were introduced in the fight against tax evasion in 2016 – control statements as of 1 January and electronic records of sales (ERS) as of 1 December. The control statement was introduced to improve tax collection, with the aim of establishing an effective and flexible tool in the fight against tax fraud. The main objective of ERS was to obtain information enabling better tax administration (in particular income tax and VAT). The intended benefit of introducing ERS was to eliminate an unfair competitive advantage on the part of taxpayers avoiding taxes and to secure higher tax revenue.

The audited volume equalled CZK 25,366.72 million.

Shortcomings identified by the SAO

The funds spent by the General Financial Directorate (GFD) on control statements in 2015–2022, amounting to CZK 257.6 million, were assessed by the SAO as effective expenditure. By introducing the control statement, the Financial Administration of the Czech Republic (FA CR) obtained a tool for detecting high-risk transactions. Based on data from control statements, the FA CR assessed additional VAT in the amount of CZK 10,787 million, which represents 16% of the total additional tax assessed in 2016–2022.

The MoF, the GFD and the General Directorate of Customs spent a total of CZK 2,237.5 million on the introduction and operation of ERS in 2015–2023. After the abolition of ERS, the FA CR lost one of the tools enabling it to monitor sales and detect their underreporting. From the VAT perspective, ERS served as an effective and administratively straightforward means of obtaining information needed to identify taxable entities that had exceeded the registration threshold for VAT. Based on data from ERS and subsequent audit activities in 2017–2019, the FA CR assessed a total of CZK 652 million, of which CZK 184.9 million was additional VAT. Using ERS data, the FA CR also registered a total of 7,167 taxpayers for VAT due to exceeding the legal threshold.

Measures taken to remedy the identified shortcomings

In its audit, the SAO highlighted new trends in tax evasion and considers it necessary to respond to them and to adopt appropriate measures to minimise the risk of tax evasion affecting State budget revenue. With the abolition of ERS, the FA CR lost one of the tools enabling it to monitor sales and detect their underreporting, and this method of control was not replaced by any alternative.

No corrective actions had to be adopted by the AE.

Audit No 23/23 – *State funds from the corporate income tax and the administration of this tax*

The aim of the audit was to verify whether the introduction of new instruments into Act No 586/1992 Coll.⁵⁰ reduced corporate income tax (CIT) evasion and increased the effectiveness of tax administration.

In the fight against tax evasion, the implementation of Directive 2016/1164⁵¹ (ATAD Directive) in 2019 introduced measures in the Czech Republic aimed at deterring corporate income tax (CIT) payers from tax evasion practices. The implementation of Directive 2018/822⁵² (DAC6 Directive) in 2020 improved the international exchange of information drawn from notifications concerning cross-border arrangements which had been identified as potentially aggressive tax planning. In its audit, the SAO verified whether there had been a reduction in CIT evasion and an increase in the efficiency of tax administration after the introduction of these new instruments into Act No 586/1992 Coll. In connection with the introduction of the new instruments, the audit also examined the cost-effectiveness of CIT administration, its selected processes and its administrative burden.

The audited volume amounted to CZK 20,092.11 million. Shortcomings were quantified at CZK 8.06 million.

Shortcomings identified by the SAO

There were no suitable source data available for evaluating the impact of the ATAD Directive implementation.

The effects of individual measures cannot be monitored separately and their impact cannot be quantified. The relevant line of the CIT return (CITR) (line 63 of the CITR) does not indicate which tax adjustment relates to a specific measure set out in the ATAD Directives. This line includes all tax base adjustments resulting from the implementation of the ATAD Directives together (exceeding borrowing costs, taxation upon transfer of assets without a change of ownership, addressing the consequences of different legal classification and taxation of controlled foreign companies). The preventive or deterrent effect of these measures cannot be quantified.

Due to a lack of data sources, the Ministry of Finance has no information on the effectiveness and efficiency of the implemented rules and is unaware whether the actual impact corresponds to the expectations. The MoF merely produced an estimate of the CIT gap.

Nevertheless, in 2017–2021, the MoF and the GFD spent CZK 21.86 million in connection with the implementation of the ATAD Directives, covering MoF staff involved in drafting the main transposition amendment to Act No 586/1992 Coll., FA CR staff participating in training and seminars, and adjustments to the ATIS system.⁵³

The GFD failed to fulfil its obligation to quantify the costs associated with the automatic exchange of information.

⁵⁰ Act No 586/1992 Coll., on income taxes.

⁵¹ 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; in 2017, it was amended by Council Directive (EU) 2017/952 of 29 May 2017 amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries (ATAD).

⁵² Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.

⁵³ ATIS (*Automated Tax Information System*) is a nationwide FA CR application.

In connection with the implementation of the DAC6 Directive, the MoF and the GFD spent CZK 15.1 million in 2019–2023 on staff that carry out activities related to the DAC6 Directive and on adjustments to information systems.

The GFD acted in violation of Section 12c of Act No 164/2013 Coll. by not providing the Commission with information on the total amount of administrative costs incurred in 2023 in connection with the automatic exchange of information. The GFD also failed to state the costs of maintenance and operation of information systems and the staff costs related to international exchange of information, even as an estimate.

In its audit, the SAO highlighted especially the need to introduce a new tax information system. This system is essential for setting up automated procedures (e.g. exchange of information from notifications under the DAC6 Directive) and for digitalising case files, and should eliminate the shortcomings identified by the SAO. The audit also pointed to the need to monitor and evaluate staff workload in all areas of their activities and to subsequently balance workload disparities as part of human resources optimisation, and to the option of forwarding files to the Appellate Financial Directorate in electronic form instead of moving paper case files.

Measures taken to remedy the identified shortcomings

To eliminate the identified shortcomings and minimise risks, the GFD adopted four measures, of which two have already been implemented and two are underway.

For 2024, measures were adopted to enable compliance with the conditions laid down in Section 12c(2) of Act No 164/2013 Coll. in connection with the breakdown of total costs into the required items.

On 27 November 2024, the GFD issued a “*tactical guideline*” instructing the financial administration bodies, inter alia, to forward case files to the Appellate Financial Directorate exclusively in electronic form. Furthermore, as part of the modernisation of the ATIS system, the GFD created programme support for preparing case documentation to be forwarded to the Appellate Financial Directorate.

The GFD is also setting up continuous monitoring of the workload of staff performing CIT-related activities across the FA CR. The OSIRIS application, which serves to allocate activities to individual systemised posts within the FA CR, was modified as of 2 December 2024. This improved the accuracy of reporting, thus making it possible to analyse staffing capacities in connection with the workload of staff for individual taxes in greater detail and with higher precision.

B.4 FINANCIAL AUDITS LINKED TO EU BUDGET FUNDS

In the period under review, the SAO completed four FAs examining the correctness of the reporting of EU funds, among other funds.

As a rule, this type of audit focuses on verifying the closing accounts of State budget chapters, bookkeeping, financial statements, and verifying the accuracy of the data submitted for assessment of the State budget implementation. This type of audit has its own specific features differentiating it from legality and performance audits, above all the fact that the sums covered by the audit may be many times higher than in other types of audit work. The nature of the audit findings is also different.

FA identifies irregularities or proven violations of legal regulations (i.e. shortcomings found at AEs); these are addressed in more detail in the assessment of individual audits on the following pages. At the same time, however, the SAO finds significant problems in financial reporting with regard to EU funds which do not fall into this category. The auditors described these shortcomings as methodological problems arising from the comparison of findings and results from different FAs. They noted significant uncertainty and potential incomparability of data concerning the NRecP funds and FIs co-financed from the EU budget.⁵⁴

Methodological shortcomings identified in relation to the NRecP funds

The generally applicable methodologies issued for the implementation of the NRecP do not regulate accounting and reporting. In the SAO's opinion, the area of NRecP 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 NRecP is the issue of the timing of accounting for the claim for reimbursement of funds paid and its settlement.

During some audits, corrections to accounting entries were made to ensure the proper and comparable reporting of these facts in the financial statements (see, for example, the audit reports from Audits No 23/17 and No 23/18).

Methodological shortcomings identified in relation to FIs co-financed from the EU budget

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 FIs.

In the SAO's opinion, these FIs can be reported on the basis of the accounting practice known to date in the following ways:

- through account 069 – *Other long-term investments* (the approach chosen by the Ministry of Industry and Trade as described in the audit report made in Audit No 20/34⁵⁵);
- through account 471 – *Long-term advances paid for transfers* (the approach chosen by the Ministry of Regional Development as described in the audit report made in Audit No 23/20 – see below).

Both approaches should be appropriately commented on in the notes to the financial statements. In general, however, other approaches to reporting cannot be ruled out in such cases, as it will always depend on the specific circumstances.

⁵⁴ See also *SAO Annual Report 2024*; the SAO, 28 March 2025.

⁵⁵ 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 No 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

The aim of this audit was to examine whether the MoT complied with the relevant legal regulations⁵⁶ when preparing its closing account, in its accounting and financial statements, and when submitting data for the assessment of the implementation of the State budget for 2023. This audit was conducted as an interim financial audit, so the AE had the opportunity to respond to the detected risks during the audit.

The SAO also evaluated the measures taken to remedy the shortcomings identified in Audit No 19/08⁵⁷.

As part of Audit No 23/17, the SAO also verified the correctness of the reporting of data linked to EU funds on a selected sample. These were mainly funds received and provided under the OP EIC, the OP *Transport 2014–2020* (OPT14+) and the OPT. The SAO also audited funds from the *Connecting Europe Facility* for the PP14+ and for the Programming Period 2021–2027 (PP21+) and the NRecP.

Shortcomings identified by the SAO

In relation to EU funds, the SAO identified material accounting shortcomings in the selected sample; however, the MoT remedied the shortcomings during the audit. These concerned, in particular, the following adjustments totalling CZK 24.9 billion:

- recognition of missing contingent receivables from the pre-financing of OP EIC transfers in the amount of CZK 0.3 billion;
- recognition of a missing contingent receivable from the pre-financing of NRecP transfers in the amount of CZK 3.2 billion;
- correction of erroneously recognised contingent receivables from the pre-financing of OPT transfers in the amount of CZK 11.3 billion;
- correction of erroneously recorded contingent receivables from the pre-financing of OPT14+ transfers in the amount of CZK 7.5 billion;
- derecognition of a non-existent contingent liability from one NRecP transfer in the amount of CZK 1.0 billion;
- correction of incorrect accounting for revenue from the pre-financing of transfers in the amount of CZK 1.6 billion. These were EU funds received by the MoT from the Commission in 2022 for the implementation of *Connecting Europe Facility* projects.

Measures taken to remedy the identified shortcomings

As this was an interim audit, the MoT duly remedied the identified shortcomings in relation to EU funds during the audit. The resulting financial statements and budget system were therefore no longer affected by these shortcomings as at 31 December 2023. The MoT also adopted systemic remedial measures.

⁵⁶ Most notably, Act No 563/1991 Coll.; Decree No 410/2009 Coll.; Czech accounting standards for certain selected accounting units; Decree No 412/2021 Coll. and Decree No 419/2001 Coll. Using a selected sample, compliance with other legal regulations was examined, most notably Act No 218/2000 Coll., on budgetary rules and amending certain related laws (Budgetary Rules); Act No 219/2000 Coll., on the property of the Czech Republic and its acts in legal relations; Act No 340/2015 Coll., on special conditions of the effect of certain contracts, publication of such contracts and the Contracts Register (Contracts Register Act); Act No 320/2001 Coll., on financial audits in public administration and on amendment to certain laws (Financial Audit Act); and the related implementing decrees.

⁵⁷ Audit No 19/08 – Closing account of State budget chapter Ministry of Transport for 2018, financial statements of the Ministry of Transport for 2018 and data submitted by the Ministry of Transport for evaluation of State budget implementation for the year 2018.

Audit No 23/18 – Closing account of State budget chapter Technology Agency of the Czech Republic for 2023, financial statements of the Technology Agency of the Czech Republic for 2023 and data submitted by the Technology Agency of the Czech Republic for evaluation of State budget implementation for the year 2023

The aim of this audit was to examine whether the Technology Agency of the Czech Republic (TACR) complied with the relevant legal regulations⁵⁸ when drawing up its closing accounts, in its accounting and financial statements, and when submitting data for the assessment of the implementation of the State budget for 2023. The audit was conducted as an interim financial audit, so the AE had the opportunity to respond to the detected risks during the audit.

As part of Audit No 23/18, the SAO also verified the correctness of the reporting of data linked to EU funds on a selected sample. This included, in particular, funds received and provided within the NRecP and the KAPPA Programme for the Support of Applied Research, Experimental Development and Innovation, financed from the European Economic Area and Norway Grants (EEA/Norway Grants).

Shortcomings identified by the SAO

In relation to EU funds, the SAO identified accounting shortcomings in the selected sample totalling CZK 4,776.7 million, which the TACR corrected during the audit as follows, in particular:

- settlement of advance payments for transfers made from NRecP funds, received on the basis of Czech Government Resolution No 496 of 28 June 2023, *on financial flows in the National Recovery Plan*. According to the resolution, these were refunds of previous (pre-financed) TACR expenditure on subsidies; therefore, they did not have the nature of an advance payment within the meaning of Czech Accounting Standard No 703 – *Transfers* (correction of CZK 522.1 million);
- correction of the accounting treatment of expenditure from the pre-financing of transfers, where the TACR failed to distinguish in accounting terms between national transfers and pre-financed transfers co-financed from EU funds (correction of CZK 854.6 million);
- reduction in contingent receivables from NRecP drawdowns to a level substantively corresponding to NRecP funds (correction of CZK 3,400 million).

No shortcomings in the budget area were identified in relation to EU funds.

Measures taken to remedy the identified shortcomings

As this was an interim audit, the TACR already duly remedied the identified accounting shortcomings in relation to EU funds during the audit. The resulting financial statements were therefore no longer affected by these shortcomings as of 31 December 2023. The TACR also adopted systemic remedial measures in the relevant areas.

According to information provided by the TACR in the material for the meeting of the Government of the Czech Republic focused on the implementation of measures adopted to eliminate the shortcomings identified in the audit report (Government Resolution No 186 of 19 March 2025), the TACR implemented all the measures adopted, thereby eliminating the identified shortcomings. Most of these measures were already implemented during the audit (which was an interim FA). The TACR declared the remaining measures (concerning findings with an insignificant impact) effective as of 2024. These measures can only be verified in the course of a possible subsequent audit.

58 Most notably, Act No 563/1991 Coll.; Decree No 410/2009 Coll.; Czech accounting standards for certain selected accounting units; Decree No 412/2021 Coll. and Decree No 419/2001 Coll. Using a selected sample, compliance with other legal regulations was examined, most notably Act No 218/2000 Coll., on budgetary rules and amending certain related laws (Budgetary Rules); Act No 219/2000 Coll., on the property of the Czech Republic and its acts in legal relations; Act No 340/2015 Coll., on special conditions of the effect of certain contracts, publication of such contracts and the Contracts Register (Contracts Register Act); Act No 320/2001 Coll., on financial audits in public administration and on amendment to certain laws (Financial Audit Act); and the related implementing decrees.

Audit No 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

The aim of this audit was to examine whether the Industrial Property Office (IPO) complied with the relevant legal regulations⁵⁹ when drawing up its closing accounts, in its accounting and financial statements, and when submitting data for the assessment of the implementation of the State budget for 2023. The audit was conducted as an interim financial audit, so the AE had the opportunity to respond to the detected risks during the audit.

As part of this audit, the SAO also verified the correctness of the reporting of data linked to EU funds on a selected sample. This concerned, in particular, the remittance to the European Patent Office of a proportional part of fees for maintaining European patents in force, including reimbursement of part of salary costs, as well as the compensation of part of salary and overhead costs from the European Union Intellectual Property Office.

Shortcomings identified by the SAO

In relation to EU funds, the SAO identified shortcomings in accounting and budgeting in the selected sample:

- in accounting for revenue from the EU programme of the European Union Intellectual Property Office (the IPO accounted for this revenue as funds received from abroad – correction of CZK 56 million);
- in the classification by type and source of revenue based on a transfer from abroad in the form of cost compensation from the European Union Intellectual Property Office (error of CZK 9.8 million).

Measures taken to remedy the identified shortcomings

As this was an interim audit, the IPO already duly corrected the shortcomings relating to EU funds during the audit, and the resulting financial statements as at 31 December 2023 were therefore no longer affected by these shortcomings.

In the area of budget revenue based on a transfer from abroad in the form of cost compensation from the European Union Intellectual Property Office, the IPO adopted a remedial measure to ensure that the data for 2024 would already be reported correctly.

The IPO also adopted systemic remedial measures in the relevant areas.

According to information provided by the IPO in the material for the meeting of the Government of the Czech Republic focused on the implementation of measures adopted to eliminate the shortcomings identified in the audit report (Government Resolution No 784 of 6 November 2024), the IPO implemented all the measures adopted, thereby eliminating the identified shortcomings. Most of these measures were already implemented during the audit (which was an interim FA). The effectiveness of the remaining measures can only be verified in a possible subsequent audit.

⁵⁹ Most notably, Act No 563/1991 Coll.; Decree No 410/2009 Coll.; Czech accounting standards for certain selected accounting units; Decree No 412/2021 Coll. and Decree No 419/2001 Coll. Using a selected sample, compliance with other legal regulations was examined, most notably Act No 218/2000 Coll., on budgetary rules and amending certain related laws (Budgetary Rules); Act No 219/2000 Coll., on the property of the Czech Republic and its acts in legal relations; Act No 340/2015 Coll., on special conditions of the effect of certain contracts, publication of such contracts and the Contracts Register (Contracts Register Act); Act No 320/2001 Coll., on financial audits in public administration and on amendment to certain laws (Financial Audit Act); and the related implementing decrees.

Audit No 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

The aim of this audit was to examine whether the MoRD complied with the relevant legal regulations⁶⁰ when preparing its closing account, in its accounting and financial statements, and when submitting data for the assessment of the implementation of the State budget for 2023. This audit was also conducted as an interim financial audit, so the audited entity had the opportunity to respond to the detected risks during the audit.

The SAO also evaluated the measures taken to remedy the shortcomings identified in Audit No 19/21⁶¹.

As part of Audit No 23/20, the SAO also verified the correctness of the reporting of data related to EU funds on a selected sample. These were mainly funds received and provided under the OPEm, OPEm+, IROP, OP Prague – Growth Pole of the Czech Republic (OP PGP), OPTA14+, OPTA, OP Just Transition (OPJT), and transnational cooperation programmes (technical assistance) in PP14+. The SAO also verified financial resources from cross-border cooperation programmes in PP14+ and PP21+ (intended for technical assistance), transnational cooperation programmes in PP21+, interregional cooperation programmes in PP21+, the NRecP, and the EEA/Norway Grants.

Shortcomings identified by the SAO

In relation to EU funds, the SAO identified immaterial accounting shortcomings in the selected sample, which were remedied by the MoRD during the audit. This involved the correction of erroneous accounting of funds under the IROP, the IRP, the OPTA14+, the OPTA, the OPEm, the OPEm+ and the EEA/Norway Grants in the total amount of CZK 160 million.

Notifications to tax authorities and criminal complaints

The SAO submitted a notification to the tax authority because **the MoRD, in violation of Section 45(11) of Act No 218/2000 Coll., failed to remit to the State budget financial resources totalling CZK 15.6 million, which it had received from the tax authority on 6 February 2023 into the account of foreign resources.** These were refunds under two projects that had previously been supported through the *Regional Operational Programme NUTS II North-West* for the Programming Period 2007–2013 (PP7+). This OP has already been closed, and the refunds therefore cannot be further used within this programme.

Measures taken to remedy the identified shortcomings

As this was an interim audit, the MoRD already duly corrected the shortcomings identified in relation to EU funds during the audit, and the resulting financial statements and the budgetary system were therefore no longer affected by these shortcomings as of 31 December 2023. The MoRD also adopted systemic remedial measures.

According to information provided by the MoRD in the material for the meeting of the Government of the Czech Republic focused on the implementation of measures adopted to eliminate the shortcomings identified in the audit report (Government Resolution No 184 of 19 March 2025), the MoRD implemented all the measures adopted, thereby eliminating the identified shortcomings.

⁶⁰ Most notably, Act No 563/1991 Coll.; Decree No 410/2009 Coll.; Czech accounting standards for certain selected accounting units; Decree No 412/2021 Coll. and Decree No 419/2001 Coll. Using a selected sample, compliance with other legal regulations was examined, most notably Act No 218/2000 Coll., on budgetary rules and amending certain related laws (Budgetary Rules); Act No 219/2000 Coll., on the property of the Czech Republic and its acts in legal relations; Act No 340/2015 Coll., on special conditions of the effect of certain contracts, publication of such contracts and the Contracts Register (Contracts Register Act); Act No 320/2001 Coll., on financial audits in public administration and on amendment to certain laws (Financial Audit Act); and the related implementing decrees.

⁶¹ Audit No 19/21 – Closing account of State budget chapter Ministry of Regional Development for 2018, financial statements of the Ministry of Regional Development for 2018 and data submitted by the Ministry of Regional Development for evaluation of State budget implementation for the year 2018.

B.5 MEASURES ADOPTED BY THE CZECH GOVERNMENT TO REMEDY SHORTCOMINGS IDENTIFIED BY SAO AUDITS

In accordance with the procedure defined in Section 30(1) of Act No 166/1993 Coll.⁶² (the SAO Act), the SAO President publishes all approved audit reports in the *SAO Bulletin* and submits them to the Chamber of Deputies and the Senate of the Czech Parliament and to the Government.

According to the Government's Rules of Procedure⁶³, the relevant members of the Government present the audit reports, together with the opinions of their ministries, to the comment procedure⁶⁴ and then to a Government meeting. The materials submitted therefore include, in addition to the opinions on the individual audit findings of the SAO, proposals for specific corrective actions.

Before their discussion by the Government, draft positions are also submitted to the SAO President, who may raise comments on the proposed measures. If the SAO considers certain corrective actions insufficient, the divergence of views is resolved with the competent minister. In this way, the SAO can significantly influence the quality and scope of the measures adopted.

In its deliberations, the Government takes note of the audit report in question and of the position of the respective minister, orders the minister to implement the proposed measures and usually instructs the minister to inform the Government of their implementation within a set deadline.

The SAO systematically monitors the implementation of measures discussed by the Government, evaluates them from time to time and updates the relevant database. From the end of 2014 to 14 April 2025, **146 completed audits linked to EU budget revenue or expenditure were recorded in the AIS. Specific data on the monitored measures are recorded for 135 audits⁶⁵. As of 14 April 2025, 1,136 audit findings and recommendations discussed by the Government were recorded in the AIS, of which 808 have been monitored from time to time after the completion of the audits.** For each audit, the SAO monitors the implementation of the declared corrective actions and assesses the extent of their implementation. In terms of sufficiency of their scope and their timeliness, the actions (measures) are categorised into four groups, as shown in the following Chart.

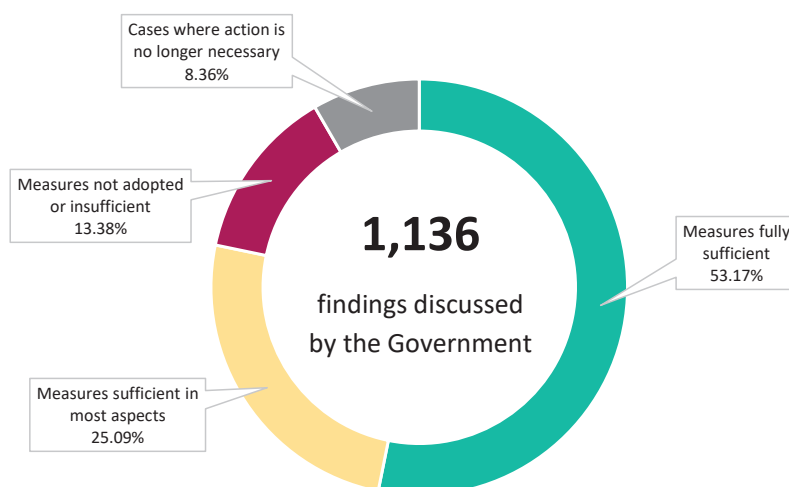
⁶² Act No 166/1993 Coll., on the Supreme Audit Office.

⁶³ Annex 5 to the Government's Rules of Procedure approved by Government Resolution No 610 of 16 September 1998 and amended by a number of Government resolutions, most recently by Government Resolution of 15 January 2025.

⁶⁴ The SAO and the MoF are the bodies responsible for commenting on the audit reports.

⁶⁵ Nine audit reports had yet to be discussed by the Government as of 14 April 2025, and the data entered for two audit reports is incomplete.

Chart 7: Assessment of the measures taken by the Government to remedy the identified deficiencies for the period from October 2014 until April 2025



Source: AIS, data as of 14 April 2025.

Of the total of 1,136 shortcomings identified in the approved audit reports that had been discussed by the Government by the end of the period under review, measures of sufficient scope have been adopted in 604 cases and measures sufficient in most parameters have been adopted in 285 cases. No measures were adopted on 152 identified shortcomings, or the measures adopted were rated insufficient by the SAO. For the remaining 95 identified shortcomings, it was no longer necessary to adopt measures for various reasons.⁶⁶

The SAO regularly updates the data entered in the AIS and analyses the individual categories of measures to verify whether the identified shortcomings have been remedied. Using reports submitted to the Government by the ministries concerning their assigned tasks, and other available information, the SAO evaluates the status of the measures, the manner of their implementation and the source of relevant information. Above all, it decides whether the monitoring in the database should continue. **The SAO calculates the overall level of satisfaction from the number of measures rated as fully sufficient and measures rated as sufficient in most aspects and their proportion of the total number of measures according to the following formula:**

$$\frac{(\text{Number of measures fully sufficient} + 0.75 \times \text{number of measures sufficient in most aspects})}{\text{Total number of the SAO's findings}} \times 100.$$

The SAO's cumulative overall level of satisfaction with the corrective actions adopted over the entire evaluated period (October 2014 – April 2025) reached almost 72% and increased year-on-year by approximately half a percentage point.

Looking more closely at the overall (cumulative) level of satisfaction with the measures adopted by the Government to address the shortcomings identified in audit reports over the last five periods under review (as presented in the EU Reports 2021–2025), the following trends can be observed:

- the SAO's satisfaction with the measures adopted to remedy the identified shortcomings increased every year;
- in the first two periods under review, it ranged between 67.3% and 68.2% and increased only slightly;

⁶⁶ This category includes, for example, measures adopted in the course of the SAO's own completion of the audit and cases where the AE itself reported the irregularity immediately after the completion of the audit. Furthermore, it includes cases of shortcomings identified in the management documents of programmes from the programming period being closed, which were no longer reflected in the management documents of the programming period being opened.

- in the following three periods under review, the level of satisfaction increased quite significantly, to 71.2% and then to 72.0%, although the values achieved indicate a possible onset of stagnation;
- the proportion of “measures fully sufficient” has increased over the last three periods under review, from 48.3% to 53.2%;
- in contrast, the proportion of “measures not adopted or insufficient” has markedly decreased over the last three periods under review, from 17.2% overall to 13.4%.

The above statistical values clearly demonstrate that the procedure of discussing and commenting on draft measures adopted by central government authorities to remedy the shortcomings identified in the approved audit reports, carried out between the SAO and the competent ministries prior to the Government’s discussion of the material itself, is highly beneficial and leads to effective and expedited remedy of the identified shortcomings in line with the SAO’s comments.

C. AUDIT WORK BY OTHER AUDIT BODIES IN THE CZECH REPUBLIC IN 2024

The SAO is neither the only nor the main body carrying out inspections or audits of funds provided to the Czech Republic from the EU budget.⁶⁷ This activity is performed primarily by the Audit Authority (AA), the European Court of Auditors (ECA), and the individual Directorates-General of the Commission, in accordance with the powers laid down in EU legislation. Their audit findings (made primarily in the Czech Republic or in relation to the Czech Republic) are presented here to complement the overall picture of the use of support from the European funds and, where appropriate, to compare the nature and significance of the findings made at the individual entities of the Czech Republic's implementation structure.

C.1 OUTPUTS OF THE AUDIT AUTHORITY

This subchapter was prepared by the Ministry of Finance – Department 52 Audit Authority at the request of the SAO.

C.1.1 PUBLIC ADMINISTRATION CONTROL AND AUDIT OF FINANCES FROM THE EUROPEAN STRUCTURAL AND INVESTMENT FUNDS / EU FUNDS

The AA fulfils the tasks of the audit authority for EU assistance funds provided to the Czech Republic under the European Structural and Investment Funds (ESIF) for the ending PP14+, i.e. the *European Social Fund* (ESF), the ERDF, the CF and the *European Maritime and Fisheries Fund*, as well as the *Asylum, Migration and Integration Fund* (AMIF) and the *Internal Security Fund* (ISF). At the same time, it carries out audit activities in accordance with Article 77 of Regulation 2021/1060⁶⁸ (the Common Provisions Regulation 21+) for European funds in PP21+ under shared management (EU funds), namely the ERDF, the *European Social Fund Plus*, the CF, the *Just Transition Fund*, the *European Maritime, Fisheries and Aquaculture Fund*, the AMIF, the ISF and the *Border Management and Visa Instrument* (BMVI). The AA also performs audit activities for the NRecP in accordance with Regulation 2021/241⁶⁹ (the RRF Regulation).

The AA is responsible for carrying out system audits, audits of operations and audits of the accounts in order to provide the Commission with independent assurance as to the effective functioning of the management and control systems and the legality and regularity of the expenditure included in the accounts presented to the Commission. Based on the results of its audit activities, the Audit Authority draws up and submits to the Commission: an annual audit opinion in accordance with Article 63(7) of the Financial Regulation, and an annual audit report (AAR) which meets the requirements of Article 63(5) (b) of the Financial Regulation and which supports the annual audit opinion and summarises all findings, including an analysis of the nature and extent of errors and shortcomings in the systems, as well as the proposed and implemented corrective actions, and the resulting overall error rate and residual error rate for expenditure recorded in the accounts submitted to the Commission.

The main activities of the AA in 2024 focused, in particular, on the work aimed at issuing the AARs for individual OPs, i.e. both on audits of operations and on the assessment of the functioning of the MCS of individual OPs, based on system audits, audits of financial statements and cross-cutting/horizontal system audits across OPs for the accounting period from 1 July 2023 to 30 June 2024. While the audits

⁶⁷ The SAO's mandate to perform audits is based on Section 3(1)(d) of Act No 166/1993 Coll., on the Supreme Audit Office, which provides that the SAO audits the management of funds provided to the Czech Republic from abroad and of funds for which the State has assumed guarantees.

⁶⁸ Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy.

⁶⁹ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.

of operations were focused on the operations' compliance with EU and Czech legislation, with publicity rules, the proportionality of the audit trail, fulfilment of relevant monitoring indicators etc., system audits mainly assessed the functionality of the MCSs put in place by the respective MAs or IBs.

In 2024, audit activities were carried out concurrently under PP14+ and PP21+. In view of the completed audit activities, it can be concluded that the MCSs function effectively and provide reasonable assurance that the statements of expenditure submitted to the Commission were accurate and that the related transactions were legal and regular, and an "unqualified opinion" could be issued for all audited programmes.

For PP14+, the IROP, the OP EIC, the OP PGP, the OP RDE, the OPEn14+, as well as the cross-border cooperation programmes *Interreg V-A Czech Republic – Poland (CZ–PL)*, *Interreg V-A Austria – Czech Republic (AT–CZ)*, *Interreg V-A Slovak Republic – Czech Republic (SK–CZ)* and *Interreg V-A Free State of Saxony – Czech Republic (SN–CZ)*, made use of the possibilities provided by Regulation 2024/795⁷⁰. The *Strategic Technologies for Europe Platform (STEP)* extends, inter alia, the deadlines relating to OP closure processes by up to one year, including the submission of the final programme documents. The above-mentioned programmes do not have an error rate set for 2024 and no audit opinion was issued. For the other operational programmes, i.e. the OPT14+, the OPTA14+, the OP *Fisheries 2014–2020 (OPF14+)* and the OPEm, audit activities related to the closure of PP14+ were carried out in 2024 and assessed with an "unqualified opinion", including the calculation of the extrapolated error rate.

For PP21+, audit work was performed in accordance with the audit plan for 2024, including specifically audits of operations, system audits and an audit of financial statements for all OPs.

In 2024, the AA carried out a total of 216 audits, 89 of which related to PP14+ and 127 to PP21+.

The figures for each OP, broken down into system audits, audits of operations and financial statements audits, are given in the tables below.

Detailed information on the audit activities of the AA for other programmes and the NRecP is provided below in sections C.1.2 and C.1.3.

C.1.1.1 AUDIT WORK FOR THE PROGRAMMING PERIOD 2014–2020

A total of 89 audits were carried out in 2024 under PP14+, including 79 audits of operations, seven system audits and three audits of financial statements, which concerned five OPs co-financed from the ESIF, the *National Programme of the Internal Security Fund (NP ISF)* and the *National Programme of the Asylum, Migration and Integration Fund (NP AMIF)*. One horizontal audit of the system of competent national authorities was carried out within the INTERREG V-A programme under No EUS/2024/S/001. One horizontal milestones audit (No ESIF/2024/S/001) was also carried out in relation to the closure of the programming period. The final AAR and audit opinions for 2024 regarding OPs that did not make use of the STEP were prepared and sent to the Commission on 15 February 2025.

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Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), and amending Directive 2003/87/EC and Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241.

Table 5: Overview of audits carried out by the AA in individual OPs in 2024 which did not use STEP

Name of the programme	System audit**	Audit of operations	Financial statement audit*
OPEm	1	23	1
OPT14+	1	11	1
OPTA14+	1	11	1
OPF14+	1	21	1
Interreg V-A Free State of Bavaria – Czech Republic, SN–CZ, AT–CZ, SK–CZ	1	9	NR
NP ISF	1	1	1
NP AMIF	1	3	1
Total	7	79	3

Source: Information System of the Audit Authority.

* Within the ESIF, one audit of the financial statements was carried out for the four OPs mentioned above, and two separate audits of the financial statements were performed for the NP AMIF and the NP ISF.

** One horizontal milestone audit (No ESIF/2024/S/001), carried out in connection with the closure of an OP that did not make use of the STEP, was not included in the number of system audits.

For issuing the final AAR and audit opinion, the audit authority evaluated MCS and specific activities related to the closure of the relevant OP in terms of compliance with the requirements laid down by the legislation and methodological instructions. The objective of the entire audit process was to verify MCS functionality and effectiveness and to obtain assurance that the statements of expenditure submitted to the Commission were correct and the related transactions were legal and regular; AA then included this assessment in its audit opinion for the specific OP.

To evaluate the effectiveness of the MCS, categories and corresponding levels of reliability of the system are used in accordance with the overview provided in the following table.

Table 6: Categories and corresponding levels of the MCS reliability

Category	Level of assurance resulting from the system audit	Corresponding level of system reliability
1	Works well. Improvements are not necessary, or only minor improvements are necessary.	High
2	Works. Some improvements needed.	Average
3	Functioning partially. Substantial improvement needed.	Average
4	Basically non-functional.	Low

Source: Information System of the Audit Authority.

Table 7: Evaluation of MCS for individual OPs according to performed system audits in 2024

Name of the programme	MCS Category	Findings in total	Severity of findings		
			High	Medium	Low
OP Employment 2014–2020	1	1	0	0	1
OP Transport 2014–2020	2	2	0	1	1
OP Technical Assistance 2014–2020	1	0	0	0	0
OP Fisheries 2014–2020	2	2	0	0	2
Total	–	5	0	1	4

Source: Information System of the Audit Authority.

The results of system audits are linked to the findings from audits of operations. An “unqualified opinion” was issued for seven OPs.

The volume of initial certified expenditure from which payment claims were selected for the sample of audits of operations in relation to the closed OPs for 2024 is described in detail in Table 8 below. Audits of operations reported to the Commission for any given accounting period are based on a representative sample and statistical sampling methods.

The audit results show that out of 75 audits carried out, 13 audits identified ineligible expenditure⁷¹, which represents 17% of the audited payment claims. A total of 7% of the audits ended without financial impact on the audited entity and 76% (57 audits) were completed without findings.

Table 8: Overview of AA's audits of operations for 2024

Name of the programme	Number of audits	Audits with findings		Audits without findings
		with financial impact	without financial impact	
OP Employment 2014–2020	23	5	4	14
OP Transport 2014–2020	11	2	1	8
OP Technical Assistance 2014–2020	11	1	0	10
OP Fisheries 2014–2020	21	1	0	20
Interreg V-A Free State of Bavaria – Czech Republic	9	4	0	5
Total	75	13	5	57

Source: Information System of the Audit Authority.

A total of 22 findings were identified in 2024, seven of which without financial impact and 15 with financial impact with a total value of CZK 621,136.

Table 9: Areas of violation of financing conditions according to audits of operations in 2024

Area of violation	Number	Share (in %)	Financial impact (in CZK)	Financial impact (in %)
01.I Public procurement – contract notice, tender documentation	1	4.55	35,831	5.77
01.IV Public procurement – others	3	13.64	0	0.00
07. Errors in accounting and project calculation	8	36.36	303,601	48.88
08. Other ineligible expenditure	10	45.45	281,704	45.35
Total	22	100.00	621,136	100.00

Source: Information System of the Audit Authority.

In 2024, the AA also carried out audit work relating to the European Territorial Cooperation programmes. Within the framework of the Cross-border Cooperation and Transnational Cooperation OPs, an audit was carried out with regard to the *INTERREG V-A Free State of Bavaria – Czech Republic* programme, which did not apply the STEP and was closed. Nine audits of operations, with a total value of more than CZK 26.52 million, were carried out on at Czech beneficiaries. Four findings with a total financial impact of CZK 81,655 were made.

Information on audits of financial statements

In 2024, the AA performed three audits of financial statements; these audits concerned OPs being closed, which had been co-financed from the ESIF, and also of the NP ISF and the NP AMIF. Details on the financial statements for the NP ISF and the NP AMIF are provided in section C.1.2.1.

Financial statements audit ESIF/2024/U/001 – Audit of the financial statements of ESIF programmes for the accounting period 1 July 2023 – 30 June 2024

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I.e. the audit had a financial impact on the audited entity.

The goal of the financial statements audit was to verify that all the elements required under Article 137 of Common Provisions Regulation 14+ were duly presented in the financial statements and were consistent with the underlying accounting records kept by all the competent authorities or entities and beneficiaries.

Only the OPs being closed, i.e. the OPT14+, the OPTA14+, the OPEm and the OPF14+, were audited as part of the financial statements audit. No findings were returned by the financial statements audit.

Milestones audit in PP14+ closure

A horizontal system audit (No ESIF/2024/S/001) entitled *Audit of milestones in the context of the closure of the Programming Period 2014–2020* was carried out during 2024. The audit was aimed to verify the reliability of data relating to indicators, milestones and progress to be achieved in the relevant OP in meeting the targets set by the MA, in accordance with Article 125(2)(a) of Common Provisions Regulation 14+.

Table 10: Overview of opinions, projected error rate and values of certified, audited and ineligible expenses for OPs ending in 2024 which did not use STEP

Programme	AAR		Audits of operations			
	Opinion****	Projected error rate (in %)	Certified* (in CZK million)	Audited (in CZK million)	Sample (in %)	Irregularity (in CZK)**
OPT14+	Unqualified	0.02	21,723.66	10,687.04	49	158,969
OPTA14+	Unqualified	0.20	410.04	35.21	9	35,831
OPF14+	Unqualified	0.00	277.71	69.03	25	2,735
OPEm	Unqualified	0.15	7,556.03	289.38	11	341,945
Total***			29,967.44	11,080.66	44	539,480

Source: Information System of the Audit Authority.

* This amount represents the certified expenditure which the sample was drawn from (the “positive population”).

** Amount of ineligible expenditure in the random sample according to the AAR.

*** The table does not include cross-border cooperation OPs with a MA outside the Czech Republic and an audit opinion could thus not be issued.

**** The statement, AAR and extrapolated error rate are only given for OPs that have not used the STEP.

C.1.1.2 AUDIT WORK FOR THE PROGRAMMING PERIOD 2021–2027

In accordance with Article 77 of Common Provisions Regulation 21+ and the Commission’s methodological guidelines for PP21+, the Audit Authority carried out audit activities for all OPs listed in Table 11 in 2024.

Audits of operations and audits of financial statements were carried out for the mentioned OPs, and the AAR and audit opinions for 2024 were prepared, with the exception of the *Czech Republic – Poland Interreg 2021–2027* programme (CZ–PL21+), for which no eligible expenditure was reported to the Commission. The AAR and audit opinions for 2024 were sent to the Commission on 15 February 2025, with the exception of the OP *Jan Amos Komenský* (OP JAK); the AAR and audit opinion for this OP were sent to the Commission on 1 March 2025. The reason was that activities were performed to obtain additional assurance on the part of the AA in connection with the temporary exclusion of OP JAK expenditure from the accounts for the 2023/2024 financial year pursuant to Article 98 of Common Provisions Regulation 21+, based on the preliminary conclusions of the Commission’s audit of simplified expenditure methods. All of the audit opinions were unqualified.

For all MAs, the AA assessed their MCS in terms of compliance with the requirements of Article 77 of Common Provisions Regulation 21+. The classification levels used to evaluate the effectiveness of the MCS are explained in Table 6 above.

The audits of operations carried out on expenditure declared to the Commission for a given accounting period are based on a representative sample. The sample for the audits of operations was selected according to the size of the population, i.e. according to the number of items (payment claims), using either a non-statistical or statistical sampling method based on monetary units⁷² in accordance with the audit strategy.

Table 11: Overview of audits carried out by the AA in individual OPs in 2024

Name of the programme	System audits	Audits of operations	Financial statements audit*
OP Jan Amos Komenský	1	0	1
OP Technical Assistance 2021–2027	1	15	
Integrated Regional Programme 2021–2027	1	30	
OP Transport 2021–2027	1	9	
OP Fisheries 2021–2027	1	10	
OP Employment plus	1	9	
OP Just Transition	1	2	
OP Environment 2021–2027	1	7	
OP Technologies and Applications for Competitiveness	1	25	
OP of Internal Security Fund 2021–2027	1	1	1
OP of Asylum, Migration and Integration Fund 2021–2027	1	2	
OP Instrument for Financial Support for Border Management and Visa Policy 2021–2027	1	2	
INTERREG CR-PL 2021–2027**	1	0	0
Total	13	112	2

Source: Information System of the Audit Authority.

* The financial statements audits were performed in the form of horizontal audits common to several OPs.

** No expenditure was reported to the Commission for the CZ–PL21+ programme, and therefore no audits of operations or financial statements were carried out.

Table 12: Evaluation of MCS for individual OPs according to system audits performed in 2024

Name of the programme	MCS category	Findings in total	Severity of findings		
			High	Medium	Low
OP Jan Amos Komenský	2	7	0	1	6
OP Technical Assistance 2021–2027	1	0	0	0	0
Integrated Regional Programme 2021–2027	2	1	0	1	0
OP Transport 2021–2027	2	3	0	0	3
OP Fisheries 2021–2027	2	5	0	0	5
OP Employment plus	1	2	0	0	2
OP Just Transition	2	7	0	0	7
OP Environment 2021–2027	2	4	0	0	4
OP Technologies and Applications for Competitiveness	2	5	0	2	3
INTERREG CR-PL 2021–2027*	2	3	0	3	0
Total	–	37	0	7	30

Source: Information System of the Audit Authority.

* No expenditure was reported to the Commission for the CZ–PL21+ programme, and therefore no audits of operations or financial statements were carried out.

The audit results for OP Cohesion Policy operations (see Table 13) show that out of 107 audits carried out, ineligible expenditure was identified in 18 audits, representing 17% of the projects audited. A total of 77% of audits ended without audit findings, and 6% of audits had findings without any financial impact. A detailed overview broken down by individual OPs is given in the following table.

Table 13: Number of audits of operations with findings with financial impact, without impact, and without findings for individual OPs of Cohesion Policy

Name of the programme	Number of audits	Audits with findings		Audits without findings
		With financial impact	Without financial impact	
OP Jan Amos Komenský	0	0	0	0
OP Technical Assistance 2021–2027	15	2	0	13
Integrated Regional Programme 2021–2027	30	8	5	17
OP Transport 2021–2027	9	2	0	7
OP Fisheries 2021–2027	10	0	0	10
OP Employment plus	9	1	0	8
OP Environment 2021–2027	7	1	2	4
OP Just Transition	2	1	0	1
OP Technologies and Application for Competitiveness	25	3	0	22
Total	107	18	7	82

Source: Information System of the Audit Authority.

A total of 33 findings were identified in 2024, of which 18 had a financial impact totalling over CZK 8.44 million and 15 had no financial impact. The areas affected by the findings can be seen from the following overview.

Table 14: Areas of violation of financing conditions according to audits of operations in 2024

Area of violation	Number	Share (in %)	Financial impact (in CZK)	Financial impact (in %)
01.I Public procurement – contract notice, tender documentation	13	39.40	3,188,869	37.78
01.II Public procurement – selection and evaluation of tender bids	1	3.03	0	0.00
01.V Public procurement – others	2	6.06	0	0.00
04. Ineligible expenditure	8	24.24	4,493,802	53.24
05. Simplified cost reporting	4	12.12	242,920	2.88
07. Financial instruments (FI)	3	9.09	19,233	0.23
10.I Accounting and calculation errors at the project level	2	6.06	496,541	5.88
Total	33	100.00	8,441,365	100.00

Source: Information System of the Audit Authority.

The highest number of irregularities was identified in the area of public procurement and ineligible expenditure. Further findings concerned deviations from simplified cost reporting methods in relation to the quantification of ineligible direct expenditure. Significant errors were also found with regard to accounting and calculation errors; at the project level, for example, findings were quantified for ineligible VAT and social security and health insurance expenses.

Information on audits of financial statements

In 2024, the AA carried out two horizontal audits of financial statements: one for OPs under the Cohesion Policy and another for OPs in the area of home affairs (AMIF, ISF and BMVI). Details on the financial statements for these three OPs are provided in section C.1.2.1.

Financial statements audit ESIF2/2024/U/001 – Audit of the financial statements of EU funds programmes for the accounting period 1 July 2023 – 30 June 2024

The goal of the financial statements audit (No ESIF2/2024/U/001) was to verify that all the elements required under Article 98 of Common Provisions Regulation 21+ were duly presented in the financial statements and were consistent with the underlying accounting records kept by all the competent authorities or entities and beneficiaries. No findings were returned by the financial statements audit. Detailed information on the audit activities for the individual OPs is given in the following table.

Table 15: Overview of opinions, projected error rates, and values of expenses reported to the Commission, audited and ineligible for individual OPs in 2024

Programme	AAR		Audits of operations			
	Opinion	Projected error rate (in %)	Reported to Commission (in CZK mil.)*	Audited (in CZK million)	Sample (in %)	Irregularity (in CZK)**
IRP	Unqualified	0.75	3,461.43	1,831.31	53	3,446,081
OPT	Unqualified	0.02	16,668.37	12,395.77	74	3,620,045
OP JAK***	Unqualified	0.00	NR	NR	NR	NR
OPF	Unqualified	0.00	48.12	16.48	34	0
OPJT	Unqualified	0.01	1,057.63	944.66	89	19,233
OP TAC	Unqualified	0.31	842.59	535.08	64	878,276
OPTA	Unqualified	0.20	530.07	72.75	14	72,740
OPEm+	Unqualified	0.15	2,582.70	539.25	7	624
OPEn	Unqualified	1.26	5,603.53	79.16	1	404,366
Total****			30,794.44	16,414.46	45	8,441,365

Source: *Information System of the Audit Authority*.

* This amount represents the expenditure reported to the Commission from which the sample was drawn (the "positive population").

** Amount of ineligible expenditure in the random sample according to the AAR.

*** For the OP JAK, the expenditure reported to the Commission was subsequently excluded from the accounts for the financial year 2023/2024 pursuant to Article 98 of Common Provisions Regulation 21+ on the basis of the preliminary conclusions of the Commission's audit.

**** The table does not include cross-border cooperation OPs with a MA outside the Czech Republic and an audit opinion could thus not be issued.

Table 15 shows only data for those OPs for which eligible expenditure was reported and for which AARs with final audit opinions could therefore be drawn up. All the audit opinions were unqualified. The AAR and audit opinions for 2024 with regard to the relevant OPs were prepared and sent to the Commission by 15 February 2025, with the exception of the OP JAK, where the deadline was postponed to 1 March 2025.

C.1.2 THE ASYLUM, MIGRATION AND INTEGRATION FUND AND THE INTERNAL SECURITY FUND FOR THE PROGRAMMING PERIODS 2014–2020 AND 2021–2027, AND THE BORDER MANAGEMENT AND VISA INSTRUMENT AND THE EUROPEAN UNION SOLIDARITY FUND FOR THE PROGRAMMING PERIOD 2021–2027

The Ministry of Finance acts as the audit authority both for the Cohesion Policy programmes and for assistance from the AMIF, the ISF and the BMVI. In 2024, the Audit Authority carried out audit activities under the ending PP14+ as well as the new PP21+.

For the AMIF and the ISF, system audits, operation audits, financial statements audits and specific activities related to the closure of programmes were carried out in 2024 in terms of compliance with the steps required by legislation and methodological guidelines.

C.1.2.1 AUDIT WORK FOR THE PROGRAMMING PERIOD 2014–2020

Within the AMIF and the ISF, system Audit No AMIF/2024/S/001 – *Audit of the management and control system RB – NP AMIF*, and system Audit No ISF⁷³/2024/S/001 – *Audit of the management and control system of the RB – NP ISF* were carried out in 2024 at the responsible body (RB), i.e. the Department of European Union Home Affairs Funds of the Ministry of the Interior. The aim of the audits was to verify the effective functioning of the MCS of the responsible body for the NP AMIF and NP ISF and to check compliance with the requirements of the legal framework applicable for PP14+. Detailed information about the audits is provided in the following table.

Table 16: Evaluation of MCS according to performed system audits in 2024 for PP14+

Programme	MCS Category	Findings in total	Severity of findings	
			Medium	Low
NP ISF	2	3	1	2
NP AMIF	2	3	1	2
Total		6	2	4

Source: Information System of the Audit Authority.

Four audits of operations were carried out in 2024, three of which were for the AMIF and one for the ISF. One finding of medium severity, relating to the AMIF, was made during the audits. No findings were made for the ISF.

The finding with financial impact concerned an area resulting from the modified procedure under Section 19(3) of the Public Procurement Act. This provision was misused in connection with the purchase of airline tickets for foreign business trips and exceeding the limit for purchases without a tender procedure.

Information on audits of financial statements

Audit of AMIF 2024 financial statements

The aim of financial statements audit No AMIF/2024/U/001 – *Audit of 2024 NP AMIF financial statements* was to verify that all the elements required by Regulation No 514/2014⁷⁴ and Art. 63(5) of the Financial Regulation, were properly presented in the financial statements and were consistent with the underlying accounting records kept by the RB and the beneficiaries.

⁷³ The abbreviation ISF stands for Internal Security Fund.

⁷⁴ Regulation (EU) No 514/2014 of the European Parliament and of the Council of 16 April 2014 laying down general provisions on the *Asylum, Migration and Integration Fund* and on the instrument for financial support for police cooperation, preventing and combating crime, and crisis management.

During the financial statements audit, the audit team found administrative errors in inconsistent data corrected by the RB prior to closing the account.

A finding with a financial impact was made within the audits of operations for the 2024 financial year; this finding had to be entered into the Electronic Information System for the Management, Monitoring and Reporting of European Structural and Investment Funds for the Programming Period 2014–2020 (SFC2014+) – see Table 17.

Audit of ISF financial statements 2024

The aim of financial statements audit No ISF/2024/U/001 – *Audit of the 2024 ISF financial statements* was to verify that all the elements required by Regulation No 514/2014 and Art. 63(5) of the Financial Regulation were properly presented in the financial statements and were consistent with the underlying accounting records kept by the RB and the beneficiaries.

As part of the audit of the financial statements, the corrections reported in SFC2014+ were verified against documentation from the RB and the RB's internal procedures. Administrative errors and inconsistencies in the RB's data were also corrected so that the accounts could be closed.

Detailed information on the audit activities of the relevant programme – necessary to obtain the level of assurance required for issuing an opinion – as well as the evaluation of audit results (including analysis of the causes of findings), sampling methods, and quantification of projected error rates are provided in the AAR for individual programmes. Summary data are provided in the following table.

Table 17: Overview of the results of audits carried out for the national programmes PP14+ in 2024

Programme	Opinion of AAR	Approved (in EUR)*	Audited (in EUR)	Sample (in %)	Irregularity (in EUR)	Error rate (in %)
NP ISF	Unqualified	9,129,710	3,627,821	40	1,039	0.28
NP AMIF	Unqualified	724,119	477,119	66	960	0.28
Total		9,853,829	4,104,940	42	1,999	–

Source: Annual Audit Reports of the AA.

* Data for audit activities were requested for the AAR and accounts in SFC2014+ for PP14+ in EUR and only for the EU contribution.

The AAR and the “unqualified” audit opinions, including submission via SFC2014+, were carried out by the Audit Authority by 31 December 2024.

C.1.2.2 AUDIT WORK FOR THE PROGRAMMING PERIOD 2021–2027

The following system audits were carried out for PP21+ in 2024: No AMIF2/2024/S/001 – *Audit of the management and control system of the MA for AMIF 2021–2027*, No ISF/2024/S/001 – *Audit of the management and control system of the MA for the ISF 2021–2027 programme*, and No NSHV/2024/S/001 – *Audit of the management and control system of the MA for the BMVI 2021–2027 programme*. All three audits were carried out at the MA – the Department of European Union Home Affairs Funds of the Ministry of the Interior. The aim of the audits was to verify the effective functioning of the MCS for operational programmes and to check compliance with the requirements of the applicable legal framework for PP21+.

Detailed evaluation is given in the following table.

Table 18: Evaluation of MCS according to performed system audits for PP21+ in 2024

Programme	MCS Category	Findings in total	Severity of findings	
			Medium	Low
OP ISF	2	9	4	5
OP AMIF	2	9	4	5
OP BMVI	2	9	4	5
Total		27	12	15

Source: Annual Audit Reports of the AA.

Five audits of operations were carried out in 2024, including two audits for the AMIF, one for the ISF and two for the BMVI. Two findings with a low level of severity, i.e. without financial impact on the beneficiaries, were made during the audits. Both findings concerned the AMIF. No findings were made in the areas of the ISF and the BMVI.

Information on audits of financial statements

In 2024, one horizontal audit was carried out of the financial statements of the AMIF, ISF and BMVI operational programmes financed from the EU home affairs funds. The audited entity was the MA, which performs the accounting function pursuant to Articles 72 and 76 of Common Provisions Regulation 21+.

The objective of financial statements audit No MIG2/2024/U/001 – *Audit of financial statements of migration funds (AMIF/ISF/BMVI) for the accounting period 1 July 2023 – 30 June 2024* was to verify that all the elements required under Article 98 of Common Provisions Regulation 21+ were properly disclosed in the financial statements and were consistent with the underlying accounting records kept by all the relevant bodies or entities and beneficiaries.

No findings were made in the audit.

Detailed information on the audit activities of the relevant OPs necessary to obtain a level of assurance required for issuing an opinion, evaluation of audit results including analysis of the causes of findings, sampling methods and quantification of projected error rates are provided in the AAR for individual OPs and summary data are given in Table 19.

Table 19: Overview of the results of audits carried out for the individual operational programmes PP21+ in 2024

Programme	AAR		Audits of operations			
	Opinion	Projected error rate (in %)	Reported to Commission (in CZK)*	Audited (in CZK)	Sample (in %)	Irregularity (in CZK)**
OP AMIF	Unqualified	0.00	88,583,594	24,878,409	28	0
OP FVB	Unqualified	0.00	42,130,390	23,661,217	56	0
OP BMVI	Unqualified	0.00	31,206,705	14,978,287	48	0
Total		–	161,920,689	63,517,913	39	0

Source: Annual Audit Reports of the AA.

* This amount represents expenditure reported to the Commission from which the sample was drawn (the “positive population”).

** Amount of ineligible expenditure in the random sample according to the AAR.

All the audit opinions were “unqualified”. The AARs and audit opinions for the respective OPs for the year 2024 were drawn up and sent to the Commission by 15 February 2025.

C.1.3 NATIONAL RECOVERY PLAN

C.1.3.1 AUDIT RESULTS FOR 2024

AA performed a total of 12 audits for the NRecP in 2024. All were defined as system audits or testing of the factual accuracy of milestones and targets (MaT). The main objective of the audits was to verify the effective functioning of the component owners' MCS and to verify that the MaT, which were to be reported to the Commission in the application for the payment of funds, were actually fulfilled in accordance with the NRecP as defined in Implementing Decision No 13383/23⁷⁵ (CID)⁷⁶ and in the operational arrangements⁷⁷.

As part of the fourth instalment, audit work was carried out from 1 February 2024 to 31 May 2024. There were a total of six system audits, four of which were initiated as system audits combined with MaT substantive testing. Five targets and five milestones were verified as part of testing the factual accuracy of the MaT. The fourth instalment comprised a total of 37 MaT. The audited entities were the MoIT, the Ministry of Justice (MoJ), the MoRD, the MoT, the MoEYS and the MoE. The system audits returned a total of 16 findings, two of which were of high severity, 13 of medium severity and one of low severity. The testing of the MaT factual accuracy returned a total of 15 findings, of which ten were of high severity, two of medium severity, three of low severity; six indicated risks and one comprised a recommendation.

As part of the fifth instalment and the first payment claim from the loan portion, audit work was carried out from 24 June 2024 to 10 September 2024. There were six system audits, one of which was initiated as system audits combined with MaT substantive testing. Three milestones and three targets were verified as part of testing the factual accuracy of the MaT. The fifth instalment contained a total of 26 MaT, and the first payment claim from the loan portion contained two MaT. The audited entities were the Digital and Information Agency (DIA), the MoIT, the MoEYS and the MoT. The system audits returned a total of ten findings, four of which were of high severity and six of medium severity. The testing of the MaT factual accuracy returned a total of six findings, one of medium severity and five of low severity; furthermore, two risks were identified during the testing of the factual accuracy of MaT. An overview of the conclusions regarding the fourth and fifth instalments and the first payment claim from the loan portion (including a description of the assessment) is given in Annex 1.

C.1.3.2 EXTERNAL AUDITS FOR 2023 AND 2024

Audits of the European Commission

In May 2023, the Commission (European Commission Directorate-General for Economic and Financial Affairs (DG ECFIN)) launched audit No CZ-Q2 2023 focused on the fulfilment of MaT within the NRecP in connection with the payment claim dated 25 November 2022. The audit mission took place at the MoEYS and the MoA. The final report arrived in August 2024. The AA focused primarily on findings No 4 (public procurement) and No 8 (conflict of interest, double financing), including the adoption of relevant recommendations and the submission of a report to the Commission within the set deadline.

Furthermore, in February 2024, the Commission (DG ECFIN) launched audit No CZ-Q1 2024-COMP, concerned with verifying the legality and regularity of selected MaT under the second payment claim (second and third instalments) and assessing the auditors' conclusions in the "audit summary". The audit was still ongoing at the time of the editorial deadline for the *EU Report 2025*.

⁷⁵ Council Implementing Decision No 13383/23 amending the Implementing Decision of 8 September 2021 on the approval of the assessment of the recovery and resilience plan for Czechia.

⁷⁶ Council Implementing Decision.

⁷⁷ Operational arrangements referred to in Article 20(6) of the RRF Regulation.

Audits of the European Court of Auditors

In October 2023, the ECA launched a performance audit focusing on the design of control systems in the area of public procurement and State aid under the *Recovery and Resilience Facility* (RRF). All the objectives contained in the first payment request were included in the assessment. In March 2025, the ECA published its final report – *Special report 09/2025*.

C.1.4 COMPARISON OF EU FUNDS AND THE NATIONAL RECOVERY PLAN IN TERMS OF AUDIT AND RECOMMENDATIONS FOR THE PERIOD FROM 2028

The processes within EU funds and the NRecP differ significantly in several key aspects. The Audit Authority focused on comparing these two approaches and on evaluating and recommending possible changes, also beyond audit work, for the programming period from 2028 onwards (PP28+).

Within EU funds, processes at the level of MA or providers are characterised by clearly defined rules – *Single national framework of rules and procedures under the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund and the European Maritime and Fisheries Fund in the Programming Period 2021–2027*⁷⁸ (SNF). These rules ensure a systematic approach and consistency of the MCS within the implementation structure. This approach enables the coordination of audit performance at individual MAs and IBs. Another important element is the pre-set permissible error rate, which is calculated annually, including its financial impact. Audits are conducted according to a predetermined schedule, which ensures their regularity and predictability and enables effective planning of personnel capacities.

Audit processes within the NRecP are set up similarly to EU funds, but unlike these funds, where each provider has a single methodology based on the SNF, the NRecP involves the creation and application of many different methodologies at the level of individual component owners (providers). This can lead to different levels of detail in MCS settings and greater methodological fragmentation. The Commission's requirements are similar to those of EU funds, but they are often communicated with regard to the NRecP only during implementation, rather than in advance.

The procedures for determining the error rate at the level of component owners are not defined in advance; any possible financial impacts are determined only after the Commission has assessed compliance with the MaT. No error rate can be quantified within the framework of the NRecP in the same way as for EU funds. Although the ECA publishes error rate estimates for NRecP funds, these are indicative values that are not statistically based and are primarily based on a risk-selected sample. This may lead to a distortion in the perception of error rates.

Audit processes within the NRecP differ in that they are carried out *ex ante*, rather than *ex post* as is the case with EU funds. *Ex ante* audit enables the identification and elimination of potential irregularities already at the stage of preparation and planning of measures (i.e. before submitting a payment claim to the Commission), thereby contributing to the greater preventive effectiveness of the system. However, the disadvantage of this approach is the frequent time pressure associated with the need to carry out audits before submitting payment claims, without sufficient time elapsing since the actual implementation of the measures.

The schedule for MaT implementation and reporting is set out in advance in the plan itself and specified in the methodologies, but is generally not adhered to by the Commission. This subsequently results in a tight schedule for performing audit activities and processing reports, which necessitates the concentration of personnel capacities into short periods of time. Even in the initial phase of implementation, the deadlines for carrying out audit work were insufficient. For example, pre-accession milestones such as component

78 MoRD-NCA, March 2019.

4.3 and reform 5, *Control and audit*, had to be met before submitting the first payment request to the Commission, in order for the Czech Republic to be able to draw funds from the NRecP. The main emphasis is placed on verifying compliance with MaT, rather than on the eligibility of expenditure, which may lead to insufficient control of the link between the funds spent and specific MaT.

For PP28+, to ensure a more effective and uniform approach to auditing and thus improve the management and control of funds, the AA considers it necessary to set a fixed schedule of activities so that sufficient time is available to carry out the audit work. Annual settlement, as set up for EU funds, should be maintained; this would subsequently facilitate the process of programme closure, as is currently apparent from the PP14+ closure process.

The permissible error rate, including any financial corrections in the event of non-compliance, should be set in advance so that any financial impact on the Member State's budget can be anticipated. Minimum conditions should be set for the MCS implementation bodies to ensure consistency and a systematic approach within the individual implementation entities. A uniform methodological framework for auditing should also be introduced across Member States and within the Commission to ensure consistency in the audit approach of the Commission and of the ECA.

The NRecP has given us new perspectives on the possibility of managing funds from the EU budget. In particular, experience gained from the results-oriented approach could and should be reflected in the Cohesion Policy. A theoretical option of implementing results-oriented projects already exists in the PP21+ regulation package, but it is hardly ever used across the EU (with a few minor exceptions of a pilot nature). An attempt was made in the Czech Republic, more or less by transferring measures from the NRecP to EU funds, but the Commission's auditors, in particular, failed to grasp the concept and accept the proposal, insisting on a largely formalistic approach and unwilling to think "out of the box".

This experience of one MA apparently had a significant impact on the interest in using these methods on the part of other managing authorities. In future, it is essential to ensure a shift in the Commission's approach, as the Commission should not only recommend a performance-oriented approach, but should first clearly define the relevant requirements and then accept them. From the AA's perspective, this position does not conflict with the need to maintain the proven protection and control mechanisms of the cohesion framework and to perceive and subsequently respond to criticism of the method of demonstrating the implementation of measures and ensuring the "traceability" of NRecP funds by the ECA. Audits should focus on results while maintaining the link between the funds spent and specific MaT.

Use of financial instruments

The percentage of funds allocated in the Czech Republic to refundable support for PP21+ is well below average; this has been criticised by the Commission. In view of the administratively more straightforward processes for applicants and beneficiaries, the AA considers the use of FIs to be an appropriate direction for future support from EU funds and suggests the allocation of at least 30% of the Commission's entire future financial contribution to refundable forms of support.

Refundable support can be used for each subsidised area, with its applicability and efficiency depending on the specific definition and determination of the scope of support for specific types of beneficiaries. For example, a 0% interest rate could be envisaged for municipalities or social service providers, while the Road and Motorway Directorate, the Railway Administration and business entities could be granted a discount on the standard interest rates available from other sources of financing. The benefit of refundable support lies not only in establishing a national investment entity with greater resources, but also in lower administrative costs and the harmonisation of requirements with standard bank financing on the part of both the beneficiaries and the State. Refundable support can be used to cover multiple projects with smaller amounts of funding.

C.2 ECA AUDIT WORK IN RELATION TO THE CZECH REPUBLIC

At its meeting held on 4 and 11 July 2024, the European Court of Auditors adopted the following Annual Reports for the financial year 2023⁷⁹:

- *Annual Report on the implementation of the EU budget for the 2023 financial year;*
- *Annual Report on the activities funded by the 9th, 10th and 11th European Development Funds (EDF) for the 2023 financial year*⁸⁰.

In its *Annual Report on the implementation of the EU budget for the 2023 financial year*, the ECA issued the following statements:

Unqualified opinion on the reliability of the accounts: *“In our opinion, the consolidated accounts of the European Union (EU) for the year ended 31 December 2023 present fairly, in all material respects, the EU’s financial position as at 31 December 2023, the results of its operations, its cash flows and the changes in its net assets for the year then ended, in accordance with the Financial Regulation and with accounting rules based on internationally accepted accounting standards for the public sector.”*

Unqualified opinion on the legality and regularity of revenue: *“In our opinion, the revenue underlying the accounts for the year ended 31 December 2023 is legal and regular in all material respects.”*

Adverse opinion on the legality and regularity of budget expenditure: *“In our opinion ... the budget expenditure accepted in the accounts for the year ended 31 December 2023 is materially affected by error.”*

Qualified opinion on the legality and regularity of Recovery and Resilience Facility expenditure: *“In our opinion, except for ..., the RRF expenditure accepted in the accounts for the year ended 31 December 2023 is legal and regular in all material respects.”*

As can be seen from the opinions cited above, for the third year running, ECA issued separate opinions regarding the legality and regularity of expenditure. **The third concerns the traditional EU budget (or MFF), where the estimated error rate in expenditure increased from 4.2% % in 2022 to 5.6%.** Significant errors persist in the headings of *Cohesion, resilience and values*, where they have already reached 9.3% (a significant year-on-year increase of more than 45%), and *Single market, innovation and digital* (3.3%, a year-on-year increase of 22%). The error rate in the heading of *Natural resources* remained at 2.2%. The most common types of errors continue to be those related to ineligible projects and costs, and to public procurement.

The fourth opinion concerns expenditure from the RRF. Given that compliance with EU and national regulations is not systematically monitored for these expenditures, a qualified opinion was issued in this category. Since these projects are similar to those supported by expenditure financed under heading *Cohesion, resilience and values* and are often audited by the same national authorities, there is a risk that similar types of errors also exist in RRF expenditure.

The following paragraphs C.2.1 and C.2.2 deal primarily with the activities of the ECA in relation to the Czech Republic.

Annex 2 provides an overview of audit missions carried out by ECA staff in the Czech Republic in 2023 and 2024.

79 See: https://www.eca.europa.eu/ECAPublications/AR-2023/AR-2023_EN.pdf; Publications Office of the European Union, 10 October 2024.
80 This Annual Report is not directly relevant to the Czech Republic, so we will not discuss it further in the *EU Report 2025*.

C.2.1 DAS AUDITS⁸¹

Drawing on European Structural and Investment Funds for the Programming Period 2014–2020

In its Annual Report, the ECA provided an overview of the Czech Republic and the United Kingdom in terms of the rate of drawdown of the EU PP14+ funds allocated to them; the overview included data as at 31 December 2023.

According to the Commission data, 99% of the allocated funds had been disbursed in the Czech Republic by 8 January 2024, placing the country at the top of the ranking of all Member States, followed by Hungary and Ireland (98%). At the opposite end of the scale were Bulgaria (83%), Malta (82%) and Denmark (only 76% of funds paid out). The published data also showed that, as at the same date, EUR 296 million remained to be paid out in the Czech Republic, while a total of EUR 41,975 million remained for all Member States and the United Kingdom (EU-28).

Drawing on EU funds for the Programming Period 2021–2027

The Annual Report also provides an overview of the rate of drawdown for the individual Member States with regard to PP21+ also as at 31 December 2023. Here too, the overview is based on figures published by the Commission on 8 January 2024.

Here, the Czech Republic ranked third with 5.0% of the allocated funds paid out (EUR 1,060 million was already paid out and EUR 20,159 million was remaining). Only Hungary (5.3%) and Luxembourg (7.5%) achieved a higher drawdown rate. At the end of the ranking were Portugal, Denmark, Slovakia, Poland and Romania, each with a drawdown rate of 2.5% of their allocation.

Drawing on grants from the *Recovery and Resilience Facility*

In the published overview of the drawdown of funds from the NRecP, the Czech Republic ranked in the middle group of Member States (18th place) in terms of the rate of funds drawn down as at 31 December 2023. A total of 67% of the funds allocated to the Czech Republic, representing EUR 6.4 billion, remained to be drawn down as of that date. More than half of the allocated funds have been paid out in France and Italy, while four Member States (Hungary⁸², the Netherlands, Sweden and Ireland) have not yet drawn on any funds from this instrument.

Unresolved reservations in the area of revenues

The Annual Report provides an overview of the number of unresolved reservations relating to EU budget revenue (reservations on gross national income (GNI) and value added tax (VAT) and open cases with regard to traditional own resources (TOR)) as at 31 December 2023.

In the case the Czech Republic, the number of open cases relating to TOR rose from six in 2022 to seven. However, no reservations were recorded with regard to VAT and GNI at the end of 2023 (in 2022, there existed two reservations concerning VAT and one connected with GNI). With a total of seven shortcomings recorded, the Czech Republic ranked eighth within the EU-28. Lithuania and Slovakia performed best, with one reservation each. On the other hand, Belgium (33), Germany (34) and the United Kingdom (49) recorded the most reservations.

Overall, the number of reservations decreased in the EU-28 year-on-year from 502 in 2022 to 381, representing a 24% reduction, with the largest decrease in reservations occurring in the area of GNI (a decrease of 71%).

⁸¹ Statement of Assurance (Déclaration d'assurance)

⁸² The first payments were made in January 2024.

Heading 2 – Cohesion, resilience and values

The ECA control sample covered 216 transactions carried out in 15 Member States and the United Kingdom. The auditors found a total of 112 errors, of which 47 were quantifiable. As many as 21 operations were audited in the Czech Republic, with the finding of ten quantifiable errors (the highest number of all Member States) and eight non-quantifiable errors.

The ECA auditors identified seven ineligible projects, three of which were in the Czech Republic (one each in Spain, Hungary and Poland) and one under direct management (also in the Czech Republic)⁸³. This project accounts for 14.3% of all quantifiable errors identified by the auditors, i.e. approximately 2.7 p.p. of the estimated error rate (29% contribution to the error rate).

As part of its audit sample, the ECA examined a total of 27 procurement procedures and identified cases of non-compliance with EU or national public procurement rules in the Czech Republic, Hungary, Portugal, Romania and in one case of direct award. It classified errors that constitute serious breaches of EU and national public procurement rules as quantifiable. Seven of these cases were detected in the Czech Republic, Hungary and Portugal. These irregularities were not detected by the audit authorities, even though they examined the same transactions, or they were detected but not sufficiently corrected (Hungary). The seven cases mentioned accounted for 14.3% of all such errors, i.e. approximately 2.0 p.p. of the estimated error rate (contributing 21% to the error rate).

The ECA auditors also identified conflicts of interest among public contracting authorities that had an impact on the outcome of the procurement procedure. The Annual Report describes, among other things, one case that was revealed in the Czech Republic, where the selected candidate for a public contract participated in the preparation of the tender documentation.⁸⁴

Another group of findings concerned missing basic documentation or an insufficient audit trail. These shortcomings were identified in eight operations, six of which were quantifiable (one of them concerned the Czech Republic⁸⁵). The resulting errors account for approximately 12.2% of the operations quantified by the ECA and 0.7 p.p. of the estimated error rate (an 8% contribution to the error rate).

83 *Annual report on the implementation of the EU budget for the 2023 financial year, Box 6.1: "A private company in Czechia received ERDF funding to purchase new IT equipment with a view to increasing sales and competitiveness. The call required applications to sufficiently describe individual project items and justify their link to the project's activities on penalty of exclusion.*

We found that the company did not sufficiently describe and justify the IT equipment for purchase in its project application. Furthermore, the majority of the equipment did not directly relate to the project activities or comply with the 'project's economy' criterion. The managing authority should therefore have excluded the project application from funding. Therefore, we consider the project ineligible. Moreover, our on-the-spot visit revealed that some of the newly purchased equipment was not used by the beneficiary, but rather by its subsidiary company which was not eligible for funding through the call issued under the programme in question. Therefore, we consider the costs relating to the equipment used by the subsidiary company ineligible."

84 *Annual Report on the implementation of the EU budget for the 2023 financial year, Box 6.4: "... We audited an operation in Czechia involving the construction of an automated bicycle parking tower. The contracting authority, a public body, conducted a simplified open public procurement procedure. Under such procedures, authorities must treat economic operators equally, avoiding discrimination and conflicts of interest. We found that part of the technical specifications was drawn up by a company that was co-owned by the sole bidder and included as the key sub-contractor. The general part of the tender documentation showed an image of the winning bidder's product and included a general disclaimer that if references to concrete brands or specific products are mentioned in the tender documentation, 'equivalent' solutions are allowed. Contrary to this general statement, the specifications were tailor-made to the sole bidder's product in such a detailed way that de facto did not allow for equivalent products to be awarded the tender. For example, the specification set a requirement for exactly 118 bike places, the capacity of the product of the sole bidder that drew up the technical specifications, even contrary to the feasibility study which set out a number of 126 bikes. The technical specifications of the subject matter were not objectively justified by the contracting authority's needs as required by the national law. By awarding the contract to the only bidder that had co-drafted the discriminatory technical specifications and ensured for itself an advantage against other manufacturers of bike towers on the EU market, the contracting authority accepted a conflict of interest and breached national public procurement law."*

85 *Annual report on the implementation of the EU budget for the 2023 financial year, Box 6.6: "... In Czechia, we audited an EU co-financed project focused on developing new diagnostic methods to detect unstable arterial plaques, and on developing and testing two prototypes. The operation was implemented under the 'Enterprise and Innovation for Competitiveness' OP. Although the development of these new diagnostic methods was one of the objectives of the audited operation, the beneficiary did not provide any evidence proving the development of any such methods. The beneficiary should also have kept a detailed record of the testing of the functionality of the prototypes, but did not provide us with any such evidence. There was no evidence to prove that the project was implemented as foreseen in the grant agreement. We have quantified this error due to the absence of essential supporting documents."*

Heading 3 – *Natural resources and environment*

The auditors checked a sample of 218 operations in Member States (including the Czech Republic) and the United Kingdom. Direct payments were checked in 13 Member States and rural development operations in 16 Member States. The auditors found a total of 56 errors, 37 of which they quantified. In the Czech Republic, they audited eight operations and identified one quantifiable error.

Recovery and Resilience Facility

In this area, the ECA carried out, among other things, on-the-spot visits to six Member States, including the Czech Republic, and assessed five ex post audits (one in the Czech Republic) performed by the Commission to determine whether they had been carried out effectively in order to provide a certain degree of assurance.

The auditors found examples of unsatisfactory compliance with the MaT in six Member States, including the Czech Republic. Shortcomings were also found with regard to eligibility of expenditure in four Member States (again including the Czech Republic).

When assessing the implementation of 15 control milestones, the Commission and the ECA identified shortcomings in the Czech Republic and Lithuania. The Czech Republic was found to lack information on progress in fulfilling outstanding MaT.

In several Member States, including the Czech Republic, shortcomings were identified in the collection of data on the beneficial owners of foreign companies.

C.2.2 ECA SPECIAL REPORTS

The European Court of Auditors carries out, among other things, performance audits and compliance audits, and publishes the results of these audits in special reports (ECA SR). The ECA published a total of 34 special reports during the period under review. In five of these, the Czech Republic was included in the audit sample or was directly affected by the audit.

Special report 10/2024: The recognition of professional qualifications in the EU – An essential mechanism, but used sparsely and inconsistently

In 2005, the EU adopted Directive 2005/36⁸⁶, which aims to prevent Member States from imposing unreasonable conditions on citizens of other Member States who wish to pursue a regulated profession in another Member State. The framework of professional qualifications also aims to ensure that services provided in any Member State meet the same standards of “public health and safety”. This Directive was updated in 2013 and had to be transposed into national law by 2016.

In this audit, the ECA examined how effectively the Commission ensured the right of EU citizens working in regulated professions to move freely between Member States for professional purposes or to establish businesses. The ECA checked whether Member States applied their systems in an effective way and assessed the usefulness of the new elements introduced in the revised Directive. It also looked at whether the Commission coordinated and monitored data provided by the Member States effectively, and whether readily accessible, complete, and consistent information was provided to citizens.

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Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications.

The auditors found, *inter alia*, the following facts:

- Many professions are still regulated by Member States and around 6% of citizens moving to another Member State make use of the systems of recognition of professional qualification.
- The shortcomings identified include the lack of electronic procedures and the differences between fees charged for recognition by Member States. Some authorities require more documents and do more checks than the Directive allows for, thus taking longer to decide on the recognition of professional qualifications than the maximum time laid down in the Directive.
- Making the use of the Internal Market Information System mandatory for the notifications of automatically recognised qualifications was a positive change and improved the exchange of information between competent authorities from different Member States. Overall, however, the new measures provided little added value in practice.
- Competent authorities did not take the alerts encoded in the Internal Market Information System by other Member States into account when granting recognition of professional qualifications.
- The periodic update of qualifications for the automatic system of professional recognition is cumbersome, and there are no deadlines for the Commission to complete it.
- The information provided to citizens wishing to pursue a regulated profession in another Member State is generally accessible but often unreliable and inconsistent.

Overall, the auditors concluded that the recognition of professional qualifications in the EU is an essential mechanism, but used sparsely and inconsistently.

Many of the findings described above concerned the Czech Republic. These were mainly the following shortcomings:

- The auditors found that two of the four Member States audited (the Czech Republic and Luxembourg) failed to comply with Directive 2005/36 in terms of the availability of electronic procedures for the recognition of professional qualifications for carpenters, civil engineers and secondary school teachers.
- In the Czech Republic⁸⁷, Luxembourg and Austria, the ECA found cases of non-compliance with the code of conduct as regards the documents that can be requested by authorities.
- ECA also found that the Czech Republic and Austria imposed compensation measures systematically for the activity of civil engineer, although Directive 2005/36 allows such measures only if there are substantial differences in training between the home and host Member States.
- Between March 2023 and November 2023, the Czech authorities declared a significant number of additional decisions for the period 2017–2021 (an increase by 22%). This indicates that their decisions were initially underreported by the Czech Republic.
- The Czech Republic did not submit a report in January 2024 on any requirements to regulate professions which have been removed or made less stringent although access to nine regulated professions had been made less stringent in 2023.
- The Regulated Professions Database (RPD) contained fewer regulated professions for Austria, Belgium and the Czech Republic than the lists held by each Member State.⁸⁸ The differences were mainly due to specialisations in healthcare professions.

⁸⁷ For the recognition of the profession of civil engineer, the Czech competent authority requires a sworn translation of all supporting documents for the professional qualification.

⁸⁸ Austria had 31 additional professions, Belgium had 142, and the Czech Republic had 36.

- For Belgium, Czechia and Luxembourg, the RPD listed more professions subject to prior checks for cases of temporary mobility than the Member State lists.⁸⁹ Again, this was mainly due to specialisations in healthcare professions.

Based on the findings, the ECA recommended that the Commission should:

- ensure the uniform application of the system for the recognition of qualifications;
- integrate an alert mechanism in the procedure for recognising qualifications;
- update annually the lists of qualifications in sectors where professional qualifications can be recognised automatically, and set a shorter deadline for decisions on the recognition of professional qualifications through the automatic system for sectoral professions;
- ensure reliable and consistent information for citizens.

Special report 11/2024: *The EU's industrial policy on renewable hydrogen: Legal framework has been mostly adopted – time for a reality check*

In this audit, the ECA examined how effective the Commission has been in creating the right conditions for the emerging renewable and low-carbon hydrogen markets. The auditors assessed whether the EU is on track for achieving its targets and whether it has adopted the necessary legal acts to effectively provide timely support for the hydrogen market. They also assessed whether the EU has a comprehensive set of funding programmes to allow the hydrogen value chain to develop across the EU, and whether the Commission has appropriately coordinated market creation between its own services, with Member States and with industry.

For the 2021-2027 period, total EU funding for hydrogen-related projects is currently estimated at EUR 18.8 billion, with the two major funding sources being the *Recovery and Resilience Facility* and the *Innovation Fund*.

ECA found the following:

- The Commission did not undertake robust analyses before setting the EU's renewable hydrogen production and import targets.
- These were not broken down into binding targets for Member States and not all Member States set their own targets. When they did so, these national targets were not necessarily aligned with the Commission's targets.⁹⁰ The Commission did not set any EU targets for low-carbon hydrogen.
- Agreeing on the renewable hydrogen rules took time and many investment decisions were deferred during this period. In 2023, the EU adopted measures to increase the cost competitiveness of renewable and low-carbon hydrogen, but the effect of these measures will not be immediate and certain aspects were not included.
- Investment needs are huge, but the Commission does not have a complete overview of these needs or the public funding available. Industry is faced by a set of different EU funding programmes with different rules, making it difficult to determine the best-suited programme for a given project.

⁸⁹ A difference of 22 professions for Belgium, 21 for the Czech Republic and 32 for Luxembourg

⁹⁰ The EU targets turned out overly ambitious. Based on the available information from Member States and industry, the EU is unlikely to meet them by 2030.

ECA recommended that the Commission:

- make strategic choices on the way ahead without creating new strategic dependencies;
- set out an EU roadmap and monitor progress;
- obtain reliable national funding data and assess the appropriateness of EU funding arrangements accordingly;
- monitor the permitting process in the Member States;
- take a clear decision on support and coordination actions with and for the hydrogen industry.

Special report 22/2024: Double funding from the EU budget – Control systems lack essential elements to mitigate the increased risk resulting from the RRF model of financing not linked to costs

EU financial support from the RRF (with funds of EUR 724 billion) was the first ever large-scale rollout of EU financial support with no link to actual costs and a greater risk of double funding for the same outputs/results. The expectation was that the RRF funding model would both deliver results efficiently and simplify financial management. However, simplification should not weaken the protection of the EU's financial interests, and the avoidance of double funding is a fundamental principle for the sound financial management of EU funds.

The auditors assessed whether the systems set up by the Commission and the Member States to prevent, detect and correct double funding between the RRF on one hand and the cohesion policy funds and the *Connecting Europe Facility* on the other were well designed and implemented.

The ECA concluded that the systems set up and implemented by the Commission and the Member States are not yet sufficient to adequately mitigate the increased risk of double funding between the RRF, the cohesion policy funds and the *Connecting Europe Facility*. Considering the weaknesses in the control environment, double funding can hardly be detected. **Overall, our audit shows that the use of funding instruments based on financing not linked to costs leads to a higher risk of double funding.**

Control systems lack essential elements to mitigate the increased risk of double funding:

- The definition of double funding set out in the Financial Regulation and used for the RRF does not take account of delivery models not linked to costs. The Commission has not yet sufficiently clarified what types of costs should be considered or how to address the risk of the same outputs/results being declared, and thus funded, twice.
- Both the Commission and Member States have taken measures to prevent double funding, but these alone cannot be sufficient. The Commission's guidance on how to avoid double funding directs Member States towards cost-based audits. However, it was issued late and does not specify minimum control requirements.
- The Member States generally carry out management verifications on double funding based on actual costs incurred. Some of them also carried out only limited audit work on double funding. The challenging control environment is mainly due to a fragmented IT landscape, which prevents effective cross-checks to detect double funding, as well as the limited use of *Arachne* or other data mining tools and project databases, and difficult data exchange and matching.
- The assurance the Commission is able to provide on the absence of double funding relies on limited evidence.⁹¹

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After the end of the audit fieldwork, the Commission identified the first two potential cases of double funding in one Member State.

In relation to the Czech Republic, the ECA SR contains the following findings:

- The Commission's auditors were unable to conclude that there had been no double funding for 17 schools that had received ESF funding for projects using simplified cost options in the purchase of ICT equipment and were also final recipients of RRF support. They recommended including checks of final recipients' analytical accounting for projects with simplified cost options in the future.
- Six of the seven selected Member States (including the Czech Republic) have set up cost-based control systems to avoid double funding.⁹²
- The ECA auditors noted that, as a precaution, the Czech Republic, France, Italy and Portugal have avoided combining the RRF with other EU programmes for specific measures. This approach helps to mitigate the risk of double funding.⁹³
- Member States encountered difficulties whenever they used numerous local IT systems to implement their RRP. With a decentralised setup, automated cross-checks to identify potential double funding are practically impossible because the IT tools are not interoperable. Restricted access rights, the need to consult multiple databases and non-standardised project data also hamper effective cross-checks.
- None of the Member States covered by this audit modified their approach to auditing double funding at final recipient level with the introduction of the RRF. They do not distinguish between EU funding programmes or target any instruments specifically. Their audit work mainly consisted of manual cross-checks with other project databases. Moreover, the risk that the same outputs/ results are funded twice is not covered.⁹⁴

ECA recommended that the Commission:

- adjust the definition of double funding to the specificities of the "financing not linked to costs" model;
- strengthen the controls on zero-cost measures;
- clarify and strengthen the control requirements for double funding under funding programmes and instruments using financing not linked to costs;
- strengthen coordination between funding programmes and instruments;

92 The ECA SR gives the following example in this regard:
"In Czechia, double funding is checked ex ante, during project selection, and for each payment claim by the recipient. During project selection, authorities cross-check information from the applicant with internal and, to some extent, external sources, such as the national subsidy register, Arachne and the register of cohesion projects. Checks are also conducted before payment to the recipient to ensure that the same invoices, marked with a unique project number, were not previously reimbursed. These checks are cost-based and broadly similar for RRP and cohesion projects."

93 The ECA SR gives the following example in this regard:
"The Ministry of Transport applies the principle of 'systematic decoupling of resources' by not allowing different EU funding sources to be combined for the same project. The implementing body's internal IT system does not allow the recording of RRP support in combination with other EU funding. Similarly, the managing authorities for the 'Transport' and 'Environment' OPs use only cohesion funding. When the ministry asked the Commission how to split energy savings achieved by investments in the same railway stations financed from both the CF/ERDF (through the national 'Environment' OP) and the RRP, the Commission advised that these savings be reported in their entirety, regardless of the specific contribution made by each instrument to the cost of the investments. Czech authorities decided not to apply this approach and, in 2022, they transferred seven projects from the 'Environment' OP to the RRP. The implementation of six of these projects had already started. Moreover, two of them had been completed, and for one the actual eligible costs incurred had been fully reimbursed. Payments made to the railway administration as the beneficiary under the "Environment" OP were recovered."

94 The ECA SR gives the following example in this regard:
"In Czechia, the audit approach on double funding does not distinguish between RRP and cohesion programmes. The audit authority for cohesion programmes verifies that beneficiaries have not received EU funding for the same projects covering the same costs by manually cross-checking different project databases, and by reviewing beneficiaries' accounting records for other subsidies and possible double funding of invoices under different projects. However, the reliability of output data is only checked for completed cohesion projects and the audit authority does not verify potential overlaps with RRP milestones and targets. For the RRF, audit work on double funding involves similar checks, with greater emphasis on control systems. In practice, verifications extend to recipients' accounting records only when a risk of double funding has already been identified. However, as there are also no specific audit procedures addressing the risk that the same outputs/results are declared, and thus funded, twice, some cases at risk of double funding may not be identified."

- set up and use integrated and interoperable IT systems and data mining tools for all funding programmes and instruments;
- strengthen assurance on the absence of double funding when using financing not linked to costs.

Special report 04/2025: EU military mobility – Full speed not reached due to design weaknesses and obstacles en route

Given the current geopolitical situation in Eastern Europe, the ECA concluded that there was a need to audit Action Plan 2.0 for military mobility and the first EU budget for military mobility, which includes a EUR 1.69 billion allocation from the *Connecting Europe Facility* financed under the 2021–2027 Multiannual Financial Framework (MFF21+). The audit provides an opportunity both to improve implementation in the current MFF and to prepare for the next programming period.

ECA auditors assessed whether Action Plan 2.0 was built on solid foundations and was on track to reach its objectives. ECA concluded that **Action Plan 2.0 lacked sufficiently solid foundations, and progress towards its objectives has been variable; in the preparation of Action Plan 2.0, the Commission did not make a robust estimate of the funding required to reach the objectives set.**

The ECA found that governance arrangements for military mobility in the EU are complex. There is no single point of contact for military mobility measures. This makes it difficult for stakeholders, such as ministries of defence, to know who does what in relation to military mobility. The European Parliament (EP) has partial oversight of military mobility in the EU.

For the three military mobility dual-use infrastructure calls, we found that the military assessment only accounted for a small part of the overall assessment score in the selection process. Geopolitical aspects were also not sufficiently considered. The ECA therefore noted that there is a risk of the EU funded dual-use projects selected not being the most relevant from a military perspective.

The auditors found that only four of the 29 key actions at EU level could be considered completed. There is a lack of indicators and specific targets to be achieved for all actions. The ECA therefore cannot give a precise overall assessment of the progress made on Action Plan 2.0, beyond indicating that implementation of actions is ongoing and progress has been variable.

It should be viewed positively, however, that after the launch of the third and last call in 2023, the Commission, with contribution from Member States, carried out a gap analysis with a view to setting up a plan to address the priority infrastructure gaps and quantify the EU funding needed for the next MFF.

ECA auditors sampled 24 projects selected for EU funding under the 2021 and 2022 military mobility calls. One of these projects was implemented in the Czech Republic, but no audit visit took place in the country.

ECA recommended that the Commission and the European External Action Service:

- improve the governance arrangements for military mobility in the EU;
- monitor and report on the progress of each action included in Action Plan 2.0;
- assess the possibility of using *Connecting Europe Facility* transport calls to finance dual-use infrastructure projects under MFF21+;
- take steps to improve the predictability of possible funding for military mobility under MFF28+;
- improve the selection process for dual-use infrastructure projects under MFF28+;
- make the design of the EU's military mobility actions more focused.

Special report 09/2025: Systems for ensuring compliance of RRF spending with public procurement and State aid rules – Improving but still insufficient

As mentioned above (see Special report 22/2024), the RRF is based on the “financing not linked to costs” funding model. The main condition for RRF payments to Member States is the satisfactory fulfilment of predefined milestones or targets. Member States are therefore required to have effective and efficient internal control systems for RRF implementation to protect the EU financial interests. Although non-compliance with EU and national rules has in general no impact on the regularity of the RRF funds paid by the Commission to the Member State, the Commission should, in line with the RRF regulation, obtain sufficient assurance that Member States regularly and effectively check compliance with public procurement and State aid rules.

The auditors assessed the RRF control systems at Commission and Member State level, and whether the Commission has been able to draw sufficient assurance that Member State internal control systems are effective in ensuring that RRF-funded measures complied with public procurement and State aid rules.

Five Member States (the Czech Republic, France, Croatia, Italy and Spain) were selected for the audit sample, and the Commission audit work until May 2024 was examined.

The ECA concluded that despite improvements in its audit work, the Commission has not been able to draw sufficient assurance on whether Member States have an effective internal control system to ensure that RRF spending complies with public procurement and State aid rules. The auditors found that when in the initial phase of RRF implementation, the Commission did not ensure that Member States put in place effective checks and audits of compliance with public procurement and State aid rules, and there was a lack of guidance in this regard. They also found that some Member States provided an insufficient level of assurance with some significant weaknesses in their control and audit systems.

During their audit visits, ECA auditors found that the design of RRF control and audit systems varied considerably in the Member States. The control systems in France and Spain relied entirely on existing national budgetary control institutions. In the Czech Republic and Italy, they relied on implementing bodies that assume responsibility for control, with each designing its own control arrangements for RRF implementation, sometimes using the same approach as for other EU funds and sometimes using existing procedures under their national systems. In Croatia, they mirrored closely the institutional arrangements used for implementing other EU funds. In its annual reports, the ECA also noted that the work of national audit authorities on these funds cannot be fully relied upon.⁹⁵

Audit bodies’ inspections on the granting of State aid were absent or conducted only after payment requests had been submitted, resulting in a lack of independent assurance on State aid before initial RRF payments were made to the Member States.

For public procurement, the ECA found that corrective measures in the five sampled Member States varied considerably. In France and Spain, funds are not recovered from final recipients (except in the case of serious irregularities⁹⁶). In Member States where funds are recovered (including the Czech Republic), these are not returned to the EU budget.

The Commission has to take corrective action when it detects serious system weaknesses but cannot make corrections for individual breaches of public procurement rules except in cases of serious irregularities which have not been corrected by the Member State. This means that, in line with the design of the RRF, payments can be made in full, even in cases of public procurement irregularities. To date the Commission has not applied any reductions to Member States’ RRF allocations for breaches related to public procurement or State aid audits.

Since mid-2023, the Commission has stepped up its audit work and started checking the effectiveness of Member State systems. However, in many cases these audits suffered from gaps in their scope, which

⁹⁵ The auditors found serious deficiencies in most of the implementing bodies that they assessed in the Czech Republic and France and in France’s audit arrangements. Moreover, in France, they found no evidence of inspections or audits on public procurement procedures, and in the case of the Czech Republic, they identified audits not covering all relevant risks (such as artificial splitting of contracts and modifications of contract elements). In Italy, they found issues related to the timing of inspections and audit work, and in Spain, deficiencies in documentation of inspections and timing of audit work.

⁹⁶ Serious irregularities include fraud, corruption, conflict of interest and double funding.

impacts Commission's assurance that Member State internal control systems are effective in ensuring that RRF-funded measures complied with public procurement and State aid rules. Following the audit, ECA recommended to the Commission:

- to ensure compliance with public procurement and State aid rules in all future EU programmes based on financing not linked to costs to be implemented by Member States;
- to define requirements for Member State control and audit systems for public procurement and State aid;
- to further strengthen Commission checks on Member State systems ensuring compliance with public procurement and State aid rules;
- to improve EU level assurance on compliance with public procurement and State aid rules;
- to define consistent corrective measures for breaches of public procurement rules.

C.3 EUROPEAN COMMISSION AUDIT MISSIONS IN THE CZECH REPUBLIC

The European Commission carried out four audit missions in the Czech Republic in 2024, two of which focused on PP14+ and two on PP21+. An overview of these, along with an overview of the Commission's audit missions carried out in 2023, is provided in Annex 3.

SECTION II

FINANCIAL MANAGEMENT OF EU FUNDS IN THE CZECH REPUBLIC IN THE EUROPEAN CONTEXT

D. EU BUDGET AND ITS RELATIONSHIP TO THE CZECH REPUBLIC

Each year, the EU Report provides a concise graphical overview of the actual revenue and expenditure of the last audited EU budget. The last EU budget to be audited by the *EU Report 2025* editorial deadline of 31 March 2025 was the 2023 EU budget. Further information can be found [here](#)⁹⁷:



Preparations for the post-2027 EU Multiannual Financial Framework (MFF28+) are in full swing during the preparation of the *EU Report 2025*. Given that most of the key information on this issue will be published after the *EU Report 2025* editorial deadline, the SAO will subsequently publish a separate section of the EU Report devoted to this crucial topic.

D.1 DEVELOPMENT OF THE CZECH REPUBLIC'S NET POSITION IN RELATION TO THE EU BUDGET UP TO 2024

The Czech Republic is one of the Member States that receive more funds from the EU budget than they contribute to it. Hence, its “net position” is positive and it is one of the net beneficiaries.⁹⁸

Since joining the EU, or rather during the period 2004–2023, the Czech Republic's net position has reached almost EUR 46.26 billion. In 2023, the Czech Republic's net position amounted to EUR 4.19 billion, representing a year-on-year increase of almost EUR 1.16 billion (i.e. more than 38%).

Chart 8 shows the development of the Czech Republic's net position from 2010 to 2024, with data for 2010–2023 obtained by the SAO from Commission sources and the (colour-coded) value for 2024 published in the MoF press release⁹⁹. The SAO included this value in the Chart because, at the time of the *EU Report 2025* editorial deadline, the relevant data from the Commission was not available.

After taking into account the net position for 2024 reported by the Ministry of Finance in the amount of EUR 3.31 billion, the Czech Republic's cumulative net position for the period of its membership in the European Union amounts to EUR 49.57 billion.¹⁰⁰

⁹⁷ See <https://www.nku.cz/scripts/detail.php?id=15011>

⁹⁸ In the following section, the value of the net position is determined by deducting a Member State's total contributions to the EU budget, including TOR (customs duties and sugar levies), net of the costs of collecting customs duties, from a Member State's total revenue from the EU budget, net of the appropriations under the European Public Administration budget heading (i.e. EU administrative costs) and net of appropriations earmarked for covering the costs of the Commission's decentralised agencies.

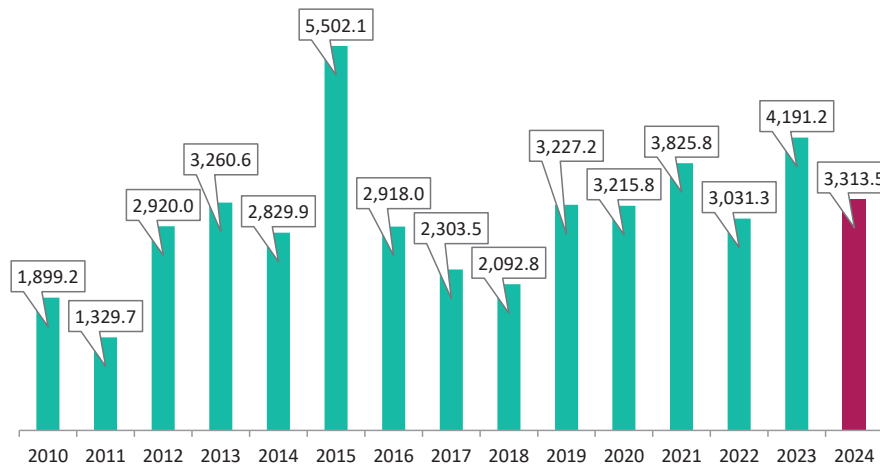
⁹⁹ MoF press release: *Net position vis-à-vis the EU: Last year, the Czech Republic received CZK 83.2 billion more than it contributed*, MoF; 11 February 2025.

The press release gives the values in Czech crowns. The cumulative value of the Czech National Bank exchange rate for 2023 was used for the conversion to euros, i.e. CZK 24.007/EUR 1.

¹⁰⁰ The MoF uses a different methodology to calculate the net position, which is why the figures it reports are slightly different from those presented by the SAO.

Chart 8: The CR's net position in 2010–2023 (with added MoF data for 2024)

(EUR mil.)



Source: https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2021-2027/spending-and-revenue_en, Commission, 2024;

Press release: *Net position vis-à-vis the EU: Last year, the Czech Republic received CZK 83.2 billion more than it contributed*, MoF, 11 February 2025.

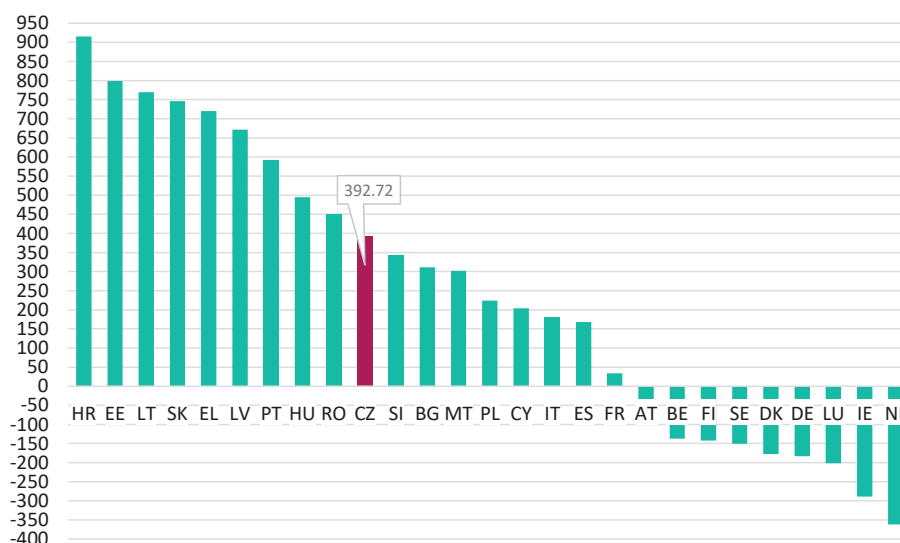
Note: The net position for 2024 published by the Ministry of Finance is indicated here, including revenue from the *NextGenerationEU* instrument, as was the case in previous years.

Since 2020, the Czech Republic has gradually fallen in the ranking of net beneficiaries (after taking into account income from *NextGenerationEU*), from fifth to ninth place in 2022. In 2023, the Czech Republic improved its ranking by one place due to a higher year-on-year drawdown of EU budget funds compared to 2022. Italy remained the largest net beneficiary in 2023 (EUR 10,680 million), ahead of Romania (EUR 8,555 million), and Poland (EUR 8,261 million). At the other end of the scale, the biggest net contributors are Germany (EUR 15,378 million) and the Netherlands (EUR 6,410 million).

An important indicator is the recalculation of the Member State's net position per capita. In 2022, the Czech Republic fell to 16th place in this comparison, as its net position per capita amounted to EUR 284.02. In 2023, however, it regained part of the ground previously lost (again thanks to higher drawdown from the EU budget) and with a net position of EUR 392.72 per capita, it ranked 10th among the Member States (see the Chart below).

Chart 9: Net position per capita in 2024

(in EUR)



Source: https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/2021-2027/spending-and-revenue_en, Commission, 2024; Eurostat, 14 March 2025.

Note: The values shown do not include expenditure from the budget heading European Public Administration and expenditure of the Commission's decentralised agencies. On the other hand, revenue includes funds granted to Member States from the *NextGenerationEU* instrument.

D.2 ANNUAL REPORT ON THE PROTECTION OF THE EUROPEAN UNION'S FINANCIAL INTERESTS IN 2024

In July 2024, the European Commission published its regular annual report on the protection of the EU's financial interests and the fight against fraud, which provided information on the activities of the relevant authorities and their actions in 2023¹⁰¹ (the "Report"). In line with the obligation laid down in Article 325(5) of the *Treaty on the Functioning of the European Union* (TFEU), the European Commission, in cooperation with the Member States, submits this report once a year to the European Parliament (EP) and the Council of the European Union (Council), together with an overview of the measures taken at EU and national level to implement the said Article of the TFEU.

Among the successful key measures, the Commission highlighted, in particular, the political agreement reached on the proposed recast of the Financial Regulation, extending the scope of the Early Detection and Exclusion System to include shared management.

The Commission also adopted a package of anti-corruption measures¹⁰², including a proposal for a Directive on combating corruption. The proposal aimed to step up the prevention of corruption in all Member States, harmonise corruption offences and sanctions, and ensure that law enforcement and prosecution authorities have the tools they need to fight corruption.

The Commission noted that as spending linked to the implementation of the national recovery and resilience plans grew, it was increasing its audit activities concerning the regularity and legality of spending and the protection of the EU's financial interests (PFIU). At the same time, as part of the ongoing revision of national plans, the Commission reassessed the adequacy and robustness of Member States' control systems and set new milestones in the area of audit and control; the achievement of these milestones is a condition for the disbursement of EU funds.

¹⁰¹ Report from the Commission to the Council and the European Parliament: 35th Annual Report on the protection of the European Union's financial interests and the fight against fraud – 2023, COM(2024) 318 final of 25 July 2024.

¹⁰² Directive of the European Parliament and of the Council on combating corruption, replacing Council Framework Decision 2003/568/JHA and the Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union and amending Directive (EU) 2017/1371 of the European Parliament and of the Council, COM(2023) 234 final of 3 May 2023.

Alongside RRF implementation, an additional priority for the Commission was the revision of the national plans to reflect the changed circumstances resulting from energy market disruptions. In 2023, the Commission disbursed a total of EUR 74.4 billion from the RRF, of which EUR 28.7 billion was in loans. By the end of the year, a total of EUR 141.6 billion had been disbursed (cumulatively) through grants and EUR 78.9 billion in the form of loans.

The Commission carried out thirteen PFIU system audits in 2023 and informed the European Anti-Fraud Office (OLAF) of 15 cases of potential fraud.

In July 2023, the Commission adopted a new action plan¹⁰³ focusing on priorities. The main topic of the action plan is the promotion of digitalisation and the use of IT tools in the fight against fraud, with a quarter of the actions focusing on this area (including the *Arachne* instrument, the early-detection and exclusion system (EDES) and the Irregularity Management System (IMS)).

In the area of protection of the EU's financial interests, the Commission notes that 21 of the 27 EU Member States have put in place an anti-fraud strategy. However, the Commission emphasised that individual approaches varied and, in some cases, areas of expenditure were not covered to the extent required. A total of 88 individual measures were implemented by Member States, comprising 41 new measures, with the rest being updates. The Czech Republic adopted three measures on the protection of whistleblowers, the fight against VAT fraud, and the fight against corruption and fraud in EU funds.

Under shared management of EU budget expenditure, Member States are obliged to report to OLAF all irregularities¹⁰⁴, both suspected fraudulent irregularities and non-fraudulent "other" irregularities. They report these through the IMS¹⁰⁵. Irregularities relating to expenditure under direct management of the EU budget are reported by the Commission through the ABAC accounting system¹⁰⁶.

A total of 13,563 fraudulent and non-fraudulent irregularities, amounting to EUR 1.90 billion, were reported in 2023¹⁰⁷. Compared to 2022, there has been a slight increase in reported irregularities (+2.3%) and in the related irregular amounts (+4.6%).

The number of fraudulent irregularities reported by national authorities to the Commission via the IMS has remained relatively stable over the last five years. **A total of 1,030 fraudulent irregularities amounting to EUR 585.8 million were reported in 2023.** Compared to 2022, this represented a 9.5% decrease in number of cases, but a significant increase in related amounts (by 103%).

The number of non-fraudulent irregularities has risen steadily over the last five years, reaching 12,533 reported cases in 2023, with a total value of EUR 1.31 billion. The total number of these irregularities increased by 3.5% year-on-year, but the related financial amount decreased by 14%.

With regard to revenue relating to TOR, the number of fraudulent and non-fraudulent irregularities reported reached 5,118 in 2023, representing a 10% increase compared to the average number of irregularities reported over the last five years. However, the total amount involved decreased by 12% to EUR 478 million. At the same time, the number of fraudulent irregularities declined by 27% and the financial amount involved decreased by as much as 54%.

Smuggling (mainly smuggling of cigarettes) remains the principal *modus operandi* for fraudulent cases, while the most common type for non-fraudulent cases is incorrect classification/misdescription of goods (especially textiles and footwear). Textiles and footwear continue to be the most affected goods in terms of number of cases and value and China, the United States and Vietnam remain the top three countries of origin of goods affected by irregularities.

103 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the Court of Auditors: *Commission Anti-Fraud Strategy Action Plan – 2023 revision*, COM(2023) 405 final, 11 July 2023.

104 Member States are obliged to notify the Commission of any suspected fraud and any irregularities exceeding EUR 10,000 of EU funds.

105 *Irregularity Management System*.

106 *Accrual-Based Accounting*.

107 Member States and non-EU countries report irregularities in the IMS, in relation to expenditure, and in the OWNRES system, in relation to TOR. Irregularities concerning direct management are obtained from the Commission's ABAC accounting system.

In the area of expenditure, an analysis of fraudulent and non-fraudulent irregularities in shared management and indirect management revealed the following:

- **With regard to support to agriculture**, irregularities (of all types) reported by the Member States increased during the period 2019–2023, especially in the area of rural development. Detection rates for rural development were much higher than for support to agriculture (direct payments), except for market measures, where this level reached the highest value. The fraudulent irregularities mainly concerned falsification of documentary proof or of aid applications.
- **With regard to support to the Cohesion Policy**, the number and financial amounts of non-fraudulent irregularities that have been reported for PP14+ are much lower compared to PP7+. The fraud most often consisted in violations of regulations and violations involving supporting documents. High financial amounts were involved in fraudulent irregularities resulting from breaches of contract provisions/rules, which often took the form of incomplete implementation or non-implementation of the funded action. Infringements of public procurement rules were the most frequently reported non-fraudulent irregularities.
- Irregularities, both fraudulent and non-fraudulent, related to **expenditure disbursed under direct management** remained fairly stable over the period 2019–2023. More than 88% of the irregularities identified as potentially fraudulent were detected following OLAF investigations.

The numbers and related financial amounts of irregularities reported by the Member States for 2023 under shared management (i.e. excluding third countries and direct expenditure) contained in document 2 of the Report, including year-on-year changes, are shown in the following Table.

Table 20: Number and monetary value of suspected fraud and other irregularities reported by EU Member States in 2023 and their year-on-year change /YoY change/ compared to 2022

Budget sector (expenditures/ revenues)		Number of fraud suspicions		Volume of fraud suspicions		Number of other irregularities		Volume of other irregularities	
		2023	YoY change	2023 (EUR mil.)	YoY change	2023	YoY change	2023 (EUR mil.)	YoY change
Agriculture	EU	357	–18%	24.59	+118%	3,807	+5%	223.13	+19%
	of which CR	1	–86%	0.01	–85%	47	–8%	1.11	+4%
Cohesion Policy and Fisheries	EU	270	+31%	486.69	+188%	2,622	+5%	572.11	+13%
	of which CR	59	+90%	21.57	–31%	278	–19%	25.39	–23%
Internal policies total	EU	17	N/A	0.38	+52%	23	–28%	19.49	+444%
	of which CR	14	N/A	0.23	N/A	1	–50%	0.04	+0%
Pre-accession policy	EU	4	N/A	0.11	N/A	22	+340%	1.14	+777%
	of which CR	-	-	-	-	-	-	-	-
Total expenditure	EU	648	+1%	190.28	–88%	6,474	+5%	815.87	+17%
	of which CR	74	+64%	31.90	488%	326	–17%	26.55	–22%
Total revenue	EU	340	–25%	103.09	–34%	4,778	+14%	425.47	–37%
	of which CR	0	N/A	0.00	N/A	103	+23%	6.63	–14%
Total	EU	988	–10%	293.37	–84%	11,252	+8%	1,241.34	–10%
	of which CR	74	+64%	31.90	487%	429	–10%	33.18	–21%

Source: Report from the Commission to the Council and the European Parliament: 35th Annual Report on the protection of the European Union's financial interests and the fight against fraud – 2023.

The overview shows that **the Czech Republic reported a total of 74 suspected fraud irregularities in the area of revenue and expenditure in 2023 (7.5% of the EU total), representing a year-on-year increase of 83%.** The total number of cases was accounted for solely by the area of expenditure, in particular Cohesion Policy and fisheries expenditure. In this area, the Czech Republic reported the highest number of cases of all Member States and the second highest amount of related expenditure. **The related volume of suspected fraud in the area of revenue and expenditure was estimated at EUR 21.58 million, which represents a relatively significant year-on-year decrease in the share calculated for the EU as a whole (from 10.9% in 2022 to 4.2% in 2023).**

The number of other irregularities reported in 2023 by entities from the Czech Republic in the areas of revenue and expenditure reached 429 (3.8% within the EU), which represents a decrease of approximately 10% compared to 2022. This year-on-year decrease in the number of reported cases was mainly due to a decline in cases reported in the areas of the Cohesion Policy and fisheries policy. **The related total volume amounted to EUR 33.18 million (less than 3% within the EU), representing a decline of 21% year-on-year.** This decline in the volume of other irregularities reported by the Czech Republic concerns both expenditure and revenue.

According to the information contained in the Report, OLAF concluded investigations into 265 cases in 2023, with the total amount recommended for recovery equalling EUR 1,043.8 million. Over the same period, 190 new investigations were opened, of which almost a half related to expenditure under shared management¹⁰⁸ and the RRF.

The Report also states that **in 2023, the European Public Prosecutor's Office (EPPO) opened 1,371 investigations corresponding to estimated damage of EUR 12.28 billion.** At the end of 2023, the EPPO had 1,927 active investigations involving estimated damage of EUR 19.27 billion, of which almost 60% was linked to 339 VAT-related investigations¹⁰⁹. This type of fraud is mainly committed by using or providing false, incorrect or incomplete information in VAT returns or related documents. The defining feature of these frauds is the involvement of "missing" traders and sophisticated organised groups operating across EU Member States. Areas targeted by this type of fraud included, for example, the automotive industry, motor vehicle tyres, electronic and textile goods, heavy engineering, energy and pharmaceutical products, IT hardware and software, platinum coins, electric bicycles, and alcoholic and non-alcoholic beverages. These frauds are usually committed through carousel fraud, false declarations of origin of goods imported from outside the EU in order to avoid paying VAT and anti-dumping duties, and abuse of the Customs Procedure 42¹¹⁰.

There were 1,349 investigations involving cases of expenditure fraud with estimated financial damage of EUR 7.24 billion.

In conclusion of the Report, the Commission recommends that Member States:

- improve the reporting and follow-up of suspected fraud;
- accelerate the digitalisation of the fight against fraud;
- reinforce anti-fraud governance.

¹⁰⁸ In the case of the Czech Republic, OLAF investigated possible overpricing of selected projects financed by the ERDF. The investigation revealed that in 15 projects implemented in 2009–2019, tender procedures had been manipulated, with inflated costs declared as eligible expenditure.

¹⁰⁹ In the Czech Republic, seven VAT investigations were active at the end of 2023, with an estimated loss of EUR 241.9 million.

¹¹⁰ Customs Procedure 42 is a special import procedure called "release for free circulation with simultaneous domestic consumption".

D.3 MEASURES FOR IMPLEMENTING THE EU BUDGET IN 2024

D.3.1 COORDINATED MEASURES OF EU ECONOMIC POLICY

The European Semester (Semester) provides a framework for policy coordination at EU and Member State level. A set of measures is adopted within this framework to address key economic and social needs and challenges related to economic recovery and resilience.

The Commission launched the 2024 Semester in November 2023 with the publication of the *Annual Sustainable Growth Survey 2024*¹¹¹ (Annual Survey) together with the Autumn Package. The Annual Survey was followed by the publication of the Spring Package¹¹² containing, among other things, the EU's economic priorities, key objectives with recommendations for individual Member States, and challenges for the future.

The Annual Survey states in its introduction that economic activity in the EU slowed down in 2023 in the face of high inflation and tighter financing conditions. The economy has recovered from the consequences of the COVID-19 pandemic and Russia's war of aggression against Ukraine and the EU has managed to navigate the resulting energy crisis and the situation in the Middle East. Nevertheless, some structural problems remain, which is why it is essential to strengthen the EU's open strategic autonomy and remain competitive in the global market.

According to the Annual Survey, the EU needs to increase its economic security with regard to critical raw materials, technological components and equipment. This requires a reinforcement of resilient and diversified supply chains. At the same time, the EU is further decarbonising industry, energy, buildings and transport, and has significantly accelerated the clean energy transition. The ongoing implementation of the *Recovery and Resilience Facility*, including the introduction of the dedicated *REPowerEU* chapters in national Recovery and Resilience Plans, the *Technical Support Instrument* and the use of Cohesion Policy funds, EU is shaping reform and investment programmes in all Member States. These programmes support green and digital transition, skills and employment to strengthen the EU's competitiveness.

In response to a changing world, the Commission has expressed its determination to improve the EU's long-term competitiveness through green and digital transition, while ensuring social fairness. **The Annual Survey formulates the following four dimensions of competitive sustainability:**

- **Macroeconomic stability** – significant risks associated with high debt and price differences persist. It is recommended that the extraordinary fiscal policies adopted in response to the shock caused by high energy prices be cancelled.
- **Environmental sustainability**– the measures taken at EU and national level have helped to bring energy prices down to almost pre-crisis levels. At this stage, Member States are focusing on implementing the *REPowerEU* chapters of their RRFs, as investments in clean energy sources will help stabilise future supplies.
- **Productivity** – average productivity growth in the EU has stagnated over the last decade; an increase in productivity is conditional on improving framework conditions, deepening the single market and upholding the rule of law. The single market must be reinforced by supporting the business environment, especially for small and medium-sized enterprises, while productivity growth itself largely depends on digitalisation. Differences in productivity at regional level can be addressed by the complementary role of the RRF in relation to the cohesion funds.
- **Fairness** – despite its stable performance, differences between population groups remain in the labour market in terms of income. A significant labour and skills shortage is an obstacle

¹¹¹ Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank: *Annual Sustainable Growth Survey 2024*, COM(2023) 901 final of 21 November 2023.

¹¹² The 2024 Spring Package published on 19 June 2024 (COM(2024) 600 final) and following up the Annual Survey included the *Recommendation on the economic policy of the euro area*, the *draft Joint Employment Report*, the *Alert Mechanism Report* and the *Commission Opinions on the Draft Budgetary Plans of euro area Member States*.

to sustainable growth, innovation and competitiveness; yet more than 20% of the working-age population is economically inactive and a large portion of this population does not even participate in vocational training or education. Hence, the implementation of the European Pillar of Social Rights remains a key priority, with a focus on strengthening high-quality and inclusive education and training, upskilling and reskilling in the context of economic transformation.

In line with the Commission's proposed priorities and recommendations and in the context of economic policy coordination through the 2024 Semester, the Office of the Government of the Czech Republic issued the **National Reform Programme of the Czech Republic 2024**¹¹³ (NRefP 2024). The NRefP 2024 set out the economic reforms and investments planned by the Government for a period of approximately 12 months; these reforms and investments were based on the Government's programme priorities and were linked to strategic and policy documents adopted at national level. Specifically, the NRefP 2024 focused on investments in digitalisation, green transition, and increasing energy efficiency and security.

The NRefP 2024 also responds to previously issued Semester documents, most notably the specific Council's recommendations for the Czech Republic in 2023¹¹⁴ and the 2023 *Country Report – Czechia*¹¹⁵ (Country Report – Czechia) drawn up by the Commission.

According to the Country Report – Czechia, the Czech economic model faced the following challenges in 2023:

- Economic growth was hampered by one of the highest inflation rates in the EU, which reached 14.8% in 2022 and approximately 12% in 2023, resulting in a total decline in economic growth by 0.3% of the GDP. The GDP is expected to grow by 2.8% in 2025.
- Economic growth will be negatively affected by a low growth of labour productivity, or its stagnation, and a lower share of the export market. The general government deficit should fall below 3% and debt remain below 60% of the GDP, but economic growth is hampered by fiscal problems (rising costs of an ageing population).
- Economic growth is also affected by labour shortages. With an unemployment rate of 2.6% in 2023 (the EU average was 6.1%), the Czech Republic continues to face a serious labour shortage.
- Due to population ageing, the country has also long been struggling in the areas of social and health care. According to estimates, there is a shortage of 15,000 to 30,000 beds in long-term care facilities.
- In the area of implementing key reforms and investments with the support of EU instruments, progress has been made in delivering on the Recovery and Resilience Plan, and its overall level of ambition has increased. However, the Commission considers it essential to step up efforts in order to complete the reforms and investments on time.
- Future priorities will include ensuring sustainable public finances at national and regional level in the context of an ageing population, improving the administrative capacity, also by making public administration more attractive as an employer, strengthening innovation and the business environment, also by reducing excessive administrative burdens, and progressing steadily with the green transition, also through measures to reduce gas and electricity prices and the adoption of the necessary legal regulations concerning renewable energy sources. The Czech Republic continues to face pressing challenges such as labour shortages and mismatches between skills supply and demand, as well as a shortage of suitably qualified teaching staff and stagnating enrolment rates in tertiary education (the Czech average is 34.6%, compared to the EU average of 36.5%).

¹¹³ The NRefP 2024 was approved at the meeting of the Government Committee for the EU on 24 April 2024.

¹¹⁴ The recommendations for individual Member States were approved on 14 July 2023 by the Council at a meeting of Finance Ministers (ECOFIN).

¹¹⁵ 2023 *Country Report – Czechia*, SWD(2023) 603 final issued on 24 May 2023.

In line with the Commission's recommendations for non-euro area Member States, the MoF drew up the **Convergence Programme of the Czech Republic (April 2024)**¹¹⁶ (CP 2024). The CP 2024 specifies basic summary fiscal data and the most significant measures with a budgetary impact in the form of the Government's medium-term fiscal strategy.

The Czech Republic submitted its NRefP 2024 to the Commission on 24 April 2024 and its CP 2024 on 30 April 2024, in accordance with Article 8(1) of Regulation No 1466/97¹¹⁷. Pursuant to Article 27 of the RRF Regulation, the NRefP 2024 also takes into account the reports on progress made in implementing the Czech Republic's recovery and resilience plan, which the country submits twice a year.

The Council reviewed both documents on the basis of the Commission's recommendation issued as part of the Spring Package and, on 16 June 2024, it issued a recommendation¹¹⁸ with the following specific items relevant to the Czech Republic in 2024 and 2025:

1. submit a medium-term fiscal-structural plan in good time. In line with the requirements of the reformed *Stability and Growth Pact*, limit the growth of net expenditure in 2025 to a level commensurate, among other things, with maintaining the general government deficit below the reference value of 3% of the GDP as set out in the TFEU and maintaining public debt at a prudent level in the medium term; take measures to ensure the long-term fiscal sustainability of the pension system; reduce tax and benefit factors that discourage parents from returning to work, with a view to promoting higher labour market participation among women; improve incentives for people approaching retirement age to continue working; take steps to increase revenue from recurrent property taxes;
2. strengthen the administrative capacity required to manage the recovery and resilience plan, accelerate investments and maintain the momentum of reform implementation; address relevant challenges, thereby enabling the continuous, rapid and effective implementation of the recovery and resilience plan (including the *REPowerEU* chapter), ensuring that reforms and investments are completed by August 2026; accelerate the implementation of the Cohesion Policy programmes; in the context of the mid-term review of these programmes, continue to focus on the agreed priorities, take measures to better mobilise private sector resources, including through the use of innovative financial instruments, while considering the opportunities for competitiveness offered by the *Strategic Technologies for Europe Platform*;
3. strengthen the capacity of the Czech public administration to attract, retain and develop talent, especially in terms of analytical, managerial and IT skills; reduce departmentalism and strengthen strategic management capacities to improve policy coherence; promote cooperation between local administrations, inter alia by providing support for administrative capacity building with a focus on structurally disadvantaged regions;
4. support innovation by improving technology transfer from academia to businesses, promoting the creation of spin-off and start-up companies, and increasing participation in tertiary education; strengthen the economy competitiveness by addressing the mismatch between skills supply and demand, simplifying the recognition of foreign qualifications and increasing the participation of under-represented groups in the labour market.

¹¹⁶ Following an inter-ministerial comment procedure, the CP 2024 was approved at the meeting of the Government Committee for the EU held on 24 April 2024.

¹¹⁷ Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

¹¹⁸ The recommendations for individual Member States were approved on 16 July 2024 at the relevant Council meetings, specifically the Economic and Financial Affairs Council (ECOFIN Council) and the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO Council).

D.3.2 IMPLEMENTATION OF THE NATIONAL REFORM PROGRAMME OF THE CZECH REPUBLIC 2024

The National Reform Programme (NRefP) is a strategic document prepared annually by the Government in cooperation with economic and social partners and other relevant stakeholders. The NRefP formulates measures that will lead to prosperity and sustainable growth of the Czech economy. The NRefP reflects current economic and social challenges and responds to the recommendations made by the Commission in the Semester documents.

The implementation of measures and reforms set out in the NRefP (including measures relating to NRecP) is described in the NRefP Report, which is again approved by the Government as part of the regular Semester cycle. This report also tracks the Czech Republic's long-term progress in meeting the *UN Sustainable Development Goals*¹¹⁹. **The Report on the Implementation of the National Reform Programme of the Czech Republic 2024 (NRefP 2024 Report) was approved by the government at the meeting of the Committee for the EU on 27 December 2024 and subsequently sent to the Commission.**

The NRefP 2024 Report focused on reforms and public investment in digital transformation and green transition, support for education and the labour market, support for entrepreneurship, research and development, public health, the energy sector, and housing support.

It also provides a macroeconomic context, according to which the Czech economy was marked by economic stagnation in 2023 (the GDP fell by 0.1%). According to macroeconomic forecasts from November 2024, the GDP should grow by 1.1% and by further 2.5% in 2025. Year-on-year inflation should be around 2% except at the end of 2024. Real wages are also expected to rise thanks to continued strong labour demand and falling inflation. However, imbalances related to labour shortages continue to affect the labour market; despite weak economic growth, the unemployment rate could remain at 2.6% in 2024 and even fall slightly in 2025. The authors of the NRefP 2024 Report expect the current account position to reach a surplus of 1.4% of the GDP and to be balanced in 2025 thanks to a recovery in domestic demand. The expected deficit of 2.8% of the GDP is reduced by the consolidation package, the end of measures related to the energy crisis and an economic recovery. In 2025, public finances should be further consolidated and the deficit reduced to 2.3% of the GDP. With lower nominal GDP growth, general government debt is expected to reach 43.9% of the GDP in 2024 and rise further to 44.8% of the GDP in 2025.

Digital transformation

The launch of the eDoklady project and the gradual rollout of identity verification using the eDoklady application across governmental authorities can be mentioned among measures that have been successfully implemented in the area of digital transformation. European Digital Innovation Hubs were established under the NRecP to support digital transformation (particularly of small and medium-sized enterprises). Other projects being gradually implemented in this area include *the Business Portal, the Database of Information Obligations for Entrepreneurs, and the Unified Audit Register Portal*. The Government decided to **announce a new tender procedure for the provision of a digital construction permitting system**, as the existing system fails to meet the technical and legal requirements. A transitional period will be introduced until the new system is launched, which is scheduled for 1 January 2028. Authorities may continue to use the legacy software during the transitional period.

Physical infrastructure and green transition

As part of component 2.4 of the NRecP "*Development of clean mobility*", the Czech Republic has committed to accelerating the construction of charging and filling stations for alternative fuels and increasing the share of vehicles with alternative drive systems. The process of rail transport electrification, considered a Government priority, is being simplified in administrative terms and accelerated.

119 Abbreviated as SDGs.

Legislation known as *Lex RES I*¹²⁰ and *Lex RES II*¹²¹ has entered into force in the field of transition to clean energy and renewable energy sources (RES); furthermore, *Lex RES III*¹²² and a bill on accelerating the use of RES¹²³ are in the legislative process. The *Electricity Data Centre* has been launched with a view to ensuring all necessary data flows in the electricity sector.

The MoIT assessed the progress achieved in decarbonising district heating in the Czech Republic and its compliance with EU legislation. The trajectories of sustainable bioenergy use and biomass supply in the Czech Republic were also evaluated, and an investment plan was drawn up for heat and electricity generation facilities in accordance with the principle of “doing no significant harm” to the environment.

The new waste legislation¹²⁴ supports the transition to a circular economy and reflects all binding targets arising from adopted European legislation.

A total of 400 projects received support with a view to reducing energy consumption in the public sector; the projects selected had to meet energy efficiency criteria (achieving a reduction in primary energy consumption or an average reduction in direct and indirect greenhouse gas emissions of at least 30% compared to previous emissions).

Education and the labour market

In the area of early childhood education, the priority is to improve its quality and accessibility. Work on revising the national curriculum – *the framework education programme for primary education* – is being completed. The system of study fields for secondary vocational education is being innovated within the ongoing reform of regional schools.

The *Promoting Equal Opportunities* (PROP) project has also been underway since spring 2024 with the aim of ending ethnic segregation in education through the activities of school founders. Funding for the project has so far been secured until its completion at the end of 2025. Social disadvantages should also be reduced by including the position of social educator among teaching staff. In an effort to improve the inclusiveness of the education system, the MoEYS plans to finance school psychologists and special educators from the State budget starting in 2025.

A *Competence Framework for Teaching Graduates* has been developed and adopted, representing a national quality standard for graduates of teaching study programmes. An “adaptation” period for new teachers has also been introduced – this period lasts two years and includes methodological guidance from an experienced teacher.

The capacity of higher education institutions has been increased and study programmes have been adapted to modern trends with the support of the NRecP, especially as regards the development of digital technologies and advances in environmental sustainability.

The pilot run of a new tool called “integration job”¹²⁵ is underway this year to promote active employment policy. The Czech Republic is also taking further steps to provide a legislative anchor and support for the social economy, including the adoption of Act No 468/2024 Coll.¹²⁶, and is preparing a proposal to revise the sheltered labour market. Support for standard retraining schemes and for programmes focusing on digital skills remains a high priority in the area of employment.

120 This amendment to Act No 458/2000 Coll., the Energy Act, will facilitate the construction of RES (it allows the operation of RES with an installed capacity of up to 50 kW without a licence from the Energy Regulatory Office; no decision on the location of a structure or planning consent is required for small RES and installations with a capacity exceeding 1 MW are now classified as public interest structures).

121 As of 2024, this amendment to the Energy Act introduced the option of community electricity sharing, which makes it possible, inter alia, to share electricity across the entire Czech electricity grid.

122 The amendment introduces key changes in terms of energy storage, grid flexibility and aggregation. The new rules will help consumers increase the efficiency of their consumption and thus reduce their electricity bills. Consumer protection will also be strengthened.

123 This legislation should speed up the adoption of RES by defining acceleration zones, where plans for the use of RES will be approved under a simplified regime.

124 Act No 541/2020 Coll., on waste; Act No 542/2020 Coll., on end-of-life products; amendment to Act No 477/2001 Coll., on packaging and on amendments to certain laws (the Packaging Act); Act No 545/2020 Coll., amending the Packaging Act and on amendments to certain laws (Amendment Act), and Act No 243/2022 Coll., on the reduction in the impact of certain plastic products on the environment.

125 This instrument provides employers with a wage subsidy for the creation of jobs, while employers are required to enable their employees to regularly participate in integration and training activities during the performance of their work.

126 Act No 468/2024 Coll., on the social integration enterprise.

With regard to labour migration, the Czech Republic is working on a system that will better respond to labour market needs, with an emphasis on supporting the arrival of highly skilled individuals. The MoLSA, in cooperation with the MoEYS, has prepared background for Czech language courses intended for foreigners; the aim is to promote economic self-sufficiency and utilise the skills potential of foreign employees.

Institutions, regulation and business support

One of the principal measures to strengthen the anti-corruption framework was the adoption of Act No 171/2023 Coll.¹²⁷ and the related amending legislation. Another important step has been the reform of the judiciary, aimed at reinforcing the legislative framework and increasing the transparency of courts, judges, public prosecutors and judicial enforcement officers. A methodology has also been developed for measuring corruption in the Czech Republic; it will provide efficient and replicable means of measuring both direct and indirect experience of corruption.

In terms of public administration modernisation, support is provided for the creation of integrated and user-friendly services for citizens (such as eHealth, eJustice and eEducation), together with the expansion of the data pool and the development of a non-public network infrastructure.

Research, development and innovation

In October 2024, the Government approved the *Economic Strategy of the Czech Republic: Czech Republic in the TOP 10* (see also Chapter A). Its key elements are industrial modernisation and investment in education, research and infrastructure. The *National Artificial Intelligence Strategy of the Czech Republic 2030* and the *National Semiconductor Strategy* were also approved in this area.

Population health and resilience

The availability of medicines is a strategic priority for the Czech Republic – this was the rationale behind a key part of Act No 378/2007 Coll.,¹²⁸ which has recently entered into effect.¹²⁹

In April 2024, the MoLSA and the MoH presented a joint draft amendment to the Social and Health Care Interface Act, which will enable the provision of comprehensive care in inpatient healthcare facilities, residential and outpatient social services, and mental health centres.

A basic electronic system platform for the management, administration and evaluation of healthcare professional training was launched as part of the NRecP implementation.

Energy – REPowerEU

The search for alternatives to natural gas imports from the Russian Federation remains a strategic priority. In this context, the Czech Republic, with the Commission's support, managed to negotiate the abolition of the extraordinary fee for gas storage in Germany (from 1 January 2025), started construction of the *Stade* liquefied natural gas terminal and continued preparations for increasing the capacity of the TAL oil pipeline¹³⁰.

The winner has been announced in the biggest procurement procedure in the Czech Republic's modern history, i.e. the tender procedure for new nuclear units at the Dukovany Nuclear Power Station. However, one of the unsuccessful tenderers asked for a judicial review of the procurement procedure, which has yet to be completed.

¹²⁷ Act No 171/2023 Coll., on the protection of whistleblowers.

¹²⁸ Act No 378/2007 Coll., on pharmaceuticals and amending some related laws (Pharmaceuticals Act).

¹²⁹ If the marketing authorisation holder has announced the interruption or termination of supplies of a certain medicinal product to the Czech market, the holder must ensure the supply of the medicinal product in question or of its possible replacement, in quantities corresponding to 1–2 average monthly supplies. Medicines with "limited availability" may not be distributed abroad, and pharmacies and distributors are required to report their stocks of these medicines. Based on reports from pharmacies obtained via the eRecept application, patients now have the option to identify pharmacies that have the relevant medicine in stock.

¹³⁰ Piping connecting the tank farm with the IKL oil pipeline was installed at the Central Oil Tank Farm in Nelahozeves.

Work continues on the project to build a hot water pipeline from the Dukovany nuclear power station to Brno (currently with a declared cost of CZK 19 billion).

Housing

A bill on housing support has passed its first reading in the Chamber of Deputies; the enactment of such a bill was among the Council's recommendations for the Czech Republic. The legislation is scheduled to come into effect in January 2026. The MoF has prepared a decree on rent pricing maps, which will make it possible to publish a model view of market rents in the Czech Republic from 1 January 2025. The maps will then provide a basis for calculating affordable rents.

D.3.3 CHANGES TO THE EUROPEAN SEMESTER

The management of EU economic affairs is changing from 2025 (based on *the Economic Governance Review*). The NRefP Report and the NRefP itself, which served as important documents of the European Semester for many years, were drawn up for the last time in 2024.¹³¹

The Semester proved to be a suitable umbrella under which new initiatives were introduced. These included, in particular, *the European Pillar of Social Rights*, *the Social Convergence Framework*, the RRF and also the greening of *the European Semester* (including monitoring of the *Sustainable Development Goals* implementation).

In practice, the above change will mean that the annual NRefP and convergence programme will be replaced with a medium-term fiscal-structural plan (FSP). The FSP is designed for a four-year period (i.e. 2025–2028) and, in addition to fiscal commitments, it also contains a description of the key reforms and public investments that are being prepared and that will help to implement the Council's recommendations for individual Member States¹³² and the EU's common priorities.

The Czech Republic's first FSP was developed by the Ministry of Finance in cooperation with the Office of the Government and relevant ministries, and was approved by the Government on 16 October 2024. The FSP was subsequently sent to the Commission for assessment.

¹³¹ The first NRefP was drawn up in the Czech Republic for the 2008–2010 period. As legislation was gradually enacted, the NRefP was then compiled annually starting in 2011.

¹³² Country-specific recommendations, CSRs.

E. SECTOR MATTERS 2024

E.1 REVENUES LINKED TO THE EU BUDGET

E.1.1 DEVELOPMENTS IN EU REVENUE SOURCES IN 2023 AND 2024

The system own resources was finalised in 2023¹³³ and should now generate almost 60% of the EU budget revenue. These are the following sources of funding:

- **own resource based on gross national income accounts for 39% of the EU's total revenue** and follows a uniform rate applied to Member States' GNI in order to ensure a balanced EU revenue and expenditure budget;
- **own resource based on value added tax accounts for 9% of total EU revenue** and contributions from this source are calculated on the basis of a uniform rate of 0.3%, with the VAT tax base of each Member State limited to 50% of its GNI;
- **traditional own resources account for 9% of total EU revenue** and consist of import duties and sugar levies collected by Member States, which retain 25% of the amounts collected to cover the costs associated with their collection;
- **own resource based on non-recycled plastic packaging waste should account for 3% of EU revenue.** This new own resource has been in effect since 1 January 2021 and is specified on the basis of the weight of non-recycled plastic waste produced in a given Member State, with a rate of EUR 0.80 per kilogram of waste. The levy is intended to incentivise Member States to boost the circular economy and promote recycling.

The system of own resources is also used to rectify the budgetary imbalance between the net contributions of the Member States. Flat-rate corrections for the 2021–2027 period¹³⁴ will continue to reduce the annual GNI-based contributions for the Netherlands, Austria, Sweden, Denmark and Germany.

In addition to the above resources, other revenues (e.g. fines imposed on companies for infringing EU competition law), as well as the balance carried over from the previous year and loans are also used to finance the EU budget¹³⁵.

The EU has faced unexpected and unprecedented challenges since the current EU long-term budget for 2021–2027 was approved in 2020, ranging from the consequences of the COVID-19 pandemic and Russia's invasion of Ukraine to a period of high inflation and associated interest rate rises.¹³⁶ In the first years of the MFF's implementation, special instruments were widely used to address many of these challenges; however, it was clear that further measures would be necessary as the budgetary options for addressing these situations were limited within the MFF.

At the end of 2021, the Commission presented a proposal for a new generation of own resources,¹³⁷ specifically the own resource based on the EU emissions trading system (ETS), the carbon border adjustment mechanism-based own resource¹³⁸ and a third type based on the share of residual profits of the largest multinational enterprises, which will be redistributed to Member States in accordance with the OECD/G20 agreement on the first pillar. The EU budget should receive 25% of revenues from the emissions allowance auction system, 75% of revenues from the carbon border adjustment mechanism and

133 Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom.

134 *EU budget 2021-2027 and recovery plan*, European Council and Council of the European Union, 2022.

135 *Fact Sheets on the European Union – The Union's Revenue*, European Parliament, 2023.

136 *EU budget: Commission proposes to strengthen the EU's long-term budget to better address today's most pressing challenges*, European Commission, 2023.

137 Proposal for a Council Decision amending Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union, COM(2021) 570 final of 22 December 2021.

138 Carbon Border Adjustment Mechanism – CBAM.

15% of the share of residual profits redistributed by Member States. The Commission has also committed to presenting further proposals for new own resources by the end of 2023.

In June 2023, the Commission presented a proposal for a second own resources package.¹³⁹ The proposal included a temporary statistical own resource paid as a national contribution from company profits of 0.5% of the notional profit base of EU companies.¹⁴⁰ However, this option will eventually be replaced by a genuine own resource based on corporate taxation, which will be a contribution from the future *Business in Europe: Framework for Income Taxation (BEFIT)*. **This initiative consists of three proposals to simplify tax rules, which should provide certainty for small and large businesses in the EU:**

- **The Directive on transfer pricing¹⁴¹ will ensure a common approach to transfer pricing within the EU;**
- **A tax system based on the national headquarters rule will enable small businesses engaged in cross-border trade within the EU to deal with only one tax authority;**
- **The BEFIT will introduce a common system for calculating the tax base for different groups of companies across the EU.**

The proposal also envisages an increase in the rate applied to the ETS-based own resource from 25% to 30% due to rising carbon prices.

Two key pieces of legislation need to be amended in order for these new own resources to be incorporated into the EU budget: the Own Resources Decision and the Regulation laying down the Multiannual Financial Framework for the years 2021 to 2027, i.e. MFF21+.

Following an analysis¹⁴², on 20 June 2023 the Commission published a proposal for a mid-term review of the MFF21+, which aims to ensure that the EU budget can meet its objectives in the coming years. The review was specifically focused and responded to the political priorities and new challenges currently facing the EU – assistance to Ukraine affected by the war,¹⁴³ support to Member States in tackling migration and external challenges, and the creation of the *Strategic Technologies for Europe Platform (STEP)*¹⁴⁴, which aims to strengthen the long-term competitiveness of strategic sectors of European industry in the fields of deep-tech innovation and digital technologies, clean technologies and biotechnologies. On 29 February 2024, the Council adopted a revised version of the Commission proposal¹⁴⁵ amending the Regulation laying down the MFF21+.

According to the Commission's work programme for 2025¹⁴⁶, the aim is to finalise the scheme of new own resources this year. Following the *Budapest Declaration on the New European Competitiveness Deal*¹⁴⁷, in November 2024 the Commission called on the Council to resume work on the issue of new own resources as a matter of urgency.

In June 2024, the Commission published the ***Annual Report on Taxation 2024*¹⁴⁸** (Taxation Report), which provides an overview and analysis of the current state of taxation and tax systems in the Member States. The Taxation Report addresses both recent reforms of tax systems and changes in the main indicators used by the Commission to assess tax policies in the Member States and at EU level. In addition, the

139 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: *An adjusted package for the next generation of own resources*, COM(2023) 330 final of 20 June 2023.

140 Based on the gross operating surplus for the sectors of financial and non-financial corporations calculated by Eurostat.

141 Proposal for a Council Directive on transfer pricing, COM(2023) 529 final of 12 September 2023.

142 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: *Mid-term revision of the Multiannual Financial Framework 2021–2027*, COM(2023) 336 final of 20 June 2023.

143 Proposal for a Regulation of the European Parliament and of the Council on establishing the Ukraine Facility, COM(2023) 338 final of 20 June 2023.

144 Proposal for a Regulation of the European Parliament and of the Council establishing the Strategic Technologies for Europe Platform ("STEP") and amending Directive 2003/87/EC, Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241, COM(2023) 335 final of 20 June 2023.

145 Council Regulation (EU, Euratom) 2024/765 of 29 February 2024 amending Regulation (EU, Euratom) 2020/2093 laying down the Multiannual Financial Framework for the years 2021 to 2027.

146 *Commission work programme 2025 Moving forward together: A Bolder, Simpler, Faster Union*, COM(2025) 45 final of 11 February 2025.

147 *Budapest Declaration on the New European Competitiveness Deal*, 8 November 2024.

148 *Annual Report on Taxation 2024*, Directorate General for Taxation and Customs Union, European Commission, Publications Office of the European Union, Luxembourg, 2024.

Taxation Report focuses on the contribution of tax systems to a competitive and prosperous EU economy, which is one of the strategic objectives currently set by the Council. In recent years, however, tax policies have been significantly influenced by tax measures adopted to help households and businesses to deal with high inflation.

The Taxation Report states that tax revenues, including social security contributions, amounted to 40.2% of the GDP across the EU in 2022, which was 0.4 p.p. less than in 2021. **The EU relies heavily on labour taxation, which, including social security contributions, accounts for more than half of all tax revenues in the EU as a whole (EU-27).** VAT is also a significant source of revenue, amounting to 18.6% of total tax revenue for EU-27 in 2022; the same is true of corporate income tax, which accounted for 8.1% of total tax revenue. The Taxation Report also states that environmental taxation is still underutilised in many Member States and has even declined in a number of countries over the last decade. However, there are considerable differences among individual countries. It would be appropriate to shift part of the tax burden from direct taxes to environmental taxes, as this would support sustainable growth.

With regard to labour taxation, the Taxation Report further notes that, **in the context of the declining working-age population and the current tight EU labour market, changes in taxation can have a considerable impact on the labour market situation and also significantly influence economic performance.** The average labour tax wedge (an index of the tax burden on labour) remains relatively high in the EU, reaching 41.6% in 2023. While there are considerable differences among individual countries, the EU-27 average is well above the OECD average (34.6%).

The Taxation Report highlights the tax aspects related to population ageing and emphasises that, despite the proposed pension reforms, the expected decline in the working-age population poses a continuing challenge to public finances, requiring further policy measures. The key will be to maintain or broaden the general tax base without discouraging investment activity, work effort and economic development.

Another significant structural change with major implications for tax systems is digitalisation. Technological changes and digitalisation are transforming existing production, work and consumption behaviours. Advances in the use of artificial intelligence offer potential for improving tax collection and control. The Taxation Report states that digitalisation has significantly simplified processes for taxpayers, and that digital reporting has helped the fight against tax evasion and VAT fraud. Progress in cooperation and information sharing in tackling problematic areas related to taxation has contributed to more effective taxation across the EU. **Climate change and energy dependency also pose a challenge for tax systems.**

The Taxation Report also mentions recent tax reforms in individual Member States. They reformed their tax systems in various ways with the aim of increasing additional revenues to compensate for expected revenue decline associated with other measures. The Czech Republic, for example, increased the corporate income tax, the property tax and the gambling tax rates. On the other hand, reduced VAT rates were unified into a single rate and excise duty on diesel fuel was also reduced. The Czech Republic was among several countries that introduced temporary measures (the solidarity contribution under Regulation 2022/1854¹⁴⁹) applicable to extraordinary turnover or profits of companies in the energy sector ("windfall tax"). Most of the recent tax reforms in the health sector focused on increasing excise duties or VAT rates on alcohol, tobacco, and nicotine products. In order to simplify the tax system, the Czech Republic abolished tax relief for students and tax relief for placing children in pre-school facilities.

The Taxation Report points out in several places that social security contributions account for a high proportion of total tax revenue in some countries (46% in the Czech tax system). In contrast, Denmark collects almost no insurance contributions and finances its welfare state services mainly from general taxation, with personal income tax accounting for more than 55% of all tax revenue. In the Czech Republic, this tax represents no more than 10% of total tax revenues. Revenue from property tax is very low in the Czech Republic.

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Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices.

At the end of 2024, the Commission published its twelfth report on VAT collection¹⁵⁰. This is an annual report on the VAT revenue gap (VAT gap)¹⁵¹, which measures the effectiveness of VAT enforcement measures in each Member State. The VAT collection report estimates the amount of revenue lost due to VAT fraud, but also due to bankruptcies and incorrect compilation of tax returns, including tax evasion and tax avoidance.

The VAT collection report provides annual estimates of the shortfall in VAT revenue for the EU-27 over the five-year period 2018–2022. **Overall, the VAT gap in the EU-27 countries increased by EUR 13.3 billion year-on-year in 2022, reaching EUR 89.3 billion** (i.e. 7% of total VAT liability).¹⁵² However, there is considerable uncertainty surrounding the estimates for 2020 and 2021 due to the turbulent conditions in those years and the lower quality of data, or rather the significant revision of available data.¹⁵³ The VAT collection report therefore recommends comparing estimates for 2022 with estimates for the last pre-pandemic year, i.e. 2019. **Compared to 2019, the VAT gap decreased by EUR 35 billion in 2022. This means that the reduction in the VAT gap observed during the COVID-19 pandemic largely persisted in 2022.**

The latest VAT collection report also emphasises that targeted policy measures have had a significant impact on the development of the VAT gap. These measures mainly concern the digitalisation of tax systems, real-time transaction reporting and electronic invoicing. The VAT collection report further highlights that ongoing reforms are essential for a further reduction in the VAT gap, ensuring more efficient tax collection and the prevention of fraud. At the same time, the report's conclusions suggest that the efficiency of measures such as ERS or mandatory VAT reporting tends to depend on the form of the digital solution, the configuration of control tools and the quality of the relevant financial administrations (or the digitalisation of public infrastructure and the digital skills of public administration employees), rather than on their mere existence. The VAT collection report further states that the introduction of mandatory VAT reporting in countries such as Poland, Romania and Slovakia has led to an average reduction of 5 p.p. in the tax gap. Mandatory cash registers then paint a mixed picture – following their introduction, the VAT gap fell by 3.2 p.p. in Hungary and by 1.6 p.p. in Romania, but no significant changes could be seen in Poland and Slovakia. Conversely, other countries show demonstrable improvement in the VAT gap even without new measures.

The VAT collection report also focused closely on assessing VAT revenue lost due to reduced rates and exemptions, and provides a hypothetical scenario in which all applicable exemptions and reduced VAT rates are abolished. In such a scenario, a uniform statutory VAT rate that would maintain the same VAT revenue could be almost 5 p.p. lower than its current level, averaging around 16.6% in the EU-27.

In the Czech Republic, the VAT gap reached 4.2% in 2022, representing a year-on-year decrease of 2.5 p.p. According to the Commission, the downward trend is expected to continue. In 2019, the VAT gap in the Czech Republic stood at 13.5%, but it has been steadily declining since then and is currently below the EU-27 average.

¹⁵⁰ *VAT gap in the EU – 2024 report*, Publications Office of the European Union, 2024.

¹⁵¹ The tax gap is the estimated difference between the theoretical amount of VAT and the amount actually collected in a given year.

¹⁵² The lowest VAT gap in relative terms was recorded in Cyprus (–0.7%), Portugal (1.3%) and Ireland (1.7%), while the highest was in Romania (30.6%). In nominal terms, the highest VAT gap was recorded in Italy (EUR 16.3 billion). Cyprus, Latvia and Romania achieved the most significant year-on-year reduction in the VAT gap.

¹⁵³ The VAT collection report points to a significant reassessment of the VAT gap for 2021 due to a revision of national accounts and VAT revenue data for 2020 and 2021 based on updated information on tax deferrals during the COVID-19 pandemic.

In January 2024, the Commission presented a recommendation¹⁵⁴ to open negotiations with the Principality of Liechtenstein, the Republic of San Marino, the Principality of Andorra, the Swiss Confederation and the Principality of Monaco on amending the agreements on the automatic exchange of information. These five agreements provide the legal basis for the automatic exchange of financial account information between each of the 27 EU Member States and each of these non-EU countries, in accordance with the Common Reporting Standard developed by the OECD¹⁵⁵. Important changes to the Common Reporting Standard were approved at international level on 26 August 2022¹⁵⁶ and their implementation is planned from 1 January 2026. The implementation of these changes within the EU was included in the seventh amendment to Directive 2023/2226¹⁵⁷ (DAC8).

The amendments extend the scope of the Common Reporting Standard to ensure coverage of electronic money products and central bank digital currencies. The changes further improve due diligence procedures and reporting outputs to increase the usability of information for tax administrations under the Common Reporting Standard and to reduce the burden on financial institutions, where possible. The updated Common Reporting Standard now also includes provisions aimed to ensure effective interaction between the Common Reporting Standard and the separate *Crypto-Asset Reporting Framework* (CARF), which was agreed at international level on the same date as the update to the Common Reporting Standard. These provisions make it possible to limit cases of duplicate reporting while maintaining maximum operational flexibility for the reporting financial institutions, which are also subject to obligations under the CARF.

In July 2024, the Commission presented a proposal for a Council Directive¹⁵⁸ and a proposal for a Council Implementing Regulation¹⁵⁹ concerning the obligation to introduce an electronic tax exemption certificate confirming that a particular supply meets the conditions for special tax exemption under the first subparagraph of Article 151(1) of Directive 2006/112/EC¹⁶⁰ (VAT Directive). These proposals reflect the growing demands for digitalisation and reduction in the administrative burden on businesses, which are to replace the originally required paper document signed by hand with an electronic document bearing an electronic signature. Member States have until 30 June 2026 to implement the Directive into national law.

In July 2024, the Commission also submitted to the EP and the Council an evaluation report¹⁶¹ based on information obtained from Member States on the application of the provisions of Directive 2016/1065¹⁶² with regard to VAT, in particular with regard to the definition of vouchers¹⁶³, VAT rules on the taxation of vouchers in the distribution chain and unused vouchers. This report analyses the overall implementation of VAT rules on vouchers according to five criteria (effectiveness, efficiency, relevance, coherence and EU added value) over the four years since their first application in 2019. The report shows that the objectives of Directive 2016/1065 have largely been achieved, although some specific issues relating to its application still need to be resolved. However, the report primarily points to the fact that several years have passed and most Member States do not yet have enough information to properly assess the performance of the VAT rules on voucher.

154 Recommendation for a Council Decision to authorise the Commission to open negotiations for the amendment of the five agreements on the automatic exchange of financial account information to improve international tax compliance between the European Union and, respectively, the Swiss Confederation, the Principality of Liechtenstein, the Principality of Andorra, the Principality of Monaco and the Republic of San Marino, COM(2024) 11 final of 17 January 2024.

155 The same standard applies within the EU for the exchange of financial account information among its Member States under Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

156 *International Standards for Automatic Exchange of Information in Tax Matters*, OECD, 2023.

157 Council Directive (EU) 2023/2226 of 17 October 2023 amending Directive 2011/16/EU on administrative cooperation in the field of taxation.

158 Proposal for a Council Directive amending Directive 2006/112/EC as regards the electronic value added tax exemption certificate, COM(2024) 278 final of 8 July 2024.

159 Proposal for a Council Implementing Regulation amending Implementing Regulation (EU) No 282/2011 as regards the electronic value added tax exemption certificate, COM(2024) 279 final of 8 July 2024.

160 Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax.

161 Report from the Commission to the European Parliament and the Council pursuant to Article 410b of the VAT Directive, on the application of the VAT rules for vouchers - definition, distribution chains and non-redeemed vouchers -, COM(2024) 307 final of 22 July 2024.

162 Council Directive (EU) 2016/1065 of 27 June 2016 amending Directive 2006/112/EC as regards the treatment of vouchers.

163 A “voucher” means an instrument where there is an obligation to accept it as consideration or part consideration for a supply of goods or services and where the goods or services to be supplied or the identities of their potential suppliers are either indicated on the instrument itself or in related documentation, including the terms and conditions of use of such instrument.

In October 2024, the Commission adopted a proposal to amend the Directive on administrative cooperation in the field of taxation, known as DAC9¹⁶⁴. The DAC9 draft directive aims to facilitate companies' reporting obligations under the second pillar of Directive 2022/2523¹⁶⁵. Multinational companies will now be able to submit a single information return regarding the top-up tax at the central level for the entire group. A standardised form and system for the mutual exchange of information between tax authorities will be introduced to this end.

In November 2024, the Economic and Financial Affairs Council approved the *VAT in the digital age* (ViDA)¹⁶⁶ package, which was proposed in 2022. This is a comprehensive reform package aimed at modernising and simplifying VAT systems in the EU. One of the changes is the introduction of a real-time digital VAT reporting system based on e-invoicing. The system is to be introduced as of 1 July 2030 with a view to enabling faster detection of suspicious or fraudulent transactions. Another change is the introduction of the notion of deemed provider for online platforms (in the short-term accommodation and passenger transport sectors), who will be responsible for collecting and paying VAT in cases where the providers of these services do not pay VAT themselves. The last change concerns the expansion of the "VAT one stop shop", which will make it easier for businesses to register and pay VAT on transactions across the Member States.

In December, the Council adopted Directive 2025/50¹⁶⁷, which aims to increase the reliability and efficiency of withholding tax procedures in the EU for cross-border investors, national tax authorities and financial intermediaries (e.g. banks, investment platforms). The new legislation will introduce a uniform digital tax residence certificate to specify the double taxation agreements under which residence is assessed. The certificate will be valid for one calendar year. Another part of the Directive introduces new procedures for withholding tax refunds relating to the taxation of dividends. This mainly involves speeding up the refund process and removing the excessive tax burden on small investors in the EU. In this context, the Directive envisages the role of certified financial intermediaries (CFIs). CFIs will be registered in national registers of financial intermediaries and will be able to apply for withholding tax refunds on behalf of investors. The Czech Republic originally rejected the draft Directive on this point because it would subject dividends to withholding tax directly at the company paying them. However, the final version of the Directive allows countries that have a comprehensive system in place to withhold tax at source and do not have a highly developed capital market to opt out of this part of the Directive. Therefore, the Czech Republic eventually did not oppose the adoption of the Directive, but it does not plan to apply the aforementioned obligation in the Czech Republic.

E.1.2 DEVELOPMENTS IN BUDGET REVENUES IN THE CZECH REPUBLIC IN 2024

In 2024, Act No 235/2004 Coll.¹⁶⁸ (VAT Act) was amended due to the transposition of the Council Directive amending the VAT Directive. Small businesses based in another Member State that do not exceed a domestic turnover of CZK 2 million per calendar year will not be subject to VAT in the Czech Republic. The same applies to Czech small businesses that wish to take advantage of this exemption in other Member States.

The amendment to the VAT Act also introduces a change in the calculation of companies' turnover. Until the end of 2024, turnover was calculated for a period of 12 consecutive calendar months. From 1 January 2025, it will newly be determined on a calendar year basis and this will also change the dates when the entities concerned will become VAT payers. Small businesses that exceed a turnover of CZK 2 million during the year will not become VAT payers until 1 January of the following calendar year. If they wish to become VAT payers immediately, on the second day after exceeding this turnover, they must inform the tax authority of this fact in a timely application for VAT registration. If the domestic turnover exceeds CZK 2,536,500 (the common EU amount is EUR 100,000), the entity will become a VAT payer on the following day.

¹⁶⁴ Proposal for a Council Directive amending Directive 2011/16/EU on administrative cooperation in the field of taxation, COM(2024) 497 final of 28 October 2024.

¹⁶⁵ Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union.

¹⁶⁶ *VAT in the Digital Age*. Approved by the European Parliament on 12 February 2025.

¹⁶⁷ Council Directive (EU) 2025/50 of 10 December 2024 on faster and safer relief of excess withholding taxes.

¹⁶⁸ Act No 235/2004 Coll., on value added tax.

The amendment also clarified the conditions for tax rates in the construction industry and tax exemptions for the supply of buildings and land, expanded the options for bad debts, and introduced a new institution for VAT refunds in cases of unjust enrichment.

It also abolishes tax refunds that were previously available to persons with disabilities when purchasing a car. This is offset by an amendment to legislation under the remit of the MoLSA to avoid loss of support for persons with disabilities. Based on the adopted amendment, the special equipment contribution towards the purchase of a motor vehicle is increased by CZK 85,000.

A number of tax changes took place in 2024 in connection with the introduction of the “consolidation package”. For value added tax, the reduced tax rates were merged into a single rate of 12%. For some products and services, this represented a reduction, as they were previously (until the end of 2023) subject to a 15% rate (food, construction work, medical supplies, animal feed and funeral services). For the remaining categories, this change represents an increase in the reduced rate from the original 10%. This mainly includes medicines, including baby food, heat supply, water and sewage charges, accommodation services, public transport, catering services, newspapers, magazines, and tickets for cultural and sporting events. **In January 2024, selected personal income tax allowances were abolished across the board,** namely the allowance for placing a child in a preschool facility (“kindergarten fee”) and the student tax allowance. The application of the spouse tax allowance was also restricted. **As of January 2024, employees are required to pay a sickness insurance contribution of 0.6% and have a limit set for the taxation of benefits in kind. The consolidation package also regulates social security and health insurance contributions levied based on agreements to complete a job.**

Self-employed persons who pay minimum social security contributions had their minimum base increased to 30% of the average wage in 2024. From 2024, the maximum tax-deductible amount for the purchase of a passenger car (category M1) is limited to CZK 2 million. Property tax rates were increased on average to 1.8 times the previously applicable rates.

The consolidation package was amended during 2024. The changes concerned, for example, meals for former employees, cultural and sporting events organised by the employer for employees and their family members, etc.

The gradual increase in excise duty on tobacco products and heated tobacco products continued in 2024. From 1 February 2024, excise duty rates on cigarettes, smoking tobacco, cigars and cigarillos increased by 10%. Between 2025 and 2027, excise duty rates on these products will continue to rise at a rate of 5% per year. During the period from 2024 to 2027, there will be a regular annual 15% increase in the tax rate on heated tobacco. Excise duty on e-cigarettes and nicotine pouches was introduced with effect from 1 April 2024. **The excise duty rate on alcohol increased by 10% in 2024.**

E.2 EXPENDITURE IN SUPPORT OF THE COHESION POLICY

This subchapter was prepared at the SAO's request by the MoRD-NCA as a comprehensive part of the present report.

The year 2024 was marked by the closure of PP14+ (point E.2.1) and the REACT-EU¹⁶⁹ initiative (point E.2.2) on the one hand, and by the accelerated drawdown of the allocation for PP21+ (point E.2.3) on the other. The authors of this subchapter also provide up-to-date information on the progress of preparations for PP28+ (point E.2.4).

169 Recovery Assistance for Cohesion and the Territories of Europe.

E.2.1 SUMMARY INFORMATION ON THE CLOSURE OF THE PROGRAMMING PERIOD 2014–2020

The Czech Republic managed to use up its entire allocation for PP14+, but the closure and final administration process is still ongoing. Beneficiaries were paid a total of CZK 678.8 billion, i.e. 103.6% of the total allocation, by the end of February 2025. Requests for interim payments totalling CZK 674.1 billion, i.e. 102.8% of the total allocation, were sent to the Commission.

Following a series of legislative changes in response to the crises related to the COVID-19 pandemic, refugee migration and high energy prices, the closing process was also affected by the STEP Regulation. The regulation, which was adopted with the aim of supporting European industry and investments in key technologies, also provided Member States with additional flexibility and liquidity in addressing the impact of the above-mentioned crises. This facilitates the smooth closure of PP14+.

As part of the closure of PP14+, the final reports (or last annual reports) were sent to the Commission with regard to four OPs: the OPTA14+, the OPT14+, the OPEm and the OPF14+. In other OPs, the authorities took advantage of extended deadlines under the STEP Regulation for sending the final payment claims and submitting final documents, and will thus not send the final documents until early 2026.

EU funds in PP14+ have delivered a number of demonstrable results. They make a significant contribution towards better environment, support research, development and innovation (RDI), and improve the competitiveness of the Czech Republic and its transport infrastructure.

The emphasis on environmental protection had measurable impacts:

- the proportion of the population living in areas with polluted air fell from 26.5% to 1.4%; this partly owes to support from EU funds;
- 15% of contaminated sites have been remediated with the help of EU funds;
- energy consumption was reduced by 9.9 million GJ per year;
- composting increased by 70% and additional 305,122 tonnes of waste (i.e. waste that would otherwise end up in landfills) is sorted annually;
- in 88,806 households, solid fuel boilers were replaced with more environmentally friendly alternatives.

The following was achieved in the field of science, research, innovation and competitiveness:

- a total of 3,525 companies established cooperation with research institutions;
- 3,994 results of applied research were registered as outcomes that can be used in new or innovative products or services;
- more than 103,000 users (individuals or institutions) have open access to scientific information thanks to modernised research infrastructure;
- 227 joint RDI projects were successfully supported;
- 838 innovative low-carbon technologies were applied.

The focus on transport support brought the following results:

- 25% of municipalities have better connections to regional capitals;
- the number of trains on reconstructed lines increased by 14%, reducing waiting times for passengers;
- more than 309,000 vehicles per year use park-and-ride facilities in Prague.

E.2.2 CLOSURE PROGRESS AND FINANCIAL SETTLEMENT OF THE REACT-EU INITIATIVE

REACT-EU resources were used in PA 6, 7 and 9 of the *Integrated Regional Operational Programme* for PP14+. Payment claims totalling CZK 28.5 billion were paid out, representing 101.0% of the total allocation for this instrument. However, there **remain twelve high-risk projects in PA 6, where the total EU contribution in legal acts exceeds CZK 1,935 million**; this may affect the final drawdown of the programme.¹⁷⁰ This concerns specifically the following projects:

Ongoing projects:

- three “unfinished” projects¹⁷¹; in two of these projects, the beneficiaries have already submitted the final payment claims and these are currently being reviewed; for the last project, the beneficiary should submit the final payment claim by the end of April 2025. The EU contribution in legal acts amounts to over CZK 704 million;
- one “non-functioning” project¹⁷², with an expected completion date of 31 October 2026, where the EU contribution in the legal act amounts to CZK 51 million.

Projects involving ongoing criminal proceedings:

- eight projects with EU contributions in legal acts amounting to nearly CZK 1,180 million. The current status of all these projects is “monitored and verified”.

The REACT-EU initiative was evaluated as part of the thematic evaluation of the results of the *Partnership Agreement for the Programming Period 2014–2020*, which took place from June 2021 to September 2023.

The key findings are that the **REACT-EU funds supported post-pandemic recovery by reinforcing critical infrastructure, healthcare and social services throughout the Czech Republic**. They focused on developing material, human and technological capacities that will contribute to greater resilience to future crises. The funds also supported more sustainable service operations (e.g. reducing emissions) and improving cyber security. Deferred healthcare services have gained additional capacity and modern technology, for example in oncological diagnostics. Beneficiaries perceive the support as essential for increasing the resilience of services in both health and social care.

Selected results:

- 1,449 sets of new equipment and material resources were purchased for the components of the Integrated Rescue System (IRS).
- 64 buildings serving the IRS were constructed and modernised.

¹⁷⁰ The Commission will not close the programme until these projects have been resolved.

¹⁷¹ An unfinished project is a project that has not been completed by the deadline for submitting the final summary claim to the payment and certification authority. However, it must be completed by 14 November 2025. Expenditure incurred after 31 December 2023 will be financed at the national level or from the beneficiary's own resources.

¹⁷² A non-functioning project (with total cost of at least EUR 1 million) is a project that is not completed by 14 December 2025 and will be completed subsequently, by 15 February 2027. Expenditure incurred after 31 December 2023 will be paid from national resources or by the beneficiary themselves.

- Support was provided to 1,021 healthcare and public health protection facilities, and 778 ambulances and other emergency response vehicles were purchased.
- A total of 1,984 beds were provided for patients with COVID-19.
- The number of hospitalisations per year using capacities or resources supported by REACT-EU reached 323,972.

E.2.3 THE COURSE OF THE PROGRAMMING PERIOD 2021–2027 AND INTERNATIONAL COMPARISON

E.2.3.1 ANNOUNCED CALLS

Under the *Partnership Agreement for the Programming Period 2021–2027* (PAg), **510 calls for proposals worth CZK 501.5 billion** (EU contribution) were announced by 31 March 2025, **representing 95.3% of the total allocation**. Data for individual programmes are shown in Table 21.

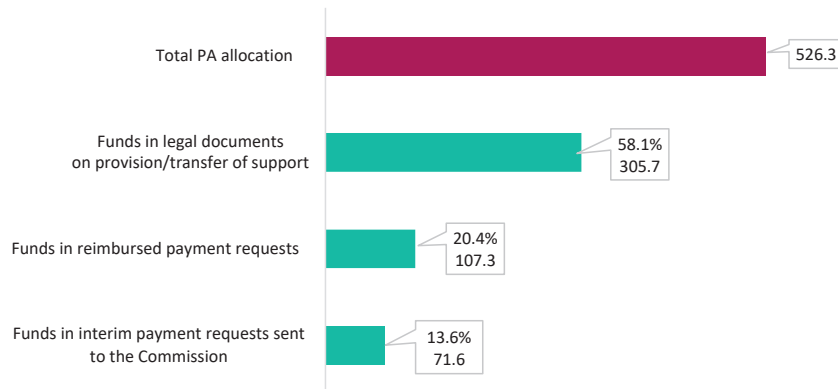
Table 21: Calls announced as of 31 March 2025

Programme		Number of calls	Funding in announced calls – EU share (in CZK million)	Total allocation (%)
Name	Abbreviation			
<i>OP Technologies and Application for Competitiveness</i>	OP TAC	62	65,188.39	83.2%
<i>OP Jan Amos Komenský</i>	OP JAK	37	61,285.14	96.6%
<i>OP Employment plus</i>	OPEm+	80	32,383.40	89.3%
<i>OP Transport 2021–2027</i>	OPT	34	121,074.90	99.9%
<i>OP Environment 2021–2027</i>	OPEn	80	59,498.93	94.9%
<i>Integrated Regional Programme 2021–2027</i>	IRP	112	118,393.75	101.2%
<i>OP Technical Assistance 2021–2027</i>	OPTA	5	5,563.23	101.0%
<i>OP Fisheries 2021–2027</i>	OPF	27	609.08	81.2%
<i>OP Just Transition</i>	OPJT	73	37,470.62	91.4%
Total		510	501,467.44	95.3%

Source: *Unified Monitoring System for the 2021–2027 Programming Period /MS2021+/, prepared by the MoRD-NCA.*

E.2.3.2 THE PARTNERSHIP AGREEMENT UTILISATION AS AT 31 MARCH 2025

The Czech Republic maintains a relatively high and steady drawdown rate for funds earmarked for the Cohesion Policy throughout the entire PP21+ period. The drawdown as at 31 March 2025 is shown in the following Chart. Table 22 shows the drawdown as at the same date broken down by individual OPs.

Chart 10: Partnership Agreement PP21+ utilisation status (EU contribution) as of 31 March 2025 (CZK billion)

Source: MS2021+, prepared by the MoRD-NCA.

Note: Funds are related to the total allocation.

The MoRD-NCA reports the total allocation and its drawdown in Czech crowns; their amount thus depends on exchange rate fluctuation.

Table 22: Individual programmes utilisation status (EU contribution) as of 31 March 2025

OP	Total PA allocation	Funds in registered applications for support			Funds in legal acts			Funds in reimbursed payment requests		Funds in payment requests sent to the Commission	
	CZK billion	Number	CZK billion	% of total allocation	Number	CZK billion	% of total allocation	CZK billion	% of total allocation	CZK billion	% of total allocation
OP TAC	78.4	7,262	94.1	120.0	3,484	33.3	42.5	3.8	4.9	4.1	5.2
OP JAK	63.5	13,169	84.3	132.8	11,498	45.7	72.0	19.6	30.9	4.0	6.2
OPEm+	36.3	5,440	43.1	118.8	2,352	25.3	69.8	11.0	30.3	5.8	15.8
OPT	121.2	281	129.3	106.7	114	70.8	58.4	39.6	32.6	32.1	26.7
OPEn	62.7	5,261	84.8	135.2	2,408	41.3	65.9	14.3	22.8	13.0	20.6
IRP	117.0	6,308	97.8	83.7	4,228	59.9	51.2	12.5	10.7	9.6	8.2
OPTA	5.5	425	3.0	54.2	406	2.9	51.9	1.0	18.5	1.0	18.0
OPF	0.8	650	0.5	65.3	412	0.3	34.9	0.1	8.7	0.1	7.9
OPJT	41.0	917	39.6	96.4	410	26.1	63.7	5.4	13.2	1.9	4.7
Total	526.3	39,713	576.5	109.5	25,312	305.7	58.1	107.3	20.4	71.6	13.6

Source: MS2021+, prepared by the MoRD-NCA.

E.2.3.3 COMPARISON OF DRAWDOWN OF THE PROGRAMMING PERIOD 2014–2020 AND PROGRAMMING PERIOD 2021–2027

PP21+ consistently shows faster drawdown than PP14+ for the comparable implementation phase (see Table 23).

Table 23: Comparison of Programming Period 2014–2020 and 2021–2027 utilisation

Programming Period	Funds in legal documents	Funds in reimbursed payment requests	Funds in payment requests sent to the Commission
2014–2020	49.3%	15.6%	9.6%
2021–2027	58.1%	20.4%	13.6%

Source: Unified Monitoring System for the 2014–2020 Programming Period MS2014+, Managing Authority of OPF14+, MS2021+, prepared by the MoRD-NCA.

E.2.3.4 COMPLIANCE WITH THE N+3 RULE

As at 31 March 2025, five programmes already complied with the n+3 rule: the OPEm+, the OPT, the OPEn, the OPTA and the OPJT. For other programmes, this is expected in the coming months.

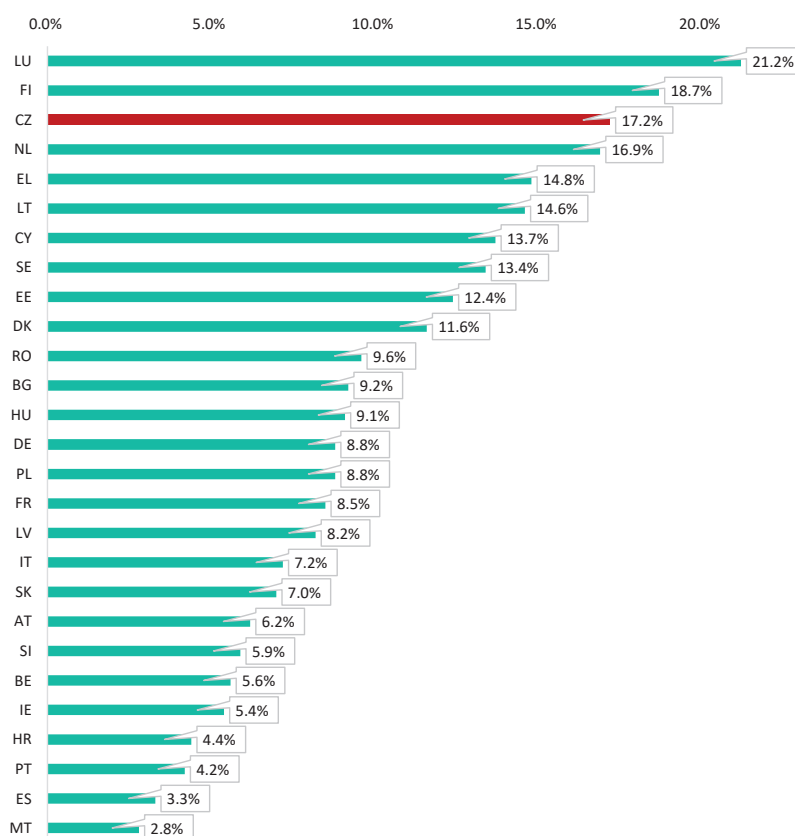
Table 24: Compliance with the n+3 rule as of 31 March 2025 (in %)

Programme	Compliance with the n+3 rule
OP TAC	50.9%
OP JAK	65.0%
OPEm+	112.8%
OPT	165.8%
OPEn	147.8%
IRP	67.1%
OPTA	125.8%
OPF	53.5%
OPJT	105.1%

Source: Paying Authority (National Fund Department of the MoF), prepared by the MoRD-NCA.

E.2.3.5 COMPARISON OF DRAWDOWN IN EU MEMBER STATES

The Czech Republic ranked third as at 15 April 2025 in the comparison of drawdown rates for Member States. A complete overview of all Member States is provided in the following Chart.

Chart 11: Comparison of the utilisation rates of EU Member States in PP21+

Source: Commission (status as of April 15, 2025), prepared by the MoRD-NCA.

E.2.3.6 BENEFITS OF COHESION AND ITS RESULTS

More important than the actual drawdown of funds is ensuring significant and lasting benefits for the regions and the citizens who live there. The Czech Republic is also succeeding in selected priority areas in PP21+. However, it should be noted that these results reflect only the halfway point through the programming period. The values of performance indicators are expected to increase significantly in the coming months and years as a result of support for new beneficiaries and the implementation of further projects.

Czech Republic places emphasis on environmental protection

- EU funds will help more than 1 million people in cities to live near attractive public green spaces, significantly improving their quality of life.
- Our focus on saving primary energy from non-renewable sources has already yielded results: We have saved over 736,000 GJ per year, and these efforts will continue.
- We also plan to reduce the amount of wastewater by 26,200 m³ per year; this will have a positive impact on our environment.

The Czech Republic supports digitalisation and connectivity

- Through the efficient use of EU funds, we will provide access to new and improved digital services for more than 1.2 million users.
- We plan to support 1,000 municipalities in building and using high-speed internet; this will contribute to better connectivity and the development of rural areas.
- We will help 614 companies utilise modern digital technologies to increase their competitiveness in the market.

The Czech Republic focuses on science, research and innovation

- We have supported more than 3,700 researchers from specialist scientific teams, contributing to unique innovations and technological advances.
- We support new outcomes in applied research. To date, beneficiaries have committed to creating over 900 such outcomes. These include, for example, utility and industrial designs, prototypes, functional samples and patents.
- The Czech Republic also strives to introduce new or improved products or tools for strategic management of the RDI sector at national, regional and institutional levels. Beneficiaries have so far committed to implementing more than 200 such products.

The Czech Republic's achievements demonstrate that the country is able to draw on support effectively and that Czech authorities and companies know how to use finances provided by the EU efficiently and purposefully. This is the result of long-term and systematic work and accurately defined processes for the administration of EU funds on the part of both beneficiaries and subsidy providers.

E.2.4 THE STATUS OF PP28+ PREPARATION AND ACTIVITIES OF THE MoRD-NCA IN THIS AREA, OVERVIEW OF ANTICIPATED DIFFERENCES COMPARED TO PP21+

The MoRD-NCA is actively involved in preparing the new PP28+ programming period. **In addition to providing standard information on developments at EU level through the MoRD's coordination group called Cohesion, the MoRD-NCA continues to involve all relevant actors at the national level,** such as the responsible ministries, economic, territorial and social partners, academia, churches and the non-profit sector, **in discussions on the priorities for the future focus of EU funding in the Czech Republic.** The aim is to prepare the Czech Republic's national position through the **Cohesion 2028+ working group under the auspices of the MoRD**, which began its work in September 2023 and continues its activities. These discussions with experts and partners on the prioritisation of substantive issues are highly desirable prior to the publication of the draft new MFF and EU legislation for the future period, so that the conclusions of the discussions can be reflected in the negotiations with the Commission.

One of the key topics will be the efficient use of European funds and the future direction of the Cohesion Policy. In the next programming period, however, we must expect significantly lower allocations, not only because of the Czech Republic's economic growth, but also in view of emerging new European priorities and upcoming challenges such as defence, security, competitiveness and demographic change. Therefore, it is necessary to clearly prioritise areas that will be supported from these resources.

Official documents drawn up at European level provide an indication of the most likely future direction of the Cohesion Policy. These include, in particular, the financing of new EU priorities, result orientation, pressure to implement reforms and wider use of the financial instruments. **In the Czech Republic's view, the Cohesion Policy should continue to be a policy for all EU regions, supporting investment and institutional capacity building, and strengthening the principles of partnership and shared management.** Linking reforms to strategic investments in relevant areas can help stimulate sustainable growth. At the same time, considerable attention is paid to the regions and their condition. At the national level, it will therefore be necessary to work with regional partners to develop high-quality documentation that identifies regional development needs and opportunities.

The MoRD-NCA prepared and submitted to the Czech Government a document entitled *Starting points for the Czech Republic's position in the direction of the Cohesion Policy after 2027*, which was approved by the Government on 10 July 2024 by Resolution No 474. The document contains an overview of the key priorities that indicate the desired direction of the Cohesion Policy after 2027, according to the MoRD.

The year 2025 will be crucial for the future Cohesion Policy, as we expect the publication of a proposal for a new MFF and subsequent legislation regarding the Cohesion Policy, with significant changes expected compared to the current approach. The MoRD-NCA is therefore very active at both national and European levels as it participates in various meetings with representatives of European institutions or other Member States with the aim of exchanging views and experience that could be taken into account in the modernised Cohesion Policy.

Preparation of the strategic framework of the Cohesion Policy after 2027

In accordance with the above-mentioned Government Resolution, the MoRD-NCA has begun preparations for the *Strategic framework of the Cohesion Policy after 2027*, i.e. the thematic priorities for the future Cohesion Policy. In preparing the draft of this strategic framework, the MoRD-NCA drew on several fundamental strategic and policy documents. At the national level, this was primarily the **Economic Strategy of the Czech Republic: Czech Republic in the TOP 10 and departmental priorities in the EU's Strategic agenda 2024–2029**. The territorial priorities known at the time and the Government Policy Statement were also taken into account.

The **European Commission's political priorities**, setting out the main objectives and strategic directions for the period 2024–2029, and the **2024 Draghi report on competitiveness**¹⁷³ were used to provide a European perspective. The Czech Republic's commitments to the EU in various areas were also taken into consideration.

The preparation process also took into account implementation experience obtained in previous years, which is summarised in various evaluations, with the most relevant being the evaluation of the results of the *Partnership Agreement for the Programming Period 2014–2020*.

The priority topics contained in the aforementioned documents were grouped into **basic topics for discussion by the Expert Advisory Body of the MoRD-NCA (EAB)** without further substantive evaluation, and they also served as a basis for establishing the structure of the EAB's meetings and discussions with other partners.

The MoRD conducted extensive consultations with economic, social and territorial partners. The partners contributed their expertise and experience, which made it possible to supplement and refine the existing expert (EAB) documentation and finalise the draft strategic framework. Cooperation among diverse entities, ranging from non-profit organisations and business associations to representatives of public administration, ensured a multifaceted approach that incorporated different perspectives and experiences.

¹⁷³ *The Future of European Competitiveness*, known as the Draghi Report, addresses ways to strengthen the EU's competitiveness. The report focuses on the challenges facing the EU in terms of competitiveness and proposes measures to maintain and reinforce Europe's position in the global economy.

The expert community was informed about the draft strategic framework at a roundtable discussion held on 16 April 2025. The authors presented the initial situation in which the document was created, together with the problems and possible solutions that the Czech Republic's Cohesion Policy should focus on in the coming period.

The document will be submitted to the Government by the end of June 2025 and is being prepared on the basis of all the inputs described above, with the aim of identifying key issues and tools for addressing these issues in the post-2027 Cohesion Policy.

E.3 MODERNISATION FUND AND THE NATIONAL RECOVERY PLAN

E.3.1 MODERNISATION FUND

The primary objective of the *Modernisation Fund*¹⁷⁴ (MF) in the Czech Republic is to reduce greenhouse gas emissions, improve energy efficiency and increase the share of RES in the overall energy mix by 2030, as well as to contribute to the decarbonisation of the Czech economy by 2050 through strategic investments. The MF was established by Directive 2003/87/ES¹⁷⁵ (ETS Directive), which was implemented in Czech law by Act No 1/2020 Coll.¹⁷⁶.

The MF obtains funding mainly from the monetisation of 2% of the total number of emission allowances in the ETS for the 2021–2030 period. From 2024, a further 2.5% of allowances auctioned between 2024 and 2030 will be added to this volume. The MF will also use revenues from emission allowances under Article 10c(4) of the ETS Directive (“derogation allowances”) and 50% of revenues from allowances under Article 10(2)(b) of the same Directive (“solidarity allowances”). The above-mentioned funds constitute income for the SEF.

The MF’s general programme document was approved by Government Resolution No 64 of 25 January 2021. It was revised for implementation from 2024. The total allocation available to the Czech Republic for the years 2021–2030 depends on the prices in the emissions allowances market. **Currently, given the price of emission allowances, the estimate of the total allocation has increased to CZK 390 billion.** Following the revision of the ETS Directive and also in view of the current development of the ETS industry, it is expected that **the MF might even receive a total allocation exceeding CZK 500 billion.**

Through the SEF, **funds from the MF are directed to the following priority areas:**

- production and use of energy from renewable sources, including renewable hydrogen;
- heating and cooling from renewable sources;
- reduction in overall energy consumption by improving energy efficiency;
- energy storage and modernisation of the energy grid, including demand management, district heating networks, electricity distribution networks and expansion of interconnections among Member States and the zero-emission mobility infrastructure;
- supporting lower-income households, including in rural and remote areas, with the aim of tackling energy poverty and modernising their heating systems;
- just transition in coal-dependent regions.

At EU level, the European Investment Bank, the Investment Committee and the Commission have the key evaluation and approval role.

The Modernisation Fund Committee and the Modernisation Fund Platform are involved in the preparation and administration of the MF in the Czech Republic.

¹⁷⁴ The MF was established to support ten Member States: Bulgaria, the Czech Republic, Estonia, Croatia, Lithuania, Latvia, Hungary, Poland, Romania and Slovakia.

¹⁷⁵ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC.

¹⁷⁶ Act No 1/2020 Coll., amending Act No 383/2012 Coll., on the conditions for greenhouse gas emission allowances trading, as amended, and Act No 458/2000 Coll., on the conditions for operating business and on the performance of State administration in energy sectors and amending certain laws (the Energy Act), as amended.

The funds are channelled into eight programmes with energy saving measures.

- **RES+ – New Renewable Energy Sources** – The programme focuses on the installation of new RES (photovoltaic power plants, wind power plants, small hydroelectric power plants, etc.) and renewable energy storage (battery storage, pumped storage only hydroelectric power plants, etc.).
- **HEAT – Modernisation of thermal energy supply systems** – The programme focuses on the modernisation of heat sources in the thermal energy supply system (RES, energy recovery from waste, heat pumps, etc.) and the reconstruction or construction of new heat distribution systems within the thermal energy supply system, including heat exchange stations and measurement and control systems.
- **ENERG** – The programme comprises four sub-programmes: **ENERG ETS** – *Improving energy efficiency and reducing the emissions of greenhouse gases in industry in EU ETS*, **ENERGCom** – *Energy savings in business*, **ENERGgov** – *Energy efficiency in public buildings and infrastructure*, and **HOUSEnerg** – *Energy efficiency in the residential sector*.
- **TRANSPORT** – The programme is divided into two sub-programmes, specifically **TRANSCom** – *The modernisation of transport in the business sector* and **TRANSGov** – *The modernisation of public transport*.
- **GREENGAS** – The programme focuses on renewable gaseous and liquid fuels.
- **SMARTNET** – The programme includes two sub-programs: **PUBGRID** – *The modernisation of public energy systems*, and **ELEGRID** – *The modernisation and increasing the resilience of the electricity system*.
- **KOMUNERG** – The programme focuses on community energy with the support of energy communities established to meet their own energy needs.
- **I+ – Innovative and comprehensive projects** – Support is provided for measures contributing to a significant reduction in greenhouse gas emissions through the introduction or production of innovative technologies, especially in the areas of RES, energy storage, CO₂ storage and utilisation, and energy-intensive production.

The Czech Republic has been one of the most successful Member States in drawing available funds from the MF.

E.3.2 NATIONAL RECOVERY PLAN – RECOVERY AND RESILIENCE FACILITY

The NRecP is a strategic document through which the Czech Republic asked for a financial contribution from the RRF. The total allocation for the NRecP amounts to EUR 9.2 billion in the form of loans and grants. The NRecP must be closed by the end of 2026. The NRecP milestones and targets (MaT) must be fulfilled by summer 2026, when the Czech Republic will submit its final grant and loan payment claim to the Commission. The implementation of the NRecP is gaining momentum. Risk monitoring and risk elimination efforts are underway.

The key document associated with the NRecP is the CID. This document contains sets of binding MaT with fixed deadlines for completion.

The NRecP has a specific implementation structure. The MoIT is responsible for coordinating the NRecP. To ensure coordination, to maintain uniform standards of reporting and monitoring and to communicate with the Commission, the MoIT has established an NRecP delivery unit (MoIT-DU). “Component owners”, or implementation entities, also play an important role in this regard. Other specific features of the NRecP include:

- the focus of the NRecP support reflects the requirement of European legislation, with a minimum expenditure of 37% to support the climate transition and a further 20% to support the digital transition (42% of NRecP expenditure will support climate targets and 22% will support the digital transition);
- short timeframe, with all reforms and investments to be completed by August 2026, payments to be claimed by September 2026 at the latest and expenditure to be eligible retroactively from 1 February 2020;
- high level of support – approximately EUR 9.2 billion;
- different implementation structure (component owners, MoIT, NRecP steering committee, Commission).

More detailed information on the NRecP and the RRF is provided in paragraphs E.3.2.1–E.3.2.5 below, which were prepared by the MoIT-DU at the request of the SAO. Those sections provide information, *inter alia*, on the use of the NRecP funds, progress in achieving the NRecP milestones and targets, and the expected development of the NRecP in the coming years.

During the period under review, the ECA carried out several audits focusing on the NRecP funds; details on this issue are provided in section C.2.2.

E.3.2.1 INFORMATION ON DRAWING FUNDS FROM THE NRECP

Based on payment claims already submitted, the Czech Republic received more than EUR 4.17 billion (approximately CZK 103 billion) in grants from the Commission between 2021 and 2024. The first payment from the loan portion of the plan, amounting to EUR 190.90 million, was received in the MoF’s account at the end of 2024.

Funds received from the NRecP grant section are used to cover actual expenses incurred by organisational components of the State according to data from the *State Treasury Information System*.

Table 25: Overview of grant payments for the Czech Republic, including pre-financing

Type of payment	Date of payment receipt	Payment received	Exchange rate	Payment received
		(CZK mil.)	(CZK/EUR)	(EUR mil.)
Pre-financing of the plan without <i>REPOWER</i> (pillars 1–6)	29 Sept 2021	23,156.87	25.318	914.64
Payment for the 1st instalment	22 March 2023	22,022.31	23.726	928.19
Pre-financing of <i>REPOWER</i> (pillar 7)	21 Dec 2023	3,591.55	24.417	147.09
Payment for the 2nd and 3rd instalments	2 April 2024	17,677.80	25.178	702.11
Payment for the 4th and 5th instalments	23 Dec 2024	37,053.03	24.994	1,482.48
Total as at 31 December 2024		103,501.56		4,174.52

Source: *State Treasury Information System*, prepared by the MoIT.

Note: The exchange rates are based on statements from the foreign currency account held at the Czech National Bank.

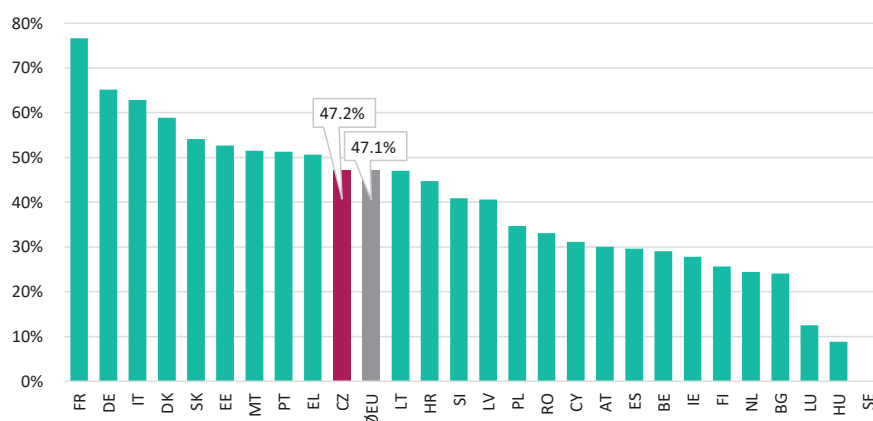
The delays that initially hindered the implementation of the NRecP were successfully overcome in 2024. The rate of investments and reforms has been accelerating in the Czech Republic in the second half of the NRecP implementation period.

Another payment claim was submitted in 2024; this is the largest claim in terms of its MaT thus far. In aggregate, 130 milestones and targets out of a total of 341 have already been reported as achieved, with two milestones being part of the first payment claim in the loan portion. We also record two partially unfulfilled milestones within this claim (see point E.3.2.2 below).

The investment portion of the NRecP has progressed to the stage of full physical implementation of individual projects, with an increasing number of projects completed. The volume of funds from the State budget spent on investment projects has also been growing in this context, bringing visible progress in specific projects.

In terms of the ratio of funds disbursed to the total allocation, the Czech Republic ranks around the EU average. However, the indicator of funds disbursed to the Czech Republic is not decisive for monitoring the success of the NRecP implementation. The key issue is how the Czech Republic fulfils its commitments to implement the MaT, which are set out in the NRecP.

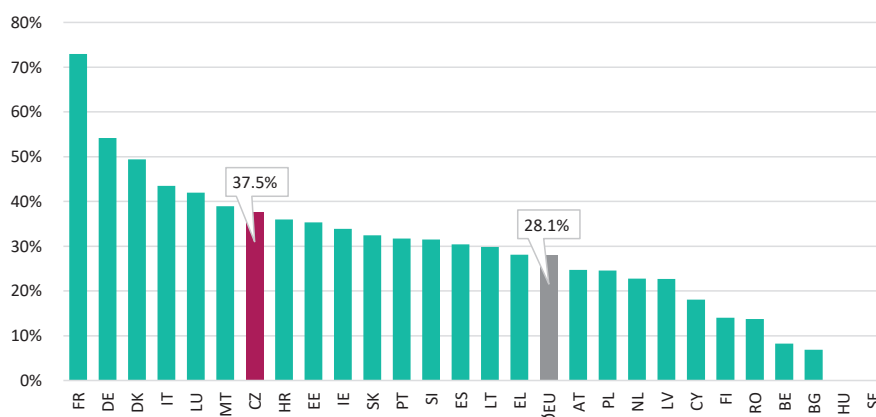
Chart 12: Comparison of reimbursement of funds across the EU as of 28 February 2025



Source: MoIT, March 2025.

E.3.2.2 PROGRESS IN ACHIEVING THE NRECP MILESTONES AND TARGETS

The *National Recovery Plan* is based on the fulfilment of its milestones and targets. By the end of February 2025, the Czech Republic has implemented more than 37% of all the milestones and targets and is above the EU average in terms of fulfilling its commitments – see the following Chart.

Chart 13: Comparison of milestone and target achievement across the EU as of 28 February 2025

Source: MoIT, March 2025.

Two partially unfulfilled milestones are recorded within the last payment claim: milestone No 193 *Reform of long-term care* under the remit of the MoLSA within component 3.3, and legislative milestone No 304, which should improve the transparency of the procedure for connecting to the distribution system (*Lex RES III*) within component 7.1 of the *REPowerEU* pillar, administered by the MoIT. The gross amount withheld for the failure to implement long-term care reform amounts to nearly EUR 162.72 million, and the gross amount withheld for the failure to implement *Lex RES III* equals EUR 97.63 million.

The Czech Republic is now in a six-month period during which it must remedy the shortcomings related to partially unfulfilled milestones; this was the reason for suspending part of the payment. If a Member State fails to take the necessary measures to remedy non-compliance with the milestones within this period, the Commission may reduce the allocation of financial support to its NRecP with final effect. Information on the possible release of the withheld payment, including the final amount of any reduction, will be known during 2025.

E.3.2.3 UPDATE OF THE NRECP AND ELIMINATION OF RISKS ASSOCIATED WITH NON-COMPLIANCE WITH MILESTONES AND TARGETS

The risks associated with potential non-compliance with milestones and targets can be addressed in several ways. The most effective approach is to exert pressure to ensure the rapid and complete fulfilment of the MaT. Another solution is a targeted revision of the CID, as described in the following paragraphs. The basic prerequisite for dealing with any risk situation is the prevention of risks and timely identification and subsequent awareness of all possible risks that may arise during the implementation of the NRecP. This will enable the initiation of an early informal dialogue with the Commission at a working level and internal discussions on ways to eliminate risks in order to ensure compliance with the MaT.

Since the latest revised version of the NRecP was adopted, progress has been made in the implementation of individual MaT. The implementation of the NRecP has progressed overall and certain inaccuracies in the wording of some MaT have been identified as a result of this progress. The Czech Republic therefore carried out another targeted revision of the CID in 2024. This revision did not introduce any new obligations or cancel any existing ones. Its aim was merely to amend the wording of certain MaT so that their fulfilment by the Czech Republic could be more easily documented. At the same time, this revision focused on eliminating the risks associated with the implementation of the plan. The total allocation for the plan remained unchanged and amounts to CZK 228.4 billion (in current terms).

The NRecP revision carried out in 2024 represents a comprehensive reinforcement of the positive impacts of RRF implementation in the Czech Republic. All amendments to the measures in the revised NRecP were in accordance with the applicable legislation, as set out in the RRF Regulation, and in the case of the *REPowerEU* chapter, based on Regulation 2023/435¹⁷⁷.

Based on analysis of the need for individual changes, the following reasons for changes to the NRecP were identified:

- The unavailability or disruption of supply chains (relating to commodities, labour, services) is causing delays in the implementation of selected NRecP measures. The proposed changes reflect the time constraints so that the sub-objectives and planned impacts can be maintained.
- Changes in the conditions of the implemented projects require adjustments to the set milestones or targets.
- Failure to meet the expected absorption capacity for planned activities due to market conditions.
- Delays due to the review of public procurement procedures by an independent authority – the Office for the Protection of Competition.
- Correction of administrative errors in the NRecP with the aim to eliminate formal or clerical errors and thus prevent possible future misunderstandings and complications in the implementation and subsequent evaluation of the satisfactory fulfilment of individual MaT by the Commission.

This revision retained the overall ambition of the NRecP and its contribution to the green and digital transition, as well as the NRecP's focus on increasing the Czech Republic's resilience.

In order to eliminate risks, especially those which are time-related, there is an additional six-month period to comply with the MaT, provided by the RRF Regulation. However, part of the payment is withheld in this case, and from the perspective of the NRecP risk management, this is the last resort and an ex-post solution (rather than the preferred risk prevention).

E.3.2.4 PROBLEMS WITH THE NRECP ADMINISTRATION AND COORDINATION

The NRecP continues to be administered in a decentralised manner in accordance with the original setup, i.e. in various systems of component owners and their intermediate bodies. This decentralisation and the various outputs from the systems complicate administration at the national coordination level and place higher demands on the quality of data transferred from component owners to the MoIT-DU.

Contrary to initial expectations, the administrative burden is increasing, mainly because the instrument – which was originally declared to be result-oriented – also requires detailed monitoring of financial flows in accordance with Article 22 of the RRF Regulation. At the same time, the Commission's requirements are also increasing in terms of the plan's transparency, specifically for the TOP 100 largest beneficiaries from the RRF. This has an impact on both the component owners and the coordination of the NRecP itself, as further adjustments to the procedures are made compared to the original (expected) settings.

On the other hand, the Commission has simplified certain administrative procedures, specifically in the area of monitoring actions, where reporting requirements have been abolished. These monitoring actions taken during the implementation of the MaT, which were monitored at predetermined intervals, are now irrelevant in view of the advanced implementation of the NRecP. Most MaT are already at an advanced stage and their fulfilment is monitored via half-yearly reporting. The need for the specific monitoring

¹⁷⁷ Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC.

actions has therefore been eliminated, which has been reflected in the reporting obligations of individual Member States and subsequently also in the obligations of component owners.

Overall, this reduces the administrative burden associated with the reporting of interim results, but increases the administrative burden of monitoring financial flows associated with the implementation of the NRecP. All projects have already been implemented, but the financial flows associated with the NRecP are significantly larger than in 2023.

E.3.2.5 THE NRECP OUTLOOK FOR 2025 AND 2026

The Czech Republic continues to implement the NRecP, which is currently in the second half of the RRF period. Compared to previous years, the implementation of individual components has accelerated, which has had a positive impact on the total volume of funds received from the RRF by the Czech Republic. The implementation of the NRecP is currently proceeding according to schedule.

Another revision of the NRecP is planned for 2025, which will have an impact on compliance with the MaT and on the overall payment profile of Czech Republic within the RRF. The revision will be completed no earlier than in the second quarter of 2025, and its results therefore cannot be anticipated at this stage. However, it can be expected that this will not be the last revision of the CID. The next revision will probably follow after the NRecP has been completed.

The NRecP's development to date shows that the implementation has been very effective in terms of specific reforms. Some of the reforms are being significantly accelerated with the support from the NRecP. Overall, the rate of the NRecP implementation is slightly above average compared to the plans of other Member States. It can be expected that some of the RRF principles associated with the implementation of the NRecP based on the principle of performance-based funding will continue to be used and developed at EU level for the upcoming MFF programming period after 2027.

E.4 EXPENDITURE IN SUPPORT OF EU HOME AFFAIRS

EU policies concerning home affairs include migration policy, asylum policy, internal security policy, border protection policy and common visa policy. Unlike in PP14+, when internal affairs were financed through the *Asylum, Migration and Integration Fund* and the *Internal Security Fund*, in PP21+, the two existing funds are supplemented by the *Border Management and Visa Instrument* (BMVI).

E.4.1 OPERATIONAL PROGRAMMES CONCERNING HOME AFFAIRS

Financial assistance in the form of financial allocations is provided through the *Asylum, Migration and Integration Fund 2021–2027 (OP AMIF)*, *Internal Security Fund 2021–2027 (OP ISF)* and *Border Management and Visa Instrument 2021–2027 (OP BMVI)* Operational Programmes to projects selected under individual open or closed calls for proposals. The MoI was appointed by the Government as the managing authority.¹⁷⁸ Beneficiaries may include, in particular, State organisational components, territorial self-governing units, non-governmental non-profit organisations, educational and research organisations, and international organisations.

¹⁷⁸ Government Resolution No 233/2021 of 1 March 2021 on the proposed distribution of the allocation for the Czech Republic in the Programming Period 2021–2027 among operational programmes.

The OP AMIF¹⁷⁹ was approved by the Commission on 4 August 2022. The OP was amended following the fundamental change in the migration situation in the Czech Republic due to the war in Ukraine. The Commission approved this amendment in May 2024. The total allocation for the OP AMIF reached EUR 101.93 million, of which the EU contribution was set at EUR 85.25 million. The amendment increased the priority of support for people fleeing from the regions of Ukraine affected by the war. Funds amounting to EUR 12 million were therefore transferred from SO 1 *Asylum* and SO 3 *Returns* to SO 2 *Integration*. At the same time, the MoI succeeded in a selection procedure for a “specific action” and obtained additional EUR 15.26 million for the OP AMIF beyond the original basic allocation. A legal act on the provision of subsidies, or rather the use of support for 51 projects, was issued under the OP AMIF before the end of 2024.

The OP ISF¹⁸⁰ was approved by the Commission on 25 July 2022, and the revision of the programme document (version 2.0) was approved by the Commission on 27 March 2024. The total allocation for the OP ISF after the revision reached almost EUR 44.27 million, of which the EU contributed EUR 35.49 million. More than two-thirds of the allocation is directed towards SO 3, i.e. to support capacity building for the prevention of crime, terrorism and radicalisation and for combating these phenomena, as well as managing security-related incidents, risks and crises, also through enhanced cooperation among public authorities, relevant agencies and other EU entities, civil society and private partners. By 31 December 2024, the MA issued a total of 17 legal acts on the use of support.

The OP BMVI¹⁸¹ was approved by a Commission decision on 27 October 2022 and its revision (version 2.0) was approved on 19 December 2024. The total allocation after the revision reached nearly EUR 38.48 million, of which EUR 32.35 million is the EU contribution. The allocation is divided almost equally between the two SCs, i.e. *Support for European Integrated Border Management* and *Support for a Common Visa Policy*. Within the OP BMVI, 12 legal acts regulating the use of support were issued by the end of 2024.

The MA faced several minor problems in 2024, but these did not have any significant impact on the funds’ implementation in the area of home affairs. The problems were as follows:

- a new group of beneficiaries with no experience in administering EU funds in the field of home affairs;
- frequent changes in the project administrator on the beneficiaries’ side;
- reduced administrative capacity of the MA;
- efforts to meet the criteria for obtaining additional allocations;
- introduction of new simplified reporting methods;
- uncertainties in the legal framework of EU funds in the area of home affairs;
- launch of the ESF IS monitoring system.

E.4.2 ALLOCATION DRAWDOWN

Data on the total allocation for the programmes, the financial volume of registered applications, the financial volume of closed legal acts and the financial volume of reimbursed funds with quantified shares are summarised in Table 26.

¹⁷⁹ The OP AMIF defines financial priorities for achieving migration policy objectives. This OP complies with the provisions of Common Provisions Regulation 21+ and Regulation (EU) 2021/1147 of the European Parliament and of the Council of 7 July 2021 establishing the Asylum, Migration and Integration Fund, as well as with the Czech Republic’s interests in the field of migration policy.

¹⁸⁰ The OP ISF describes the financial priorities for achieving the set objectives in the area of internal security. This OP complies with the provisions of Common Provisions Regulation 21+ and Regulation (EU) 2021/1149 of the European Parliament and of the Council of 7 July 2021 establishing the Internal Security Fund.

¹⁸¹ The OP BMVI describes the financial priorities for achieving objectives relating to the protection of the EU’s external border and the EU’s common visa policy in the Czech Republic during PP21+.

Table 26: OP allocation drawdown in the area of home affairs (EU contribution) as of 31 December 2024

OP	Funds in registered applications for support (CZK mil.)	Share of registered applications for support in total allocation (in %)	Funds in legal acts on the provision / transfer of support (CZK mil.)	Share of legal acts in total allocation (in %)	Funds in reimbursed payment requests (CZK mil.)	Share of disbursed funds in total allocation (in %)
AMIF	1,651.59	81.3	1,223.33	60.2	206.11	10.14
ISF	724.12	85.6	722.34	85.4	94.55	11.17
BMVI	625.63	86.8	561.60	78.0	83.73	11.62

Source: Mol, May 2025.

Note: The total allocation for each OP is adjusted for the allocation to TP.

E.4.3 ACHIEVEMENT OF INDICATORS IN 2024

The OP indicators in the area of home affairs are being met, mostly at a very good level. By the end of PP21+, the target values remain to be achieved for nine OP AMIF indicators, eight OP ISF indicators and four OP BMVI indicators.¹⁸²

E.4.4 COMPARISON OF THE DRAWDOWN OF ALLOCATIONS BY THE EU MEMBER STATES

The current allocation drawdown for individual funds for each Member State is available on the Commission's website.¹⁸³

Specific values for individual OPs in the area of home affairs in the Czech Republic are shown in Table 26 above. In terms of international comparison of the drawdown levels in individual Member States, the Czech Republic was relatively successful at the end of 2024 in the case of the ISF and the BMVI, as it ranked around the middle of the EU. The results were worse for the AMIF (22nd place). However, given the relatively high proportion of funds in closed legal relationships, significant upward shifts in the imaginary Member State ranking table can be expected.

E.4.5 RISKS OF UNDER-UTILISATION OF THE ALLOCATION IN 2025

The MA considered the risk of under-utilisation of the allocation to be low in 2024 in view of the share of legal acts (see above).

Throughout 2024, the MA communicated with potential applicants and beneficiaries and tried to avoid all the risks entailed, both in the preparation of calls and in project implementation. During the year, the MA also worked on the introduction of simplification measures (e.g. preparation of calls only with simplified reporting methods), which is necessary in view of future developments. **However, the MA anticipates that the risk of under-utilisation will increase in 2025, given that the criteria have been met for obtaining additional allocations in a total amount of EUR 30.76 million (i.e. approximately CZK 770 million) to be distributed according to the funds providing the finances:**

¹⁸² According to data recorded in the MS2021+ information system, the OP AMIF has 20 indicators defined with a target value greater than "0", the OP ISF has 17, and the OP BMVI has 16 such indicators.

¹⁸³ See <https://cohesiondata.ec.europa.eu/funds/amif/2127#finance-implementation>,
<https://cohesiondata.ec.europa.eu/funds/isf/2127#finance-implementation>;
<https://cohesiondata.ec.europa.eu/funds/bmvi/21-27#financeimplementation>.

- pursuant to Article 17 of Regulation 2021/1147¹⁸⁴, the MA received an additional allocation of **EUR 21.29 million** (approximately CZK 532 million);
- pursuant to Article 14 of Regulation 2021/1149¹⁸⁵, the MA received an additional allocation of **EUR 5.70 million** (approximately CZK 143 million);
- pursuant to Article 14 of Regulation 2021/1148¹⁸⁶, the MA received an additional allocation of **EUR 3.77 million** (approximately CZK 94 million).

E.4.6 PREPARATION OF THE NEW PROGRAMMING PERIOD IN THE FIELD OF HOME AFFAIRS FROM MA'S PERSPECTIVE

EU funds have become a traditional instrument for financing policies relating to home affairs. It is essential that the EU budget in PP28+ reflects dynamic developments and new challenges such as migration, border protection and internal security. The new rules for implementing these funds must ensure that the resources are used as quickly and efficiently as possible.

In the current programming period, rules under shared management have been harmonised across the individual funds. Yet this principle does not correspond well to the orientation of EU funds and does not take into account their specific characteristics. Harmonisation thus increased the administrative burden instead of bringing the necessary simplification. Many positive features of the PP14+ implementation rules have been replaced by new ones, which are more complex from the MA's perspective and do not provide the necessary added value. Home affairs policies pursue different objectives and do not focus on supporting reforms or investments. The automatic introduction of the rules used in Cohesion Policy funds, which differ significantly in many ways, could jeopardise the objectives pursued by home affairs policies.

The Czech Republic has identified the following key aspects that it considers essential for the proper setting of implementation rules:

- **Avoiding an automatic adoption of Cohesion Policy funds implementation rules:** The new rules must respect the specific characteristics of the area concerned. These specific characteristics include, in particular, greater dynamism, a different level of implementation (national or European, rather than regional or local level), the irrelevance of the Semester (which aims to coordinate economic and social policies), and the fact that the relevant activities are often aimed to implement policies (e.g. operational support) rather than ensure reforms or investments.
- **Simplification by merging programmes within similar policies:** If programmes are to be merged, this must be done within the framework of the same policies and principles. In this context, the MA (and by extension, the Czech Republic), would welcome the possibility of a single programme covering all the funds in the area of EU home affairs. On the contrary, it considers it risky to merge these funds with the Cohesion Policy programmes or other economic policies into a single national reform and investment plan.
- **Performance-based funding and its risks:** Performance-based funding may be a good solution, but only if it relies on thorough analysis and is used only where relevant. It is particularly important here to take a very cautious approach to funds operated in the area of EU home affairs. It is essential that this principle respect, in particular, the dynamism of the policies concerned, as well as the relative difficulty of measuring some of their objectives. It would therefore not be appropriate to draw inspiration from the *Recovery and Resilience Facility*, as EU funds in the

¹⁸⁴ Regulation (EU) 2021/1147 of the European Parliament and of the Council of 7 July 2021 establishing the *Asylum, Migration and Integration Fund*.

¹⁸⁵ Regulation (EU) 2021/1149 of the European Parliament and of the Council of 7 July 2021 establishing the *Internal Security Fund*.

¹⁸⁶ Regulation (EU) 2021/1148 of the European Parliament and of the Council of 7 July 2021 establishing, as part of the *Integrated Border Management Fund*, the *Instrument for Financial Support for Border Management and Visa Policy*.

area of home affairs do not focus on reforms or investments. Their aim is ideally to prevent undesirable outcomes, or to identify negative outcomes that should have been prevented.

- **Creating synergies, crisis preparedness and financing opportunities outside the EU:** The next MFF must take into account the fundamental importance of migration and overall internal security, which are greatly influenced by the quickly changing circumstances, especially in the wider European neighbourhood. This requires the necessary flexibility and readiness for unexpected crisis situations. In an effort to respond to these changes, the EU is reforming its migration and asylum system, focusing on both its internal and external dimensions. Given the key role played by the external dimension in EU migration policy, it would be logical and desirable to expand the possibilities for financing projects in third countries. To create the necessary synergies, it would be very useful to transfer financial resources relevant to internal security and migration, which are currently scattered across various areas (strategic partnerships, development, the Mediterranean), to the Directorate-General for Migration and Home Affairs¹⁸⁷ as an additional type of measure within the thematic instrument under direct or indirect management.

E.5 EXPENDITURE ON THE COMMON AGRICULTURAL POLICY

The EU's Common Agricultural Policy (CAP) uses the CAP strategic plans to support the agricultural, food and forestry sectors and rural areas. The implementation of these plans is financed from the EU budget through two agricultural funds and with financial participation from the Czech Republic.

E.5.1 RECENT DEVELOPMENTS IN THE COMMON AGRICULTURAL POLICY¹⁸⁸

The Strategic Plan of the Common Agricultural Policy of the Czech Republic for the 2023–2027 period (SP23+) was approved by the Commission on 24 November 2022¹⁸⁹. The SP23+ is designed to support the sustainability and competitiveness of agriculture and contribute to the implementation of the *European Green Deal*, in particular the *Farm to Fork Strategy* and the strategy concerning biodiversity. Since 2023, support provided under the CAP has been consolidated into a single strategic document, which should enable better management for the attainment of the set objectives. The SP23+ comprises three basic areas of support: direct payments, sectoral interventions and rural development. These areas are further divided into 92 interventions. Approximately EUR 8 billion has been earmarked for their financing. The basic financial framework is set out in the following Table.

Table 27: Overview of the SP23+ Financial Plan (EUR mil.)

Area of intervention	EU contribution	CR contribution	Total
Direct payments	4,117.67	0.00	4,117.67
Sector interventions	118.46	10.15	128.61
Rural development	1,410.65	2,406.74	3,817.39
Total	5,646.78	2,416.89	8,063.67

Source: SAIF documents – CAP Financial Plan 2023–2027.

Several substantial changes were made to the CAP in 2024, reflecting current socio-economic and climate-related challenges, as well as recurrent calls from farmers to adjust the existing system of support. The principal aim of these measures was to simplify administrative processes, strengthen the farmers' financial position and increase the flexibility of the support system. Certain administrative requirements have also been simplified. In particular, greater flexibility was granted to Member States with regard to

¹⁸⁷ The Directorate-General for Migration and Home Affairs (DG HOME) is the Commission's Directorate-General responsible for internal security, migration and border management.

¹⁸⁸ See <https://eagri.cz/public/portal/mze/dotace/szp-pro-období-2021-2027/zakladni-informace>; <http://szif.cz/cs/szp23>.

¹⁸⁹ Commission Implementing Decision of 24 November 2022 approving the 2023–2027 CAP Strategic Plan of the Czech Republic for Union support financed by the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development, C(2022) 8338 final.

the monitoring systems, including e.g. the voluntary use of geotagged photographs to verify eligibility conditions.

In response to the difficult economic situation in the agricultural sector and protests from farmers, the Commission decided to temporarily increase advance payments under certain rural development interventions. With effect from October 2024, the Czech Republic was allowed to provide up to 70% of direct payments and up to 85% of area-based and animal-based payments in the form of advance payments. This exception to the usual limit of 50% and 75%, respectively, was introduced to mitigate the effects of adverse weather conditions, rising input prices and reduced access to loans.

E.5.2 DRAWDOWN OF CAP FUNDS ALLOCATED TO THE CZECH REPUBLIC IN 2024

According to information provided by the *State Agricultural Intervention Fund*, CZK 41.15 billion was paid out under the CAP in the Czech Republic in 2024, of which CZK 32.43 billion came from the EU budget and more than CZK 8.72 billion from the State budget. Table 28 provides more detailed information on the funds paid out.

Table 28: Overview of funds paid out in the main areas of the CAP for 2024 (CZK thousand)

Area of expenditure	EU contribution	CR contribution	Total
Direct payments*	25,037,274	3,059	25,040,333
Common organisation of markets	785,785	319,957	1,105,742
Rural development**	6,602,722	8,402,888	15,005,610
Total	32,425,781	8,725,904	41,151,685

Source: SAIF documents – *Total use of Common Agricultural Policy resources in 2024*.

* This is the sum of direct payments made from the envelope for the period 2014–2020 (CZK 4,422,000) and direct payments under SP23+ (CZK 25,033,095), as well as the forfeited share of subsidy refunds in the amount of CZK 2,816,000.

** This is the sum of funds from the *Rural Development Programme 2014–2020* (CZK 4,543,207 thousand) and *Rural Development 2023–2027* (CZK 10,462,403 thousand).

Most of the funds, over CZK 25 billion, were provided for direct payments, which help farmers secure stable income and balance the volatility of agricultural markets. Direct payments are awarded in the form of a payment per hectare farmed or according to the number of animals kept. The second most important component of the CAP is rural development interventions, which are divided into area-based interventions paid per area of land farmed and per number of animals kept, and project interventions. Project interventions provide funding for farming, food, rural areas, and contributions to forestry and water management measures. The last CAP support component with the smallest financial significance concerns Common Market Organisation (CMO) measures, which include support for selected sectors such as fruit and vegetables, potatoes, eggs, ornamental plants, wine and apiculture products.

E.5.2.1 DIRECT PAYMENTS

Direct payments are financed exclusively from the *European Agricultural Guarantee Fund* (EAGF), i.e. from the EU budget. By way of exception, this did not apply to transitional national aid and national supplementary payments made on top of direct payments provided between 2014 and 2022. Direct payments represent entitlement-based support that the SAIF has been providing to farmers since 2004, when the Czech Republic joined the European Union. The purpose of direct payments is to stabilise farmers' income, develop smaller farms and promote more sustainable farming practices. Applicants must comply with the conditions for proper management of agricultural land, i.e. mandatory management requirements and standards of good agricultural and environmental condition of land. The receipt of direct

payments is therefore subject to compliance with these binding conditions and with other conditions laid down for each type of direct payment.

Direct payments in the 2023–2027 period partly build on the direct payments provided in the 2014–2020 period (which was extended until 2022). In the current period, direct payments are again primarily divided into decoupled and coupled direct payments.

In the case of decoupled direct payments, agricultural production is not a condition for receiving a subsidy. These payments are paid to applicants according to the area of land farmed, regardless of the size of the enterprise and the volume of production. Applicants must meet the condition of being active farmers and have at least 1 hectare of land registered in the LPIS land register or 1 LLU¹⁹⁰ in the central register. This group of direct payments includes:

- **basic Income Support for Sustainability (BISS)**, provided to active farmers cultivating at least one hectare of agricultural land;
- **payment for small farmers**, intended for farmers cultivating an area of up to 10 ha, with support for the first 4 ha;
- **complementary redistributive income support** provided to the basic BISS payment as a payment for the first 150 hectares of agricultural land in order to favour small and medium-sized farms;
- **support for young farmers** paid to farmers under the age of 40;
- **eco-payments** focusing on climate and the environment.

Coupled direct payment are intended to support businesses producing selected commodities, the competitiveness of these businesses, and the sustainability of agricultural production. Subject to certain conditions, support is granted for the growing of fruit, vegetables, sugar beet, hops, starch potatoes and protein crops, or for livestock in the bovine, ovine and caprine sectors.

In 2024, the SAIF paid out a total of CZK 25,040.33 million in direct payments. The largest portion of funds was paid out under SP23+, amounting to more than CZK 25,033.09 million. To a small extent, direct payments were also made from the budget allocated for the 2014–2020 period (applications from 2022 and earlier), totalling CZK 4.42 million.

The most widespread support included in direct payments for the period 2023–2027 was the BISS, which follows on from the Single Area Payment Scheme (SAPS). In 2024, a total of 24,809 applications were submitted for a total area of 3,501,862 ha. The subsidy rate was CZK 1,817.84 per hectare. The total amount paid to the BISS in 2024 was CZK 7,779.57 million, coming exclusively from the EU budget.

Another significant annual payment made to small and medium-sized farmers for the first 150 hectares of utilised area was voluntary redistributive support. Its total amount for 2024 was CZK 7,071.64 million.

E.5.2.2 COMMON MARKET ORGANISATION

The EU applies Common Market Organisation (CMO) to selected agricultural commodities, for which it sets certain binding production and trade conditions, and supports them through interventions, subsidies, licensing policy for imports and exports of agricultural commodities from/to third countries, adjustment of terms of trade etc. The aim of CMO is to minimise fluctuations in the supply of individual commodities and stabilise prices for the end consumer. This support is financed from the EAGF, with supplementary funding from the State budget of the Czech Republic.

¹⁹⁰ LLU = "large livestock unit", i.e. one adult animal.

Key areas of support include:

- **fruit and vegetables** – support for producer organisations and investment in processing capacity;
- **wine** – support for the restructuring of vineyards and marketing activities;
- **honey** – support for apiculture, including research and monitoring of honeybee colonies.

In 2024, the subsidy titles administered and paid out included subsidies that had previously not been part of SP23+ and will not be part of the plan in subsequent years either. This concerns specifically school programmes aimed at creating healthy eating habits among children in educational institutions and improving the distribution of agricultural products – the *School Milk* programme and the *School Fruit and Vegetables* programme. In the same year, funds were also paid out as part of extraordinary support for agricultural sectors affected by specific problems (e.g. for fruit, vegetable and hop growers, and cattle farmers) and extraordinary support for the fruit sector affected by spring frosts.

Total expenditure on CMO measures in 2024 amounted to CZK 1,105.74 million, of which CZK 785.78 million came from the EU budget and almost CZK 319.96 million from the State budget.

E.5.2.3 RURAL DEVELOPMENT

Support for rural development is financed from the *European Agricultural Fund for Rural Development* (EAFRD), with co-financing from the State budget through rural development programmes covering seven-year periods, and from 2023, also through SP23+. Support is focused on the competitiveness of agriculture, forestry and the food industry, on innovation, research and knowledge transfer in agriculture and forestry, on the sustainable management of natural resources with regard to climate, ecosystems and the promotion of rural social development.

In 2024, interventions were predominantly paid out under the *Rural Development 2023–2027* programme, but the vast majority were non-project (blanket) interventions. In the case of project interventions, subsidy applications are gradually being accepted and administered. In the *Rural Development Programme 2014–2020* (RDP14+), payments for project measures prevailed over non-project measures in 2024.

In 2024, a total of CZK 15,005.61 million was spent on rural development, of which CZK 6,602.72 million came from the EU budget and CZK 8,402.89 million from the State budget. Of the total amount, subsidies under RDP14+ amounted to CZK 4,543.21 million and subsidies under the new SP23+ equalled CZK 10,482.40 million.

Rural Development Programme 2014–2020

The final version of the RDP14+ programming document was approved by the Commission on 26 May 2015. Regulation 2020/2220¹⁹¹ came into force on 29 December 2020, laying down rules for a two-year transitional period, i.e. rules for rural development expenditure in 2021 and 2022. These largely remained the same as the rules for the 2014–2020 period. Hence, the RDP14+ was extended until 2022. On 6 July 2024, the Commission approved the 12th update of the programming document. The RDP14+ will be closed definitively at the end of 2025.

The RDP14+ includes additional funds from the EURI Fund, which were approved at EU level as part of the *EU Recovery Plan (NextGenerationEU)*. These funds were spent by the SAIF in 2024 on project and non-project measures under the RDP14+, specifically on the *Investment in Tangible Assets, the Development*

¹⁹¹ Regulation (EU) 2020/2220 of the European Parliament and of the Council of 23 December 2020 laying down certain transitional provisions for support from the *European Agricultural Fund for Rural Development* (EAFRD) and from the *European Agricultural Guarantee Fund* (EAGF) in the years 2021 and 2022 and amending Regulations (EU) No 1305/2013, (EU) No 1306/2013 and (EU) No 1307/2013 as regards resources and application in the years 2021 and 2022 and Regulation (EU) No 1308/2013 as regards resources and the distribution of such support in respect of the years 2021 and 2022.

of Agricultural Holdings and Entrepreneurial Activities, and Organic Farming measures (see Table 29 below).

According to the SAIF's information, a total of almost CZK 4,543.21 million was paid out under the RDP14+ in 2024, of which CZK 2,571.49 million came from EU funds and CZK 1,971.71 million from national funds. These amounts also include additional funds from the EURI Fund and funds paid out for outstanding commitments from previous years. The majority of the funds, i.e. CZK 3,654.03 million, were spent on project measures, representing 80.4% of the total subsidies paid out for the RDP14+ in 2024. The remaining amount of CZK 889.18 million was paid out for non-project measures under the RDP14+ and outstanding commitments from previous years.

The 17th round of applications for subsidies from the RDP14+ for project measures was launched in 2024. Applications were accepted for projects under the *Knowledge Transfer and Information Actions* measure, as part of LEADER support and the *Land Consolidation* operation. In the case of non-project measures, subsidies were provided for agri-environmental-climate measures, forest-environmental and climate services, and forest protection and afforestation of agricultural land. A more detailed overview of subsidies paid in 2024 under the RDP14+ and previous programmes is provided in Table 29.

Table 29: Overview of subsidies paid in 2024 for the Rural Development Programme (CZK thousand)

Program, area of support (measure)		Funds paid out		
		EU contribution	CR contribution	Total
Horizontal Rural Development Plan of the Czech Republic		74	25	99
<i>Forestry</i>		74	25	99
RDP7+		2,894	2,951	5,845
Axis I	<i>Improving the competitiveness of agriculture and forestry</i>	2,892	2,950	5,842
Axis II	<i>Improving the environment and landscape</i>	2	1	3
Non-project measures RDP14+ (incl. EURI)		662,425	220,809	883,234
M10	<i>Agri-environment-climate measure</i>	538,298	179,433	717,731
M11	<i>Organic farming</i>	122,305	40,769	163,074
M13	<i>Payments to areas facing natural or other specific constraints</i>	434	145	579
M15	<i>Forest-environmental and climate services and forest conservation</i>	1,388	462	1,850
Project measures RDP14+ (incl. EURI)		1,906,101	1,747,928	3,654,029
M1	<i>Knowledge transfer and information actions</i>	6,392	6,521	12,913
M4	<i>Investments in tangible assets</i>	864,557	1,056,305	1,920,862
M6	<i>Development of agricultural holdings and business activities</i>	154,515	144,239	298,754
M8	<i>Investments in forest area development and improvement of the viability of forests</i>	214,337	232,132	446,469
M16	<i>Cooperation</i>	53,033	54,104	107,137
M19	<i>Local development aid LEADER</i>	501,741	219,216	720,957
M20	<i>Technical assistance</i>	111,526	35,411	146,937
Rural Development Programme in total		2,571,494	1,971,713	4,543,207

Source: SAIF documents – Overview of subsidies paid in 2024 for the Rural Development Programme 2014+.

Rural development — CAP strategic plan 2023–2027

The basic document for supporting rural development in the current programming period is the SP23+. As in the previous period, support is focused on competitiveness, innovation in agriculture and forestry, the environment and climate, as well as rural social development. Rural development is financed from the EAFRD and the State budget, but the co-financing share has changed significantly in the case of the

Czech Republic, with national resources now accounting for 65% (the exception is the project intervention *Setting-up of Young Farmers*, where 100% of the payment is provided by the EU).

Rural development interventions are divided into two main areas:

- non-project (area-based) interventions, including interventions targeted at livestock farming;
- project interventions.

The structure of interventions remained largely the same as in the previous programming period, but non-project interventions were broken down in more detail in the SP23+ than in previous programming periods. The subsidy conditions remained similar. Ten non-project interventions were managed in 2024. In the case of project interventions, the third and fourth rounds of subsidy applications were launched during the year, and continuous acceptance of applications began for the *Leader* interventions.

A total of CZK 10,462.40 million was paid out for rural development under the SP23+ in 2024, of which EU funds accounted for CZK 4,031.23 million, while the national share exceeded CZK 6,431.17 million. Most of the support paid out related to non-project interventions. Only one project intervention received a payment; this was the *Setting-up of Young Farmers* measure. A more detailed overview of subsidies paid out under the SP23+ in 2024 is provided in the following Table.

Table 30: Overview of subsidies paid in 2024 for rural development according to SP23+ (CZK thousand)

Area of intervention	Funds paid out		
	EU contribution	CR contribution	Total
Total non-project measures	3,462,938	6,431,175	9,894,113
Of which: <i>Agri-environmental and climate measures</i>	721,149	1,339,280	2,060,429
<i>Organic farming</i>	518,923	963,715	1,482,638
<i>Afforestation of agricultural land – care for established forest stands</i>	8,968	16,654	25,622
<i>Afforestation of agricultural land – establishment of vegetation</i>	128	238	366
<i>Establishment of an agroforestry system</i>	18,773	34,864	53,637
<i>Increasing the immunity of pigs through vaccination</i>	88,675	164,682	253,357
<i>Good animal welfare conditions</i>	238,743	443,381	682,124
<i>Forestry and environmental payments</i>	27,309	50,715	78,024
<i>Areas with natural constraints (ANC)</i>	1,828,586	3,395,947	5,224,533
<i>Natura 2000 sites on agricultural land</i>	11,684	21,699	33,383
Total project measures	568,290	0	568,290
Of which: <i>Start of a young farmer's business</i>	568,290	0	568,290
Rural development according to SP23+ total	4,031,228	6,431,175	10,462,403

Source: SAIF documents – Overview of subsidies paid in 2024 for Rural Development 2023+ (according to the CAP Strategic Plan).

E.6 EXPENDITURE ON THE COMMON FISHERIES POLICY

EU Common Fisheries Policy is the fundamental instrument for managing fisheries and aquaculture in all Member States. The CFP brings together a range of measures designed to bring prosperity, competitiveness and sustainability to the European fisheries sector. In the Czech Republic, the CFP has been implemented since 2007 in seven-year periods through the *Fisheries* operational programmes. The Czech managing authority for OP *Fisheries 2021–2027* (OPF) is the Ministry of Agriculture. The Ministry is responsible for the management, control and financing of the programme. The SAIF is an intermediate body and exercises some of the powers of the MA, in particular administration and control.

In 2024, the remaining subsidies were paid out in the Czech Republic under the OPF14+, which was nearing its end, and also under the OPF.

E.6.1 OP FISHERIES 2014–2020

The OPF14+ was approved by the Commission in 2015. It is financed by the *European Maritime and Fisheries Fund*. In view of the ending programming period, no calls for applications were announced in 2024; no applications were accepted and no new subsidy decisions were issued.

The allocation for the entire PP14+ amounted to nearly EUR 41.14 million (approximately CZK 1.04 billion), of which EUR 31.11 million was contributed by the EU (approximately CZK 783.46 million) and EUR 10.03 million (approximately CZK 252.58 million) was financed from national resources.¹⁹²

According to data provided by the SAIF, **the remaining 56 payment claims were paid out in 2024, covering approved support of CZK 48,579,000**, of which CZK 37.35 million was an EU contribution and CZK 11.23 million was paid from national resources.

Under the OPF, a total of 1,103 payment claims were reimbursed as at 31 December 2024, with total support amounting to nearly CZK 1.04 billion, of which CZK 783.45 million was contributed by the EU and CZK 252.52 million was financed from national resources.

E.6.2 OP FISHERIES 2021–2027

The OPF21+ was approved by the Commission on 20 June 2022; the Czech Republic was the first Member State to have this programme approved. The programme is financed by the *European Maritime, Fisheries and Aquaculture Fund*. The OPF contributes primarily to the attainment of the objectives of the CFP, the *European Green Deal* and the *Multiannual National Strategic Plan for Aquaculture*. In the Czech Republic, the OPF focuses on the freshwater aquaculture sector and its main objective is to support competitive, resilient and sustainably developing aquaculture.

The OPF builds on the OPF14+. In the new period, however, greater emphasis is placed on biodiversity, ecology and healthy food systems. Further, support is provided for projects focusing on the efficient use of resources or renewable resources, and newly also for projects addressing the non-productive functions of lakes, i.e. water accumulation in the landscape, sports and recreational uses of lakes, or maintenance of the banks.

The total amount of funds allocated to the OPF is EUR 42.87 million, of which the EU contribution is EUR 30.01 million, while the Czech Republic contributes EUR 12.86 million. This corresponds to CZK 1.08

¹⁹² The European Central Bank exchange rate as at 31 December 2024, i.e. CZK 25.185/EUR, was used for the conversion.

billion, which is similar to the amount allocated for PP14+. A more detailed overview of the OPF allocation is given in Table 31.

Table 31: Overview of the OPF financial budget

(EUR)

Priority	Specific goal	EU contribution	CR contribution	Total
1. <i>Support of sustainable fishing and the restoration and conservation of aquatic biological resources</i>	1.4	853,268	365,687	1,218,955
	1.6	1,199,909	514,247	1,714,156
2. <i>Supporting sustainable aquaculture activities, processing and marketing of fishery and aquaculture products, thereby contributing to food security in the Union</i>	2.1	23,645,282	10,133,693	33,778,975
	2.2	2,506,476	1,074,205	3,580,681
5. <i>Technical assistance</i>	5.1	1,800,314	771,564	2,571,878
Total		30,005,249	12,859,396	42,864,645

Source: OP Fisheries 2021–2027 programme document, MoA.

The information provided by the SAIF shows that there were seven rounds of calls for proposals and seven continuous calls in 2024, in which the SAIF registered 268 applications for support totalling CZK 276.10 million. The MoA, acting as the MA, issued 222 decisions on the provision of subsidies totalling CZK 215.94 million and paid out 114 payment claims in the amount of CZK 65.29 million.

From the start of the OPF implementation until 31 December 2024, the MoA paid out a total of CZK 78.13 million, of which the EU contribution amounted to CZK 54.69 million.

F. LEGAL MATTERS

F.1 SAO RECOMMENDATIONS ON CHANGES TO THE LEGAL ENVIRONMENT IN 2024

At the request of the Chamber of Deputies, the Senate and their bodies, the SAO, within an agreed time limit, draws up an opinion on draft legislation concerning budgetary management, accounting, State statistics and the performance of audit, supervision and inspection work¹⁹³. In 2024, neither the **Chamber of Deputies nor the Senate made a formal request for an opinion.**

The SAO's findings regarding necessary legislative amendments were presented at meetings of the Audit Committee of the Chamber of Deputies when individual audit reports were being discussed.

In the period under review, the SAO also commented on draft legal regulations¹⁹⁴ relating to its powers or concerning it as an organisational component of the State. During the period under review, **the SAO received a total of 32 proposals for legislative amendments to legal regulations relating to EU law for assessment, and it provided comments on eight proposals.**

The SAO issued a fundamental comment regarding a draft legislative act on the management and control of public finances and the relevant draft amendment act submitted by the MoF. The proposed act implements Directive 2011/85/EU¹⁹⁵ and adapts the requirements of directly applicable EU regulations, in particular the Financial Regulation. **The SAO's comment included a request that the draft legislation include the definition of the "principle of effectiveness" as set out in the Financial Regulation. The SAO's comment was accepted and the text of the draft was modified.** The draft legislative act is discussed in the Chamber of Deputies as Chamber Document No 855.

The SAO issued another fundamental comment on the draft legislative act on State social aid benefits, which was submitted by the MoLSA. Among other things, the proposed legislation incorporates the relevant EU regulations.¹⁹⁶ **The SAO's comments were accepted only partly.** The draft was enacted into law by the Chamber of Deputies on 26 March 2025 (Chamber of Deputies document 799).

The SAO also commented on a draft legislative act amending Act No 48/1997 Coll.¹⁹⁷, which was submitted by the MoH. The amendment updates the transposition of Directive 89/105/EEC¹⁹⁸ and Directive 2011/24/EU¹⁹⁹. The draft is being debated in the Chamber of Deputies as Chamber of Deputies document 849.

The SAO also submitted comments on a draft legislative act concerning on data management and controlled access to data, which was proposed by the DIA. The relevant part of the act aims to adapt Czech law to Chapter II of Regulation 2022/868²⁰⁰. **The SAO's comments were partially accepted by the submitter.** The draft was approved by the Czech Government in March 2025 and will be submitted to the Chamber of Deputies for discussion.

¹⁹³ Section 6 of the SAO Act.

¹⁹⁴ In the inter-ministerial comment procedure the process is regulated by the *Government's Legislative Rules*.

¹⁹⁵ Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States.

¹⁹⁶ Directive 2004/38/EC of the European Parliament and of the Council of 29 April 2004 on the right of citizens of the Union and their family members to move and reside freely within the territory of the Member States, Regulation (EU) No 492/2011 of the European Parliament and of the Council of 5 April 2011 on freedom of movement for workers within the Union.

¹⁹⁷ Act No 48/1997 Coll., on public health insurance and on amendment and supplementing to certain related laws, as amended.

¹⁹⁸ Council Directive 89/105/EEC of 21 December 1988 relating to the transparency of measures regulating the prices of medicinal products for human use and their inclusion in the scope of national health insurance systems.

²⁰⁰ Regulation (EU) 2022/868 of the European Parliament and of the Council of 30 May 2022 on European data governance and amending Regulation (EU) 2018/1724 (Data Governance Act).

The SAO made further comments on a draft legislative act amending Act No 167/2008 Coll.²⁰¹ and other related laws, which was submitted by the MoE. The act transposes Directive 2004/35/EC²⁰². The draft is being debated in the Chamber of Deputies as Chamber of Deputies document 870.

The SAO also commented on a draft legislative act amending the Public Procurement Act and certain other related laws, which was submitted by the MoRD. The act implements the relevant related EU regulations, such as Directive 89/665/EEC²⁰³, Directive 2014/24/EU²⁰⁴ and Directive 2014/23/EU²⁰⁵. The SAO submitted general comments on a draft amendment and, beyond the scope of the draft, the SAO requested its expansion to include a related draft amendment to the SAO Act, extending the powers of the SAO President. This SAO's comment was accepted. The draft is currently being discussed by the Czech Government.

The SAO also commented on a draft legislative act amending Act No 164/2013 Coll.²⁰⁶, which was submitted by the MoF. The draft implements the forthcoming Directive published under COM(2024) 497²⁰⁷. The material is currently in the final stages of the comment procedure.

The SAO also made comments on the document Preferred Option for Selecting a Provider of the European Digital Identity Wallet, which was submitted by the DIA. The proposal implements Regulation 2024/1183²⁰⁸. The document was discussed by the Czech Government in March 2025, which approved the *Concession* option for the implementation of the client part of the *European Digital Identity Wallet*.

F.2 IMPLEMENTATION AND TRANSPOSITION OF EU LAW IN THE CZECH REPUBLIC

F.2.1 TRANSPOSITION DEFICIT

Upon joining the European Union the Czech Republic assumed the obligation to fulfil all the commitments of a Member State. These include obligations based on Article 4(3) of the *Treaty on European Union* (TEU), which requires Member States to take all appropriate measures to fulfil their obligations arising out of the Treaties or legal acts of the EU institutions. Where its nature so requires, EU law must be transposed into national law in a proper and timely manner. Implementation and monitoring are then carried out in different ways depending on the type of EU law involved. For directives, not only is their transposition by the Member State assessed, but also the subsequent communication of national transposition regulations to the Commission.

The transposition activities of Member States are monitored by the Commission and the results are processed for ongoing assessments entitled *Single Market Scoreboard and Competitiveness Scoreboard* (SMCS) (*originally the Single Market Scoreboard*), which are published on the relevant Commission web portal. The data for the Czech Republic are published in the annual Government Report on the Transposition of Legislative Obligations arising from the Czech Republic's Membership in the European Union (Transposition Report).

201 Act No 167/2008 Coll., on the prevention and remediation of environmental damage and amendment to certain laws, as amended.

202 Directive 2004/35/EC of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage.

203 Council Directive 89/665/EEC of 21 December 1989 on the coordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts.

204 Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.

205 Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts.

206 Act No 164/2013 Coll., on international cooperation in tax administration and amending other related laws.

207 Proposal for a Council Directive amending Directive 2011/16/EU on administrative cooperation in the field of taxation, COM(2024) 497 final of 28 October 2024 (the "DAC 9" Directive).

208 Regulation (EU) 2024/1183 of the European Parliament and of the Council of 11 April 2024 amending Regulation (EU) No 910/2014 as regards establishing the European Digital Identity Framework.

The change in the name of the assessment, as mentioned above, was not the only adjustment made since the publication of the 2023 assessment, as the required threshold for the transposition deficit has also been reduced. This should not exceed 0.5% in general for all directives, with a transposition deficit of 0% to be achieved for directives where the transposition delay exceeds two years. In addition, the Commission has shortened the accepted communication deadline for directives with a transposition deadline of 30 November from ten to five days.

The SMCS assessment for 2023 was published on 14 February 2024, based on data as at 30 November, or rather 5 December 2023. It concerned internal market directives whose transposition deadline had expired by the reference date. As at the reference date, the Czech Republic had not completed the transposition of nine directives, which works out as a transposition deficit of 0.9%. The Czech Republic ranked 17th among Member States in terms of their success achieved in transposing directives and it was praised for the fact that after a long period of time, it complied with the tolerated threshold of less than 1% for the transposition deficit.

The SMCS also monitors the number of proceedings conducted on the grounds of the country's failure to communicate the transposition regulations or incorrect transposition of internal market directives. According to the published assessment for 2023, the Czech Republic was involved in 25 pending proceedings.

The 2024 assessment was published on 29 January 2025 and an interim assessment was carried out by the Commission in relation to directives where the transposition deadline had expired on 30 November 2024, taking into account the measures notified by 5 December 2024. **During the course of 2024, there was a gradual reduction in the transposition deficit, and the Czech Republic achieved a better result than in the previous year by the decisive date; it also maintained the level of transposition deficit below the one per cent threshold for a second year in a row. As of the mentioned date, the Czech Republic had yet to transpose seven directives, which corresponds to a transposition deficit of 0.7% (the EU average is 0.8%). This result ranked the country 11th to 13th among Member States in terms of transposing directives.**

The reduction in the transposition deficit was also reflected in a decrease in the number of actions brought against the Czech Republic on the grounds of the country's failure to communicate national transposition measures. A total of 21 such proceedings were pending against the Czech Republic as of the closing date for 2024, which is four fewer than in 2023.

F.2.2 INFRINGEMENT PROCEDURES

As stated in Section V of the 2024 Transposition Report, infringement procedure is the mechanism by which the Commission exercises its obligation to monitor the application of EU law (cf. Article 17(1) TEU). If the Commission considers that there is an infringement of EU law by a Member State, it has the possibility under Article 258 TFEU to initiate a procedure divided into several stages, which may lead to an action being filed with the Court of Justice of the European Union (CJEU).

Infringement procedures may be initiated for failure to transpose an EU directive or to communicate national transposition measures for the directive in question (non-communication procedure) or for improper transposition of an EU regulation or application of regulations contrary to EU law (substantive procedure).

If the Commission finds an infringement or if an infringement is reported to the Commission in a complaint, it tries to reach agreement with the MS on a remedy through a structured dialogue (EU Pilot). The goal is to find a quick solution in line with EU law and avoid infringement procedure. If the Member State disagrees with the Commission's opinion or fails to take corrective action, the Commission may open

formal infringement procedure. The procedure involves the following steps:

- The Commission invites the MS to comment on the alleged infringement.
- If the Commission does not receive a reply or if the reply is unsatisfactory, it issues a reasoned opinion and sets a time limit (normally two months) to remedy the situation.
- If the MS does not comply with the opinion within the time limit set by the Commission, the Commission may refer the matter to the CJEU.
- If an infringement is proven by the CJEU, the CJEU issues a judgment of conviction and the MS is obliged to take the action set out in the judgment.
- If the MS does not remedy the situation even after the conviction judgment is issued, the Commission sends another notice. If the Commission does not receive a reply or if the reply is unsatisfactory, it may refer the matter to the CJEU and propose the imposition of a financial penalty in the form of a lump sum and/or penalty payment.

As of 30 November 2024, there were a total of 53 infringement procedures against the Czech Republic, six more than in the previous year. As of the same date, 14 procedures were being conducted against the Czech Republic under the EU Pilot system, four fewer than in the previous year.

During the period under review, i.e. from 1 December 2023 to 30 November 2024, the Commission decided to bring an action in one case, an action was served in one instance, and a claim was partially withdrawn in one case. Two judgments were also handed down during the period.

On 24 April 2024, the Commission decided to bring an action against the Czech Republic in case 2021/2201 concerning the incorrect transposition of Directive 2018/958²⁰⁹ under the responsibility of the MoEYS.

In connection with Proceedings No 2021/2107 under the responsibility of the MoJ, the Czech Republic was served with an action in Case C-681/24 on 16 October 2024. The Commission takes the view that insofar as Czech law allows for the questioning of detained suspects without the presence of their lawyer in situations where the conditions of Article 3(6) of Directive 2013/48/EU²¹⁰ are not met, the Czech Republic has incorrectly implemented Article 3(6) in conjunction with Article 3(3) of the Directive.

In Case C-152/23 (whistleblower protection), the Commission assessed whether Directive 2019/1937²¹¹ had been fully implemented in Czech law and concluded that the implementation could be considered complete; it therefore set the final lump sum amount at EUR 2,895,000. At the same time, the Commission moved to abandon the proposal to impose a repeated penalty. For the Czech Republic, this means both confirmation of the completeness (but not the correctness) of the implementation of the Directive and assurance that the fine imposed will not be higher, as the CJEU cannot decide on an amount higher than that proposed by the Commission.

On 8 May 2024, the Fourth Chamber of the CJEU delivered its judgment in Case C-75/22 (under the jurisdiction of the MoEYS) in infringement case 2018/2287. This judgment concerned the second phase of the compatibility review regarding the national implementation of Directive 2005/36/EC²¹². The CJEU dismissed most of the grounds for the action, declaring some of them inadmissible for procedural reasons and others unfounded based on substantive review. The Court found that the Czech Republic had only failed to comply with national legislation concerning the status of persons undergoing an adaptation period or preparing for an aptitude test, as well as in relation to the obligation to allow veterinarians and architects to provide services within the framework of the free movement of services under the professional title specified by Czech legislation, and also in relation to the competent authority's obligation

209 Directive (EU) 2018/958 of the European Parliament and of the Council of 28 June 2018 on a proportionality test before adoption of new regulation of professions.

210 Directive 2013/48/EU of the European Parliament and of the Council of 22 October 2013 on the right of access to a lawyer in criminal proceedings and in European arrest warrant proceedings, and on the right to have a third party informed upon deprivation of liberty and to communicate with third persons and with consular authorities while deprived of liberty.

211 Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law.

212 Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications.

to confirm the receipt of an application for recognition of professional qualifications within one month and, where applicable, to inform the applicant of any missing documents.

On 19 November 2024, the Grand Chamber of the CJEU delivered its judgment in Case C-808/21 in infringement case 2012/2115 (under the jurisdiction of the MoI) concerning the right of EU citizens to become members of a political party or to found one. According to the Commission, the Czech Republic is violating EU law by only allowing membership in political parties to its own citizens, thereby preventing EU citizens who do not have Czech citizenship but reside in the country from exercising their right to stand as a candidate in elections to the European Parliament and municipal councils “under the same conditions” within the meaning of Article 22 TFEU. The CJEU ruled that Czech national regulations provide for different treatment of EU citizens, which is prohibited by Article 22 TFEU. Czech nationals can decide whether to run as members of a political party or as independent candidates, while EU citizens who reside in the Czech Republic but are not Czech nationals do not have this option. In order for EU citizens to effectively exercise their right to stand as candidates in municipal and European Parliament elections, they must be guaranteed equal access to the resources available under national law to nationals of the Member State concerned.

According to data updated as at 31 March 2025²¹³, a total of 48 actions were brought against the Czech Republic for failure to fulfil its obligations, of which 31 were at the formal notice stage, 13 at the reasoned opinion stage, one case had been referred to the CJEU and in three cases, the CJEU had already delivered its judgment.

In terms of the types of infringement, failure to communicate transposition regulations was the subject of 19 procedures; incorrect transposition was found by the Commission in 13 procedures; application errors were the subject of seven procedures; and failure to comply with the requirements of regulations, treaties and decisions was the subject of nine procedures.

The SAO has repeatedly flagged up the risks that the Czech Republic faces due to the transposition deficit and the number of infringements. The consequences of non-transposition or inadequate transposition of EU directives include the “direct application” of the directives, the risk of liability for damage caused by missing or inadequate transposition to natural and legal persons, and procedures on infringement of the TFEU with possible financial consequences.

F.2.3 COOPERATION AGREEMENT BETWEEN THE SUPREME AUDIT OFFICE AND THE EUROPEAN PUBLIC PROSECUTOR’S OFFICE

The Cooperation Agreement between the European Public Prosecutor’s Office and the Supreme Audit Office of the Czech Republic (Agreement) was concluded on 28 February 2024.

The purpose of the Agreement is to establish mutual cooperation with a view to improving the level of protection of the EU’s financial interests on the one hand and improving the control of the management of funds granted to the Czech Republic from abroad and funds for which the State has assumed guarantees on the other hand. The Agreement establishes a structured framework for cooperation between the two institutions, allowing them to share information arising from their activities that is relevant to the performance of the other party’s remit and to cooperate in the field of training activities.

213 The above information is based primarily on the *Government Report on the transposition of legislative obligations arising from the Czech Republic’s membership in the European Union for 2024*, which was submitted to the Senate on 30 January 2025. The 31 March 2025 data update is based on the *Report on the status of allocation of responsibilities and fulfilment of legislative obligations arising from the Czech Republic’s membership in the European Union for the first quarter of 2025*.

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LIST OF ABBREVIATIONS

AA	Audit Authority (Department 52 of the Ministry of Finance)
AAR	annual audit report(s) of the Audit Authority
ABAC	Commission's Accrual-Based Accounting System
Action Plan 2.0	EU Action Plan on Military Mobility 2.0
AE	audited entity
Agreement	Cooperation Agreement between the European Public Prosecutor's Office and the Supreme Audit Office of the Czech Republic
AIS	<i>SAO Audit Information System</i>
AMIF	<i>Asylum, Migration and Integration Fund</i>
Annual Survey	<i>Annual Sustainable Growth Survey 2024</i>
ATAD Directive	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
AT–CZ	<i>Cross-border Cooperation Programme PP14+ Interreg V-A Austria – Czech Republic</i>
ATIS	<i>Automated tax information system</i>
audit	SAO audit
audit report	SAO audit report
audits under review	SAO audits related to the EU budget and completed in the period under review
BEFIT	future <i>Business in Europe: Framework for Income Taxation</i>
BISS	Basic Income Support for Sustainability
BMVI	<i>Border Management and Visa Instrument</i>
CAP	EU Common Agricultural Policy
CARF	Crypto-Asset Reporting Framework
CASEA	coordinated approach to socially excluded areas
CF	Cohesion Fund
CFP	EU Common Fisheries Policy
Chamber of Deputies	Chamber of Deputies of the Parliament of the Czech Republic
CID	Council Implementing Decision No 13383/23 amending the Implementing Decision of 8 September 2021 on the approval of the assessment of the recovery and resilience plan for Czechia
CIT	corporate income tax
CITR	corporate income tax return
CJEU	Court of Justice of the European Union
CMO	Common Market Organisation
Cohesion Policy	economic, social and territorial cohesion policy
Commission	European Commission
Common Provisions Regulation 14+	Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the <i>European Social Fund</i> , the <i>Cohesion Fund</i> , the <i>European Agricultural Fund for Rural Development</i> and the <i>European Maritime and Fisheries Fund</i> and laying down general provisions on the <i>European Regional Development Fund</i> , the <i>European Social Fund</i> , the <i>Cohesion Fund</i> and the <i>European Maritime and Fisheries Fund</i> and repealing Council Regulation (EC) No 1083/2006

Common Provisions Regulation 21+	Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the <i>European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy</i>
Council	Council of the European Union
Country Report – Czechia	<i>2023 Country Report – Czechia, SWD(2023) 603 final issued on 24 May 2023</i>
CP 2024	Convergence Programme of the Czech Republic (April 2024)
CzechELib	National Centre for Electronic Information Resources – CzechELib
CZ–PL	Cross-border Cooperation Programme PP14+ Interreg V-A Czech Republic – Poland
CZ–PL21+	Interreg V-A Czech Republic – Poland 2021–2027
DAC6 Directive	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
DAS	Statement of Assurance (<i>Déclaration d'assurance</i>)
DG ECFIN	Directorate-General for Economic and Financial Affairs of the European Commission
DIA	Digital and Information Agency
EAB	MoRD-NCA expert advisory body
EAFRD	<i>European Agricultural Fund for Rural Development</i>
EAGF	<i>European Agricultural Guarantee Fund</i>
ECA	European Court of Auditors
ECA SR	ECA special report
EEA/Norway Grants	European Economic Area and Norway Grants
EP	European Parliament
EPPO	European Public Prosecutor's Office
ERDF	<i>European Regional Development Fund</i>
ERS	electronic records of sales
eSeL	<i>Electronic Collection of Laws and International Treaties (e-Collection) and Electronic Legislation (e-Legislation)</i>
ESF	European Social Fund (up to and including the Programming Period 2014–2020)
ESF IS	<i>European Social Fund</i> information system
ESIF	European Structural and Investment Funds
ETS	EU Emissions Trading System
ETS Directive	Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC
EU	European Union
EU funds	European funds in PP21+ under shared management
EU Pilot	structured dialogue system for dealing with non-compliance with EU law
EU-10	ten countries that joined the EU together with the Czech Republic in 2004
EU-27	27 EU Member States
EU-28	27 EU Member States and the United Kingdom

FA	financial audit
FA CR	Financial Administration of the Czech Republic
FI	financial instrument
Financial Regulation	Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.
FSP	fiscal-structural plan
G20	<i>Group of Twenty</i> (international forum of the world's 20 largest and fastest-growing economies – 19 countries and the EU)
GDP	gross domestic product
GFD	General Financial Directorate
GNI	gross national income
IB	intermediate body
IMS	Irregularity Management System
IPO	Industrial Property Office
IROP	<i>Integrated Regional Operational Programme 2014–2020</i>
IRP	<i>Integrated Regional Programme 2021–2027</i>
IRS	Integrated Rescue System
ISF	<i>Internal Security Fund</i>
IT	information technology
Lex RES	legislative act relating renewable energy sources
LLU	“large livestock unit”
MA	managing authority
MaT	NRecP milestones and targets
MCS	management and control system
MEC	municipality with extended competence
MEC networking project	project involving the creation of a local network in a specific MEC in the Central Bohemian Region
MF	<i>Modernisation Fund</i>
MFF	Multiannual Financial Framework
MFF21+	EU Multiannual Financial Framework for 2021–2027
MFF28+	EU Multiannual Financial Framework for the period after 2027
MHC	mental health centre
MoA	Ministry of Agriculture
MoC	Ministry of Culture
MoE	Ministry of the Environment
MoEYS	Ministry of Education, Youth and Sports
MoF	Ministry of Finance
MoH	Ministry of Health
MoI	Ministry of the Interior
MoIT	Ministry of Industry and Trade
MoIT-DU	NRecP Delivery Unit of the Ministry of Industry and Trade
MoJ	Ministry of Justice
MoLSA	Ministry of Labour and Social Affairs
MoRD	Ministry of Regional Development
MoRD-ASI	Agency for Social Inclusion, a unit of the Ministry of Regional Development
MoRD-NCA	National Coordination Authority, a unit of the Ministry of Regional Development
MoT	Ministry of Transport

MS2014+	<i>funds monitoring system for the Programming Period 2014–2020</i>
MS2021+	<i>funds monitoring system for the Programming Period 2021–2027</i>
N/A	not applicable
NEP	<i>National Environment Programme</i>
NGS	<i>New Green Savings national programme</i>
NLT	<i>National Library of Technology</i>
NP AMIF	<i>National Programme of the Asylum, Migration and Integration Fund</i>
NP ISF	<i>National Programme of the Internal Security Fund</i>
NRecP	<i>National Recovery Plan</i>
NRefP	<i>National Reform Programme</i>
NRefP 2024	<i>National Reform Programme of the Czech Republic 2024</i>
NRefP 2024 Report	<i>Report on the Implementation of the National Reform Programme of the Czech Republic 2024</i>
NUTS II	composite regions, known as cohesion regions (non-administrative units with a population of between 800,000 and 3,000,000)
OECD	<i>Organisation for Economic Co-operation and Development</i>
OLAF	<i>European Anti-Fraud Office</i>
OP	operational programme
OP AMIF	<i>OP Asylum, Migration and Integration Fund 2021–2027</i>
OP BMVI	<i>OP Border Management and Visa Instrument 2021–2027</i>
OP EIC	<i>OP Enterprise and Innovation for Competitiveness</i>
OP HRE	<i>OP Human Resources and Employment</i>
OP ISF	<i>OP Internal Security Fund 2021–2027</i>
OP JAK	<i>OP Jan Amos Komenský</i>
OP PGP	<i>OP Prague – Growth Pole of the Czech Republic</i>
OP RDE	<i>OP Research, Development and Education</i>
OP TAC	<i>OP Technologies and Applications for Competitiveness</i>
OPEm	<i>OP Employment 2014–2020</i>
OPEm+	<i>OP Employment plus</i>
OPEn	<i>OP Environment 2021–2027</i>
OPEn14+	<i>OP Environment 2014–2020</i>
OPF	<i>OP Fisheries 2021–2027</i>
OPF14+	<i>OP Fisheries 2014–2020</i>
OPJT	<i>OP Just Transition</i>
OPT	<i>OP Transport 2021–2027</i>
OPT14+	<i>OP Transport 2014–2020</i>
OPTA	<i>OP Technical Assistance 2021–2027</i>
OPTA14+	<i>OP Technical Assistance 2014–2020</i>
p.p.	percentage point
PA	priority axis
PAG	<i>Partnership Agreement for the Programming Period 2021–2027</i>
period under review	1 April 2024 to 31 March 2025
PISL	<i>Public Information Services for Libraries national programme</i>
PP14+	<i>Programming Period 2014–2020</i>
PP21+	<i>Programming Period 2021–2027</i>
PP28+	<i>Programming Period post-2027</i>
PP7+	<i>Programming Period 2007–2013</i>
Public Procurement Act	Act No 134/2016 Coll., on public procurement
RB	responsible body
RDI	research, development and innovation

RDP14+	<i>Rural Development Programme for the period 2014–2020</i>
RDP7+	<i>Rural Development Programme of the Czech Republic for the period 2007–2013</i>
Report	<i>35th Annual Report on the protection of the European Union's financial interests and the fight against fraud – 2023</i>
RES	renewable energy sources
RRF	<i>Recovery and Resilience Facility</i>
RRF Regulation	Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.
SAIF	State Agricultural Intervention Fund
SAO	Supreme Audit Office
SAO Act	Act No 166/1993 Coll., on the Supreme Audit Office
SAPS	Single Area Payment Scheme
SEA	socially excluded areas
SEF	State Environmental Fund
Semester	European Semester
Senate	Senate of the Parliament of the Czech Republic
SFC2014+	<i>Electronic information system for the management, monitoring and reporting of European Structural and Investment Funds for the Programming Period 2014–2020</i>
SFTI	State Fund for Transport Infrastructure
SK–CZ	<i>Cross-border Cooperation Programme PP14+ Interreg V-A Slovak Republic – Czech Republic</i>
SLO	State Land Office
SLPC	system of social and legal protection of children
SLPC1	MoLSA project <i>Systemic support for the transformation of the system of care for children and families at risk</i>
SMCS	<i>Single Market Scoreboard and Competitiveness Scoreboard</i>
SN–CZ	<i>Cross-border Cooperation Programme PP14+ Interreg V-A Free State of Saxony – Czech Republic</i>
SNF	<i>Single national framework of rules and procedures under the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund and the European Maritime and Fisheries Fund in the Programming Period 2021–2027.</i>
SO	specific objective
SP23+	<i>Strategic Plan of the Common Agricultural Policy of the Czech Republic for the 2023–2027 period</i>
STEP	<i>Strategic Technologies for Europe Platform</i>
TACR	Technology Agency of the Czech Republic
Taxation Report	<i>Annual Report on Taxation 2024</i>
TEU	<i>Treaty on European Union</i>
TFEU	<i>Treaty on the Functioning of the European Union</i>
TOR	traditional own resources
Transposition Report	<i>annual Government Report on the Transposition of Legislative Obligations arising from the Czech Republic's Membership in the European Union</i>
UN	United Nations
VAT	value added tax
VAT Act	Act No 235/2004 Coll., on value added tax
VAT Directive	Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax
ViDA	Commission initiative on VAT in the Digital Age
YoY change	year-on-year change

Abbreviations of countries used in chart legends

AT	Austria	IE	Ireland
BE	Belgium	IT	Italy
BG	Bulgaria	LT	Lithuania
CY	Cyprus	LU	Luxembourg
CZ	Czech Republic	LV	Latvia
DE	Germany	MT	Malta
DK	Denmark	NL	Netherlands
EE	Estonia	PL	Poland
EL	Greece	PT	Portugal
ES	Spain	RO	Romania
FI	Finland	SE	Sweden
FR	France	SI	Slovenia
HR	Croatia	SK	Slovakia
HU	Hungary	UK	United Kingdom of Great Britain and Northern Ireland

ANNEXES

1. Audit authority — RRF audit
2. Overview of the European Court of Auditors' audit and verification missions carried out in the Czech Republic in 2023 and 2024
3. Overview of the European Commission's audit and verification missions carried out in the Czech Republic in 2023 and 2024

Annex 1: Audit Authority – RRF audit

Table A: Summary of conclusions – the fourth and fifth instalments from the grant part and the first payment claim from the loan part from the *Recovery and Resilience Facility*

Audit number	Tested MaT	Audited entity	Findings including severity level/shortcoming	Overall conclusion
NRecP/2024/S/001	T 108	MoE	3 risks and 1 recommendation	Unqualified (1)
	T 128		1 high severity finding	Unqualified (1)
	System		2 medium severity findings and 1 low severity finding	Qualified (2)
NRecP/2024/S/002	T 183	MoEYS	8 high severity findings and 1 medium severity finding	Adverse (3)
	System		2 high severity findings and 4 medium severity findings	Adverse (3)
NRecP/2024/S/003	M 55	MoIT	1 medium severity finding and 2 low severity findings	Unqualified (1)
	T 158		1 low severity finding and 1 risk	Unqualified (1)
	System		3 medium severity findings	Qualified (2)
NRecP/2024/S/004	T 154	MoRD	1 high severity finding and 2 risks	Unqualified (1)
	System		4 medium severity findings	Qualified (2)
NRecP/2024/S/005	M 79	MoT	No findings	Unqualified (1)
	M 80		No findings	Unqualified (1)
NRecP/2024/S/006	M 202	MoJ	No findings	Unqualified (1)
	M 205		No findings	Unqualified (1)
NRecP/2024/S/007	M 256	DIA	1 low severity finding	Unqualified (1)
	System		4 high severity findings and 6 medium severity findings	Qualified (2)
NRecP/2024/S/008	T 84	MoT	No findings	Unqualified (1)
NRecP/2024/S/009	T 292	MoIT	1 low severity finding and 1 risk	Unqualified (1)
NRecP/2024/S/010	T 56	MoIT	1 medium severity finding and 1 low severity finding	Unqualified (1)
	M 250		1 risk	Unqualified (1)
NRecP/2024/S/011	M 179	MoEYS	1 low severity finding	Unqualified (1)
NRecP/2024/S/012	M 254	MoIT	1 low severity finding	Unqualified (1)
Total findings in MaT substantive testing			Low	8
			Medium	3
			High	10
			Total	21
Total risks in MaT testing				8
Total recommendations in MaT substantive testing				1
Total system findings			Low	1
			Medium	19
			High	6
			Total	26

Source: Audit Authority Information System.

Note: T= “target”, M= “milestone”

Table B: Overview of the assessment of key requirements

Category	Level of assurance resulting from the system audit
1 High assurance	The system works well. No or only minor improvements are needed. No or only minor shortcomings were identified. These shortcomings have little or no impact on the functioning of the assessed key requirements/system.
2 Moderate assurance	The system works. Some improvements are needed. Shortcomings were identified. These shortcomings have moderate impact on the functioning of the assessed key requirements/system.
3 Low assurance	The system does not work or works only partially. Substantial/major improvements are needed. Serious shortcomings have been identified; they lead or may lead to irregularities and threaten or may threaten the achievement of key milestones and targets and/or the protection of the EU's financial interests. The impact on the efficient functioning of the key requirements/system is significant.

Source: Audit Authority Information System.

Table C: Overview of the assessment of milestone/target achievement

Level of assurance	Category	Milestone/target achievement
High	Category 1	Milestone/target met. No or only minor improvements are needed.
Medium	Category 2	Milestone/target essentially met. Some improvements are needed.
Low	Category 3	Milestone/target not met or only partially met. Substantial/major improvements are needed.

Source: Audit Authority Information System.

Table D: Types of audit opinions by level of assurance obtained

Level of assurance	Type of opinion	Description
High	Unqualified	Reasonable assurance was obtained regarding the effective functioning of the audited body's system, in particular concerning the protection of the Union's financial interests and/or the collection, archiving, verification, and certification of reliable and accurate data on milestone and target achievement.
Medium	Qualified	With some exceptions, reasonable assurance was obtained regarding the effective functioning of the audited body's system, in particular concerning the protection of the Union's financial interests and/or the collection, archiving, verification, and certification of reliable and accurate data on milestone and target achievement.
Low	Adverse	Reasonable assurance was not obtained regarding the effective functioning of the audited body's system, in particular concerning the protection of the Union's financial interests and/or the collection, archiving, verification, and certification of reliable and accurate data on milestone and target achievement.

Source: Audit Authority Information System.

Annex 2: Overview of the European Court of Auditors' audit missions carried out in the Czech Republic in 2023 and 2024

Year	Audit number	Date of the mission	Audited OP (entity)	Audit subject (programme)	Audit type (DAS/ performance audit)	Status of the contradictory procedure	Audit progress, findings	Measures adopted
2023	CL-13549	7 June 2023	OPEIC	Audit of the 2022 ECA Statement of Assurance on FI, CCI: 2014CZ16RFOP001	Performance audit	Completed	1 February 2023 – notice of commencement 21 April 2023 – preliminary conclusions delivered 31 May 2023 – Member State's opinion sent 28 August 2023 – final report delivered 5 September 2023 – final report delivered in the Czech language	The ECA completed its audit. Follow-up measures depend on the Commission's response. The audit returned four findings, one with a financial impact.
	CL-14479	7 June 2023	OPT14+	Performance audit on double funding prevention measures under the <i>Recovery and Resilience Facility</i> and the Cohesion Policy funds	Performance audit	Completed	7 June 2023 – notice of commencement 13 December 2023 – information on verification and the findings 8 March 2024 – Member State's response to the findings 10 December 2024 – final report delivered in the Czech language	The ECA completed its audit.
	CL-14199	8 September 2023	OPT14+	Audit relating to ECA Statement of Assurance 2023, Programming Period 2014–2020, CCI 2014CZ16MTOP001	Performance audit	In progress	7 September 2023 – notice of commencement 15 May 2024 – information on preliminary findings 7 June 2024 – Member State's opinion on the preliminary findings	
	CL-14200	21 June to 22 November 2023	IROP	Audit relating to ECA Statement of Assurance 2023, Programming Period 2014–2020, CCI: 2014CZ16RFOP002	Performance audit	In progress	16 June 2023 – notice of commencement 14 January 2024 – information on preliminary findings 20 February 2024 – Member State's opinion on the preliminary findings	
	CL-14201	19 June 2023	OPEIC	Audit work for the 2023 ECA Statement of Assurance; Programming Period 2014–2020; Operational Programme 2014CZ16RFOP001 (Enterprise and Innovation for Competitiveness)	Performance audit	In progress	27 June 2023 – notice of commencement 29 September 2024 – information on preliminary findings 19 April 2024 – Member State's opinion on the preliminary findings 1 March 2025 – final report delivered in the English language	
2024	CL-74179	5 July 2024	OPT14+	Audit relating to ECA Statement of Assurance 2024, Programming Period 2014–2020, CCI 2014CZ16MTOP001	Performance audit	In progress	5 July 2024 – notice of commencement	
	CL-74180	7 to 31 October 2024	OP RDE	Audit of the regularity of: MFF Heading 2 "Cohesion, Resilience and Values", 2014CZ05M2OP001	Performance audit	In progress	4 June 2024 – notice of commencement 19 December 2024 – information on preliminary findings 13 February 2025 – Member State's opinion on the preliminary findings	

Source: Audit Authority, April 2025.

Annex 3: Overview of the European Commission's audit and verification missions carried out in the Czech Republic in 2023 and 2024

Year	Date of the mission	Audited OP (entity)	Audit number	Audit subject (programme)	Status of the contradictory procedure	Audit progress, findings	Measures adopted
2023	6 to 8 March 2023	All OPs	DAC214CZ1993	Verification of legality of expenditure incurred for OP RDE, OPEm, OPT14+, OPEn14+, OP PGP, OP EIC, IROP and OP CR/PL	Completed	16 December 2022 – notification letter 4 April 2023 – notice of completion	No follow-up measures
	20 to 24 November 2023	OP EIC	DAC214CZ2438	EPM "Review of work of audit authorities/ compliance audits 2014-2020"	Completed	29 August 2023 – notification letter 5 April 2024 – draft report sent 19 April 2024 – Member State's opinion on the draft report sent 31 July 2024 – final report delivered 3 October 2024 – response to the final report	The audit is procedurally closed. The Czech Republic awaits the final Commission position on findings with financial impact.
	9 to 20 October 2023	OPEm	DAC214CZ1769	OPEm – Thematic audit	Completed	24 July 2023 – notification letter 21 December 2023 – warning letter: information on the shortcomings identified 13 June 2024 – Member State's opinion on the draft report 21 December 2024 – warning letter concerning corrective actions 24 June 2024 – AA's response in the Czech language to the Commission's comments letter 18 October 2024 – final report in the Czech language 29 October 2024 – MA's letter – Member State's response – opinion on the final report and warning letter	The audit is procedurally closed. The Czech Republic awaits the final Commission position on findings with financial impact.
	5 to 6 June 2023	OP SN-CZ*	DAC314TC1788	OP SN–CZ control of MCS settings; Interreg V-A Deutschland/Sachsen-Tschechische Republik	Completed	17 May 2023 – opening letter 26 February 2024 – final report	No follow-up measures
	12 to 16 June 2023	IROP	DAC214CZ2194	Memorandum on planned inquiries – REACT-EU "Thematic audits 2014-2020"; IROP	Completed	4 April 2023 – opening letter 10 October 2023 – draft report sent in the Czech language 8 March 2024 – final report	No follow-up measures
	6 to 8 February 2023	OPF14+	Pre-ACR/MARE/E1	2022 AAR – Mission No 2023/CZ/ Compliance Pre-ACR/MARE/E1 (February 2023); OPF14+	Completed	14 March 2023 – Commission assessment completed	No follow-up measures
	2 to 6 October 2023	OPF14+	MARE114CZ2559	Pre-ACR fact finding mission; OPF14+	Completed	5 September 2023 – notice of commencement 11 December 2023 – final report delivered	No follow-up measures
2024	3 to 21 June 2024	OPT14+	DAC214CZ2503	Audit on the preparation for the end of the period; PP14+; OPT14+	In progress	8 April 2024 – notice of commencement 23 September 2024 – information on preliminary findings 11 November 2024 – Member State's opinion on the preliminary findings 11 February 2025 – final report delivered in the English language 10 March 2025 – final report delivered in the Czech language	
	18 to 20 March 2024	All OPs	DAC214CZ2470	OP RDE, OPEm, OPTA, OPT, OPEn, OP PGP, OP EIC, IROP, OP CZ/PL – EPM "Review of work of audit authorities/ compliance audits in 2014–2020"	In progress	31 January 2024 – notice of commencement 30 April 2024 – Commission statement delivered in the English language 15 May 2024 – Commission statement delivered in the Czech language	
	25 to 29 November 2024	OP TAC and MoIT	DAC221CZ2984	OP TAC – Thematic audit	In progress	22 August 2024 – notice of commencement	
	21 to 25 October 2024	All OP21+	DAC221CZ2992	Audit planning memorandum "Compliance audits (2021–2027)" OPT, IROP, OPEm+, OPEn, OP TAC, OPJT, OP JAK, OPTA	In progress	5 August 2024 – notice of commencement 18 February 2024 – information on preliminary findings 19 March 2024 – Member State's opinion on the preliminary findings 23 December 2024 – draft audit report delivered in the English language 18 February 2025 – draft audit report delivered in the Czech language	

Source: Audit Authority, April 2025.

* Cross-border cooperation OP Saxony – Czech Republic

