



Audit conclusion

in respect of audit No. 10/12

Financial means provided for the improvement of nature and landscape

The audit was included in the Audit Plan of the Supreme Audit Office (the "SAO") for 2010 under the number 10/12. The SAO Member Mr. Zdeněk Brandt managed the audit and prepared the audit conclusion.

The audit aimed to scrutinize the provision, expenditure, and utilisation of funds earmarked for the nature and landscape improvement, including the system for assessing the anticipated programme results and those achieved.

The period from 2006 to 2009 was reviewed, and preceding and subsequent periods were also reviewed with respect to substantive correlation. The audit was carried out from May 2010 until January 2011.

Auditees:

The Ministry of the Environment; the State Environmental Fund of the Czech Republic; the Agency for Nature Conservation and Landscape Protection of the Czech Republic; Povodí Labe, státní podnik, Hradec Králové; Povodí Moravy, s. p., Brno; Revitalizace rybníků o. p. s., Dolní Cerekev; the City of Heřmanův Městec; the City of Osečná; the City of Rychnov u Jablonce nad Nisou; the Municipality of Chotovice, Svitavy; the Municipality of Kovalovice, Brno-venkov; the Municipality of Libkov, Domažlice; the Municipality of Nové Sady, Žďár nad Sázavou; Jitka Šafránková, Holenice no. 9, Jičín; Josef Konopík, Postřekov no. 191, Postřekov; Miloslav Matějka, Ždírec no. 36, okres Jihlava; Václav Beránek, Vrtbo-Horní Bělá 43, Dolní Bělá.

Objections to the audit protocol that were filed by three of the auditees (the Agency for Nature Conservation and Landscape Protection of the Czech Republic, the State Environmental Fund of the Czech Republic and the City of Heřmanův Městec) were settled by the heads of the audit teams by decisions on the objections. No appeals were filed against the decisions on objections.

At its VII session, held on 28 March 2011, the **B o a r d** of the **SAO**, by way of Resolution No. 7/VII/2011, **a p p r o v e d** the **a u d i t c o n c l u s i o n** as follows:

I. Introduction

The **Ministry of the Environment** ("MoE") is the supreme state supervisory body in respect of environmental matters. To ensure implementation of the Czech government's management and control activities, it coordinates all environment-related procedures of all the Czech Republic's ministries and other central state administrative bodies. It is responsible for the nature conservation and landscape protection conception and for the financial support thereof.

The **State Environmental Fund of the Czech Republic** ("SEF") was established under Act No. 388/1991, Coll., on the State Environmental Fund of the Czech Republic, as another state organisation. The MoE administrates the SEF and its funds may be utilised, among other things, to subsidise legal entities' and individuals' investment and non-investment actions connected with protection and improvement of the environment. Apart from that, as an intermediary body it participates in grant management and financing of actions out of the *Operational Programme Infrastructure* ("OPI") and the *Operational Programme Environment* ("OPE").

The **Agency for Nature Conservation and Landscape Protection of the Czech Republic** ("ANCLP") is a branch of the state that was established by the decision of the Minister of the Environment. Among other things, the ANCLP provides expert and practical care of nature and the landscape; methodological, informatory and expert activity in the field of nature conservation and landscape protection; administration of the acceptance and consideration of requests for aid; and control and evaluation of so-called landscape grant programmes.

The audit scrutinised the provision, expenditure and utilisation of funds earmarked for nature and landscape improvement. The audit focussed on coordination of the Ministry of the Environment's grant programmes supporting nature conservation and landscape protection, the relationship between national and operational programmes and their concurrence with the conceptual materials and determination of the objectives that are to be reached through implementation of the programmes. The audit also scrutinised the methods of management, control and performance of tasks by the individual organisational departments in terms of the division of powers and activities when administering, realising and evaluating projects and realising projects. The methods used for auditing individual actions and result assessment were also examined. In respect of selected beneficiaries, the audit focussed primarily on observance of the conditions under which the grant was provided.

The subject of the audit was programmes or partial programmes that focus on financing nature and landscape improvement measures:

- The *Programme for the Revitalisation of River Systems* ("Revitalisation Programme") was commenced in 1992. During the period under review, a total of CZK 1,414,926 thousand was spent out of the state budget within the framework of this programme.
- The *Landscape Care Programme* ("Care Programme") is financed out of the state budget and only provides aid to non-investment actions. It was commenced in 1996. A total of CZK 752,998 thousand was spent out of this programme during the period under review.
- The *Programme Supporting Renewal of the Natural Functions of the Landscape* ("Renewal Programme") provides aid for investment and non-investment actions out of the state budget during the 2009–2018 period. A total of CZK 31,368 thousand was spent during the period under review (2009).
- The *Natural Environment Care Programme – partial programme 3.1.6 – Purchase of land in specially protected areas, their protection zones and important landscape elements* ("Land Purchase") is financed from SEF funds. During the period under review,

an amount of CZK 130,826 thousand was earmarked for the purchase of land that the ANCLP is authorised to manage.

- *Operational Programme Infrastructure – priority 3 – Environmental Infrastructure Improvement* is subsidised out of the European Regional Development Fund ("European Fund") with the participation of the SEF. Measure 3.1, *Renewal of Regional Environmental Functions*, which focuses solely on the aquatic environment, relates to nature conservation and landscape protection. According to the OPI final report dated September 2010, an amount of CZK 331,664 thousand was spent out of the European Fund within the scope of measure 3.1. In addition, CZK 53,702 thousand was paid to beneficiaries out of the SEF.
- *Operational Programme Environment – priority axis 6 – Nature and Landscape Improvement* ("priority axis 6") is designed for the 2007–2013 period. During the period under review, CZK 933,736 thousand was paid out of the European Fund to beneficiaries and a further CZK 99,364 thousand was paid out of the SEF within the scope of priority axis 6.

Note:

1. The legal regulations stated in this audit conclusion are applied using the wording that was valid during the period under review.
2. The *MoE Directive on the Revitalisation Programme*, the *MoE Directive on the Care Programme* and the *MoE Directive on the Renewal Programme* are the internal management documents signed by the Minister of the Environment that regulate the procedures and conditions for provision of grants within the programme in question; they are most frequently issued for a period of one year.

II. Facts found during the audit

1. Conceptual documents

The ***State Programme of Nature Conservation and Landscape Protection of the Czech Republic*** ("State Programme") was approved by the government in 1998. It was updated in 2005 and 2009. The State Programme aims, for example, to maintain and increase the ecological stability of the landscape and its natural and aesthetic value, to ensure sustainable usage of the landscape and to limit further fragmentation, and to further restoration of technically altered watercourses and entire catchment areas with a view to restoring the natural hydroecological function of the landscape.

The assessment of the State Programme submitted by the MoE to the government in 2009 sounds critical, despite the fact that in 1998–2008 a number of partial steps were taken to preserve and improve the water ecosystem and the wetland ecosystem. As the actions carried out frequently have only a local impact, they consequently appear to be inadequate. Restoration of the river floodplains' original ecological function is not succeeding, despite findings gleaned from historically extreme floods. The landscape has been affected by a number of new negative land usage trends. According to the MoE's assessment, construction is resulting in irreversible appropriation of land, limitation of the patency of the landscape and landscape fragmentation, which leads to extinction of the habitat of many plant and animal species. Apart from decreased species biodiversity, the consequence of this is a predominant degradation of the landscape's appearance and character.

In one of its four priority areas the ***State Environmental Policy of the Czech Republic for 2004–2010*** ("State Policy"), approved by the government, focuses on nature conservation, landscape protection and biodiversity. The objective of this priority area is to stop the decline

in biodiversity by way of a fully functioning NATURA 2000 scheme and through the use of a regional ecological stability system¹.

Among other things the evaluation of the State Policy for 2004–2006, which was discussed by the government on 11 July 2007, states that the objectives of the current policies and programmes are often of very high quality but that, in general, integration of the objectives into the decision-making of interest groups or feedback as to their implementation remains a weak point. This conclusion is particularly applicable to the field of nature conservation and landscape protection, which is far from being dependent solely on environmental programmes, but is influenced by the activities of other spheres. According to the MoE's assessment, implementation of the State Policy brought certain successes. In respect of several partial objectives, however, no efficient procedures leading to fulfilment of these objectives have yet been started up.

The MoE's *Report on the State of Czech Nature and Landscape for 2009*, which was submitted to the government in 2009, sounds just as critical as the assessment of the State Programme. Both these documents prepared by the MoE consider that the nature and landscape problems are primarily caused by changes in usage of the landscape that are taking place at an uncontrolled rate, with altogether negative impacts on nature.

2. Grant programmes and their objectives, parameters and indicators; grant programme evaluation

The *Programme for the Revitalisation of River Systems* was conceived as an instrument with which to subsidise measures to remedy the landscape hydrological regime and to improve the quality of the water and wetland ecosystems. The programme was a response to the fundamentally problematic areas defined in the State Programme and the State Policy. The current form of the programme was originally designed for the 2003–2007 period, but the additional section that was subsequently added, the *State Support of the Renewal of Regions Affected by Floods in 2006* ("Flood Sub-Programme") is to continue until the end of 2011.

This is predominantly an investment programme that is a component of programme financing. The objectives of the Revitalisation Programme were scrutinised and assessed during audit no. 04/01².

The Flood Sub-Programme documentation sets out material objectives for the individual measures, which are general in nature and respect the goals of part of the conceptual documents pertaining to reducing and preventing damage caused by extreme weather events. The documentation also sets out the target values of the quantitative parameters, but over the years these underwent acute changes which shed doubt upon the quality of the supporting documentation used to set them.

The audit revealed that, according to the MoE Directive on the Revitalisation Programme, the ANCLP prepares all summary outputs and information about the implementation of this programme. The ANCLP submitted reports assessing the expenditure of funds in the previous year to the ministry after the set deadline (see part 4 of this audit conclusion). Going by the information on expenditure of Revitalisation Programme funds contained in the reports, it appears that fund expenditure during the period under review did not correspond to

¹ A mutually interconnected group of ecosystems that maintain a natural balance. Local, regional and supra-regional ecological stability systems are differentiated.

² The audit conclusion for audit no. 04/01 – *Funds spent on the Programme for the Revitalisation of River Systems* was published in Issue 4/2004 of the *SAO Bulletin*.

the individual sub-programmes in the proportions that were approved in the original documentation (see Table 1).

Table 1 – Funds spent on Revitalisation Programme actions during the 2006–2009 period excluding the Flood Sub-Programme (CZK million)

| Sub-programme of Revitalisation Programme | Projected expenditure | Percentage of projected expenditure | Actual expenditure | Percentage of actual expenditure |
|---|-----------------------|-------------------------------------|--------------------|----------------------------------|
| Restoration of the natural function of watercourses | 475 | 20.0 | 135.180 | 11.96 |
| Establishment and renewal of elements of a territorial system of ecological stability relating to the hydrological regime | 356 | 15.0 | 31.874 | 2.83 |
| Removal of cross barriers on watercourses | 190 | 8.0 | 23.497 | 2.08 |
| Restoration of the water retaining capacity of the landscape | 358 | 15.1 | 223.561 | 19.78 |
| Construction and renewal of sewerage and water treatment plants | 950 | 40.0 | 640.137 | 56.66 |
| Restoration of the natural function of watercourses and restoration of the water retaining capacity of the landscape | 0 | 0.0 | 75.637 | 6.69 |
| Reconstruction of technical elements of productive ponds | 46 | 1.9 | 0 | 0 |
| Total | 2,375 | 100.0 | 1,129.886 | 100,00 |

Source: approved Revitalisation Programme documentation, ANCLP annual reports for 2006–2009.

Although 20% of the Revitalisation Programme's overall expenditure was earmarked for the restoration of the natural function of watercourses, the actual spending was less than 12%. By contrast, approximately 15% was earmarked for restoration of the water retaining capacity of the landscape, and the actual spending was almost 20%. A minimal amount of less than 3% was spent on the regional ecological stability system compared with the projected 15%.

Of 87 actions that were subsidised out of the *Restoration of the Water Retaining Capacity of the Landscape* sub-programme during the period under review, at least 74% related to water reservoirs according to their titles. Preferential aid for the construction or renewal of ponds and water reservoirs was already found in audit no. 04/01. The high proportion of subsidised water reservoirs testifies to the actual utilisation of this aid as well as the Revitalisation Programme as a whole (see Table 2). An audit of grant recipients revealed that their priority is expansive utilisation of the subsidised water reservoirs (fish farming, recreation) at the expense of the original nature conservation goals.

Table 2 – Selected Revitalisation Programme Parameters and Implementation Thereof in 2004–2007

| Selected parameter | | Documentation | Actual | Implementation (%) |
|---|----------------|---------------|-----------|--------------------|
| Length of watercourse following restoration | m | 100,000 | 37,043 | 37 |
| Length of fish ladder | m | 40,000 | 543 | 1 |
| Length of accessed waterway | m | 400,000 | 101,968 | 25 |
| Area of restored river floodplain | m ² | 5,000,000 | 541,613 | 11 |
| Area with altered drainage intensity | m ² | 9,000,000 | 501,510 | 6 |
| Area of restored or new wetland | m ² | 7,000,000 | 275,908 | 4 |
| Restored or created free water surface | m ² | 400,000 | 2,640,630 | 660 |
| Reservoir capacity at maximum level | m ³ | 490,000 | 4,950,786 | 1,010 |
| Amount of extracted sediment or soil | m ³ | 200,000 | 1,321,599 | 661 |

Source: approved Revitalisation Programme documentation, materials approved at the MoE management's session on 3 June 2008 entitled *Optimisation of National Grant Sub-Programmes for Nature Conservation and Landscape Protection*.

Table 2 clearly shows the imbalance between the set values and those actually achieved so far with respect to selected material parameters of the individual sub-programmes. The MoE confirmed this fact in its material evaluation of the Revitalisation Programme for the 2004–2007 period, stating inadequate fulfilment of the parameters related to the restoration of watercourses, floodplains and fish ladders and, by contrast, the over-fulfilment of parameters characterising renewed or newly created water reservoirs. For example, **the value of the "restored or created free water surface" parameter in the sum total of realised projects was exceeded more than sixfold, and the value of the "reservoir capacity at maximum level" parameter was exceeded more than tenfold** (Table 2).

The ***Landscape Care Programme***, whose objectives, according to the very general definition set out in the MoE Directive on the Care Programme, consist in *"maintaining and systematically increasing biodiversity ... and preservation of the natural and cultural values of the landscape"*, and the measures that can be subsidised within the scope of this programme are in line with the goals defined in the State Programme and the State Policy. The programme focuses on two areas: measures in specially protected areas ("SPA") and measures in the free landscape. **Throughout the entire period (from 1996 until completion of the audit), the Care Programme did not contain any indicators or parameters.** As it is a non-investment programme that is not part of the financing of the asset reproduction programmes, no documentation containing parameters and indicators has to be prepared.

Most of the Care Programme funds are used to finance measures in SPA stemming from approved care plans that are discussed in detail and are usually valid for a period of ten years. Compliance with the care plans is a criterion for this type of action.

The part of the Care Programme pertaining to free landscape can not be evaluated because the MoE did not set any indicators. With respect to the volume of funds for this part of the programme, however, it is advisable to set unambiguous, measurable indicators. **According to the MoE, these indicators are being prepared.**

The ***Programme Supporting Renewal of the Natural Functions of the Landscape*** makes it possible for the ANCLP and national parks ("NP") to implement measures stemming from the SPA care plans, the summary of recommended measures for bird areas, rescue programmes and care programmes for specially protected plant and animal species; this aid is also available to other entities. **Indicators for the programme have been set, but an assessment was infeasible due to the short duration of the programme so far (it commenced in 2009).**

The ***Natural Environment Care Programme – partial programme 3.1.6 – Land Purchase*** concentrates on securing the state's pre-emption rights in respect of purchase of land under Section 61 of Act No. 114/1992, Coll., on Nature Conservation and Landscape Protection, in order to provide special care that the current land owner is unable to provide, to safeguard the representativeness and uniqueness of the land, and to secure the integrity of land owned by the state in national nature reserves, national nature sanctuaries, NP and other protected areas. However, negotiations with land owners are lengthy and are not always successful. **Land purchase can not be realised in line with the set time schedules.**

The aim of ***Operational Programme Infrastructure – measure 3.1 – Renewal of Regional Environmental Functions*** is to renew the disturbed hydrological regime of the landscape, increase its water retaining capacity and support biodiversity. The programme document³

³ The programme document is the basic document for the operational programme approved by the European Commission.

states only one indicator for measure 3.1 with a numeric value of 1,000 ha of revitalised land. The OPI programme complement⁴ (December 2007) states a total of twelve further indicators for measure 3.1, but four of these do not serve the purpose of evaluating the ecological benefit because they concern project figures. All these indicators state the unit of measure in which they should be monitored, but do not state any target values.

The OPI final report dated September 2010 analysed the indicators to the effect that the only indicator for which a numeric value was set (1,000 ha of revitalised land) fell dramatically short of the target, since in reality a value of only 137 ha was achieved. The final report states that "the target value for this indicator was incorrectly set" and that "*in general, the implementation of Measure 3.1 can be evaluated as successful, particularly from the perspective of increased water retaining capacity of the landscape ... The projects realised within the scope of this Measure have contributed immensely towards the goals set.*" However, this statement is not based on a quantitative assessment. **It was not possible to evaluate the success of the programme based on an assessment of the other indicators for which no target values were set.**

The aim of **Operational Programme Environment – priority axis 6** is to stop the decline in biodiversity and to increase the ecological stability of the landscape. The global and specific goals of priority axis 6 and the operational goals pertaining to aid in individual areas are in line with the conceptual documents and, in particular, correspond to the Czech Republic's obligations as an EU Member State.

The audit found a prevalence of preferential aid for the construction and renewal of ponds and water reservoirs. Going by the data in Table 3 it appears, among other things, that the projects pertaining to area 6.4 – *Optimisation of the Hydrological Regime of the Landscape* (which has the highest allocation out of all the areas) have a total approved aid amount that is higher in terms of percentage than the allocation for this axis. Moreover, the amount of funds paid out is even higher than that. As at 31 August 2010, 556 actions were registered within the scope of support area 6.4, of which 461 (83%) related (according to their titles) to water reservoirs.

Table 3 – Funds for priority area 6.4 of priority axis 6 as at 21 July 2010

| | Allocation (EUR million) | Allocation (%) | Total approved aid (CZK) | Total approved aid (%) | Paid out to beneficiaries' accounts (CZK) | Paid out to beneficiaries' accounts (%) |
|---------------------------|--------------------------|----------------|--------------------------|------------------------|---|---|
| Priority support area 6.4 | 224.784 | 37.5 | 3,635,506,212 | 41.5 | 1,164,911,321 | 74.9 |
| Priority axis 6 total | 599.424 | 100.0 | 8,767,279,232 | 100.0 | 1,554,588,752 | 100.0 |

Source: OPE programme document, SEF materials submitted during the audit.

According to the OPE annual report for 2009, any unused idle funds in any priority axis 6 support areas may be used to finance support area 6.4, in respect of which there is a significant overhang of water reservoir construction and renewal project applications. This overhang has resulted primarily from individuals', municipalities' and legal entities' high interest in expansive utilisation of water reservoirs. In this situation, aid for water reservoirs must be linked to conditions that will, above all, give priority to significant benefit for nature conservation and landscape protection; compliance with these conditions will have to be rigorously controlled and enforced.

Aid for water reservoirs was limited in the last priority axis 6 tenders announced: in the 20th tender (which was closed on 30 June 2010), it was not possible to request aid for water

⁴ The programme complement is the implementing regulation for the programme document.

reservoir renewal or construction at all; in the 21st tender (which was closed on 31 August 2010), only public entities could request aid for such actions, and the applicant participation was increased to 30%. Solution of riverside revitalisation projects, comprehensive revitalisation of extensive areas, removal of migration barriers, etc., can increasingly be handled by one state organisation that is responsible for nature conservation and landscape protection, or for the condition of watersheds. However, preparation of these projects is demanding. Acquiring ownership of a large number of land plots along waterways, or getting land owners' consent, can protract realisation or completely prevent it.

Four programme indicators are set for priority axis 6. Again, two of these indicators concern project figures and do not characterise ecological benefit in any way. **Apart from that, these indicators were set without any realistic reference to the actual needs, and proof of this can be seen in how easy they are to fulfil:** as at 31 August 2010, 1,073 nature and landscape improvement projects had been registered compared with a target value of 150, and 562 hydrological regime actions had been registered compared with a target value of 15. **Thus the target value was exceeded almost fortyfold.**

Another indicator is the area of the revitalised land. Although this indicator relates to the environment, **its value (1,000 ha) was again set without any realistic reference to the actual needs, because as early as 11 October 2010 1,225 ha of land had been revitalised and no more than CZK 1.165 billion (i.e., less than 25% of the funds allocated for priority area 6.4 totalling over CZK 5 billion) had been paid out to beneficiaries for these projects.**

The fourth indicator is the proportion of major European sites prepared for SPA classification to the total number of Czech major European sites. Indicators set in this way do not provide sufficient motivation for the selection of projects awaiting programme classification, and they can not even be used to evaluate programme success.

3. Management of MoE grant programmes

- **National grant programme management system**

After the year 2004, the Czech Republic utilised significant EU grant funds. In connection with the approach to EU funds, it was also necessary to optimise nature conservation grant programmes so as to prevent duplicate provision of financial aid from public funds and, at the same time, so as to cover all nature conservation needs with respect to material scope or flexibility of use.

According to the MoE's *Optimisation of National Grant Sub-Programmes for Nature Conservation and Landscape Protection* materials, all the national grant programmes (with the exception of the Care Programme and the Renewal Programme) were curbed. The former *Natural Environment Care Programme* was scaled down into the *Land Purchase* partial programme. The predominant volume of funds for nature conservation and landscape protection will be provided via SEF priority axis 6. The audit revealed that the conditions for participation in national and operational programmes are set in such a way as to prevent duplication.

The ANCLP is involved in administration of the majority of MoE grant programmes focussing on nature conservation and landscape protection. An abundance of entities participating in grant allocation (regional ANCLP centres, regional advisory boards, the ANCLP directorate, the landscape programme commission and the relevant MoE divisions) was typical of the Revitalisation Programme and the Care Programme. Although such broad participation could lead to expertly qualified, multilateral and objective analysis of applications and setting of

conditions, a somewhat complicated structure has come into being, whereby the entities' interrelations and responsibilities were not always clearly defined.

At the current time, the responsibility of the ANCLP and MoE organisational structures in respect of the Care Programme and the Renewal Programme, as a newly conceived programme, has been retained. The MoE Directive on the Renewal Programme allows the establishment of advisory bodies at both the ANCLP and the MoE levels.

The fundamental criterion when assessing whether an action should be included in nature conservation and landscape protection programmes should be the revitalisation effect. During audit no. 04/01 it was already found that the MoE had not elaborated methodology for assessing the anticipated revitalisation effect. In its standpoint on the audit conclusion for audit no. 04/01, the MoE stated that it is preparing supporting documentation for new methodology for investment project review and for assessment of the resulting revitalisation effect. Not even during the course of this audit did the MoE submit the prepared methodology for assessing the resulting revitalisation effect. In respect of this issue, it submitted only an external study of selected water reservoirs, where a number of projects received negative assessments. The study points out the absence of adequately detailed biological research of the locations proposed for revitalisation, the inappropriate water reservoir parameters, the insufficient monitoring of observance of the set conditions and the difficulty in enforcing these conditions. More precise conditions for reservoir usage should be set than the ones currently in place, because many of the negatively assessed reservoirs were degraded due to fish farming. The findings of studies concerning the revitalisation effect, its determination and evaluation are consistent in many respects with the results of audit no. 04/01 and this audit's findings regarding certain grant beneficiaries.

With respect to termination of the Revitalisation Programme, there are actions with the same focus that receive SEF priority axis 6 support, as detailed in this audit conclusion in the section dealing with SEF priority axis 6. The audit revealed that not even when assessing projects within the framework of SEF priority area 6.4 *Optimisation of the Hydrological Regime of the Landscape* (aid approved so far: approximately CZK 3,636 million) did the evaluating and decision-making bodies (ANCLP, SEF, MoE) have methodology for carrying out investigations prior to approving actions and when setting ecological benefits in a definite and controllable form.

- ***Operational Programme Environment management system***

During realisation of the SEF priority axis 6, the MoE also engaged the ANCLP in certain activities; the ANCLP participates in the expert aspect of project administration. The agreement on performance of certain activities related to *Operational Programme Environment* implementation (the participants in this programme are the MoE, the SEF and the ANCLP) has been drawn up in such a way that the ANCLP has a number of obligations but the SEF bears overall responsibility for the ANCLP's activities within the scope of the priority axis 6 administrative process.

The ANCLP participates in negotiation of the individual priority axis 6 applications. Not until the version of the aforementioned agreement valid from 16 October 2009 has the SEF been obliged to inform the ANCLP about project alterations during project implementation. Up until that time, the ANCLP had been issuing standpoints on final action evaluations without having any knowledge of the final form of the projects.

- **MoE provision of grants out of the Care Programme – SPA sub-programme**

SPA sub-programme funds, which represent most of the Care Programme, are provided on the basis of collective applications; the funds are earmarked chiefly for realisation of SPA care plans for the ANCLP and NP only (and also, since 2009, for the Cave Administration of the Czech Republic). Applicants submit collective applications to the MoE that contain the required data stipulated in the MoE Directive on the Care Programme. The audit revealed, however, that these organisations submit their applications so that they correspond to the breakdown of amounts for individual departmental organisations drawn up by the MoE.

Substantiation of the ANCLP applications, in respect of which a total of CZK 361,901,721 was spent during the period under review, is general in nature: provision of SPA care, bird areas, major European sites and specially protected plant and animal species ... The subject of the application is *"fulfilment of measures stemming from the care plans for managed areas"*. The ANCLP collective applications were not based on specific measures and enumeration of such measures (except for the MoE priorities, which cover only a small portion of the support). Conversely, the NP applications set out specific actions. The MoE issued a decision on grant allocation which stated the same grant amounts as those in the application and, previously, in the breakdown. The action title and the purpose of the aid are set out with the same generality as in the application.

According to the MoE, this generality stems, among other things, from the fact that there are thousands of actions and that they are listed in the ANCLP's Intranet database. This Intranet database serves as a store for the actions, and it can be accessed by the MoE. Realisation of the MoE's priorities is given preference; the other actions are realised according to the care plans, whereby not all of the actions listed on the ANCLP's Intranet are realised during the year in question. However, the valid conditions for submission of applications do not allow the specific data that the applications should contain to be substituted by way of access to the internal information system (the Intranet). Aside from that, it was found that in the applicable part of the Care Programme, the ANCLP did not maintain the Intranet to a sufficient level of quality to allow it to serve as a source of information for other processors.

- **MoE financing of background and educational materials**

The financing of background and educational materials for landscape programmes is a specific part of the Care Programme. Under the MoE Directive on the Care Programme the AOPK, NP or Cave Administration of the Czech Republic as the ordering parties should submit proposals and financial cost calculations; the MoE then decides on the proposals and the approved fund amount is transferred to the ordering party by way of a budgetary measure. The SAO requested a summary of actions and actual expenditure of Care Programme funds provided in 2006 through 2009 for preparation of background and educational materials for landscape programmes. The MoE submitted a list of actions and fund expenditure for 2009 and part of 2010 only, stating that *"a separate module for filing these materials was not put into operation until 2009"*.

In 2009 the MoE subsidised a total of 35 actions of this nature, representing total eligible costs of CZK 7,016,878. Seven randomly selected actions were audited, representing over 30% of the funds that were paid out. In five cases **the MoE approved proposals for preparation of supporting and educational materials for landscape programmes despite the absence of the required financial calculation which, among other things, would have enabled a qualified decision to be made when selecting the most suitable and profitable variants.** The MoE was aware of the merits of the accompanying financial calculation as a supporting document for proposal assessment, and therefore it included a requirement for preparation of such a calculation in the Directive on the Care Programme.

4. ANCLP audit findings

- **ANCLP participation in programme administration**

The audit revealed that the ANCLP did not proceed in accordance with the MoE Directive on the Revitalisation Programme, as it failed to submit documentation for Revitalisation Programme unfinished actions to the MoE in 2007–2009 within the set deadline, and failed to submit any documentation at all in respect of 93 of these actions (of a total of 161).

The ANCLP did not even observe the deadline set in the MoE Directive on the Revitalisation Programme for submission of the Revitalisation Programme evaluation, and it submitted the 2006–2008 evaluation several months late. It failed to carry out rigorous checks during the course of financing in compliance with the RA form, and it did not even check all the Revitalisation Programme actions that were subject to compulsory auditing under the MoE Directive on the Revitalisation Programme.

In respect of an action focussing on increasing the ecological-stabilising function of a closed distributary (the beneficiary was Povodí Labe, státní podnik), the ANCLP recommended realisation of a proposal whose revitalisation effect was only generally assessed. This prevented the evaluation and subsequent checking of implementation of that proposal. No methodological process for reviewing the revitalisation effects of realised actions was available at the time of assessing the action. (As mentioned in part 3 of this audit conclusion, the MoE had not yet drawn these up.) No indicators by which it would be possible to describe and evaluate either the current status or the anticipated improvement in terms of biological revival were contained in either the grant application or the evaluation thereof. Therefore, the revitalisation effect could not be specifically or fully evaluated.

- **Activity of the ANCLP as a grant beneficiary**

Within the framework of the Care Programme, the ANCLP announced a public contract without selection of a supplier in a contract award procedure in accordance with Act No. 137/2006, Coll., on Public Procurement, and concluded a contract for work on 8 August 2006 with in-kind contribution amounting to CZK 4,142,619. Under Section 12 of Act No. 137/2006, Coll. this was a public contract below the threshold, and as a contracting authority under Section 2 of this Act, the ANCLP was obliged to announce a public contract. The contractor was the municipality and the subject of the contract was ground works related to removal of illegal dumps.

An audit of turnover on account 031 (*Land*) revealed that in five cases the ANCLP did not account for acquisition of land in the same year as the application for registration in the Cadastral Register was submitted. The ANCLP accounted for the acquired land in the following year. This shortcoming applied to land worth a total of CZK 15,213,272.

5. Beneficiary audit findings

Fourteen Revitalisation Programme, Care Programme and OPE beneficiaries were audited. The audit focussed on fulfilment of the conditions from the perspective of adhering to the purpose for which the auditee received the grant.

The conditions in respect of the action entitled *Construction of Pools, Meanders and Wetlands in the Cadastral Area of Dolní Cerekev*, which receives Care Programme aid (the beneficiary is Revitalizace rybníků, o. p. s.) were breached to the extent that the programme objective was not met. The pools do not have a littoral (shallow water) zone corresponding to the project because the surroundings have been planted with grass mixes, the river banks are mown with a lawnmower right down to the water level, the areas connecting to the pools

have been planted with trees that are completely unsuitable and one of the two pools is demonstrably being used as a fish pond. The ANCLP found the same shortcomings and set a deadline within which the beneficiary was to eliminate them; this deadline had not yet elapsed at the time of completion of the audit.

The SAO found significant breach of the conditions for the *Libkov Revitalisation – Construction of a Small Water Reservoir and Wetland Area* action, which received Revitalisation Programme aid (the beneficiary is the Municipality of Libkov). The audit revealed that the actual status does not correspond to the approved project. Among other things, a new reservoir inflow (or, more precisely, a sports ground drainage outlet) was constructed; this was not included in the approved project documentation. The water level was higher than approved in the documentation throughout the reservoir and, above all, in part of the wetland; the river banks were regularly mown right down to the water level, and it was discovered that the reservoir was being used for fish farming (the amount and composition of the fish stocking is inconsistent with the conditions set for grant allocation). **As a consequence of breaching the conditions, development has been inadequate and this has resulted in an occurrence of wetland plants and insufficient littoral zone space.** The ANCLP found similar shortcomings when it carried out an audit as long ago as June 2008. The ANCLP links elimination of these shortcomings to the drawing up of a final audit protocol for the action and definite allocation of the grant. **The ANCLP did not set a deadline for implementation of remedial measures.** Up until the time of the SAO's audit, it had not evidenced implementation of any ex-post audit of the elimination of shortcomings, despite the fact that more than two years had passed since the ANCLP audit in question.

Unauthorised use of OPE grant funds was revealed in the case of the *Water Reservoir Renewal in the Cadastral Area of Heřmanův Městec* action (the beneficiary was the City of Heřmanův Městec). The beneficiary wrongly included costs totalling CZK 24,477 in eligible project costs for work that had not in reality been done, thus committing breach of budgetary discipline.

III. Summary

The funds provided within all the audited programmes during the period under review totalled CZK 3,748,584 thousand. The audit scrutinised the formulation of programmes and their objectives, evaluation and management. A total grant allocation amount of CZK 266,582 thousand was audited at grant beneficiaries.

The conceptual documents (in particular, the *State Programme of Nature Conservation and Landscape Protection of the Czech Republic*) define the most significant nature and landscape issues. They assess the current status as being critical: irreversible appropriation of land is taking place and the patency of the landscape is becoming limited. The consequence of long-term unsustainable usage of the landscape is extinction of the habitat of many plant and animal species as well as a predominant degradation of the landscape's appearance and character. The problems are primarily caused by changes in usage of the landscape that are taking place at an uncontrolled rate, with altogether negative impacts on nature. Although the grant programmes can not eliminate these shortcomings, they can be used to limit adverse consequences and remedy at least some of the damage done in the past.

For example, the audit revealed that a high proportion of funds earmarked for nature conservation and landscape protection were used for renewal and construction of water reservoirs. Their existence is an important, but nonetheless only partial, contribution to the renewed and improved function of nature and the landscape. Moreover, they are even receiving aid at the expense of other measures because they are in high demand among

non-state organisations. State organisations then fall short of realising the actions that are unattractive to other applicants, such as riverside revitalisation. The trend that was recognised during audit no. 04/01 remains unchanged.

If the revitalisation effect is to be the dominant function even in the case of water reservoirs, then this must be particularised. Likewise, it is necessary to be more specific when considering the original status and when setting the conditions for realisation and utilisation, and to check and enforce this rigorously. The SAO audit revealed both an unclear approach towards the revitalisation effect and a lack of respect for the construction and utilisation conditions set. The *Programme for the Revitalisation of River Systems*, which is now terminating, was not systematically evaluated from the material perspective (or in terms of its benefits). The only material partial evaluation that was carried out during the period under review indicates fundamental differences between the goals and the actual situation. For example, even before termination of the programme the target parameter determining the volume of water reservoirs was exceeded tenfold. Conversely, in terms of riverside revitalisation, wetland areas and fish ladder lengths, the target values achieved during the same period were 37%, only 4% and only about 1%, respectively.

In 2008 the MoE optimised grant programmes subsidising nature conservation and landscape protection in relation to the possibility of drawing significant funds from European funds. The operational programmes falling within the competence of the MoE (or, more precisely, the parts of these programmes that focus on supporting nature conservation and landscape protection) have indicators whose performance is continually monitored; *Operational Programme Infrastructure* has already been terminated and assessed. The target values of some of the *Operational Programme Environment* indicators have been set so low that these have already either been met or exceeded many times over. Therefore, they can not fully be used to evaluate programme success. For example, the number of actions focussing on the hydrological regime is almost forty times higher than the target value.

The non-investment *Landscape Care Programme*, which was commenced in 1996 and certain parts of which are open to a broad range of beneficiaries, is considered to be an irreplaceable grant programme that is supported using state budget funds. However, these parts of the programme lack specific goals and indicators. Likewise, the benefit has never been evaluated. Together, the MoE and the ANCLP are currently developing the methodology for monitoring and assessing the benefits of the *Landscape Care Programme*. However, for the time being the programme can not be assessed in terms of implementation of the required objectives.

List of abbreviations

| | |
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| ANCLP | Agency for Nature Conservation and Landscape Protection of the Czech Republic |
| European Fund | <i>European Regional Development Fund</i> |
| MoE | Ministry of the Environment |
| NP | national park |
| OPI | <i>Operational Programme Infrastructure</i> |
| OPE | <i>Operational Programme Environment</i> |
| Priority axis 6 | <i>Priority axis 6 – Nature and Landscape Improvement Operation Programme Environment</i> |
| Renewal Programme | <i>Programme Supporting Renewal of the Natural Functions of the Landscape</i> |
| Care Programme | <i>Landscape Care Programme</i> |
| Revitalisation Programme | <i>Programme for the Revitalisation of River Systems</i> |
| SEF | State Environmental Fund of the Czech Republic |
| State programme | <i>State Programme of Nature Conservation and Landscape Protection of the Czech Republic</i> |
| State Policy | <i>State Environmental Policy of the Czech Republic for 2004–2010</i> |
| Land Purchase | partial programme 3.1.6 – <i>Purchase of land in specially protected areas, their protection zones and important landscape elements</i> |
| SPA | specially protected areas |