

Czech Republic
Supreme Audit Office

Annual Report 2009

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FEBRUARY 2010



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The printed version contains also a CD with the SAO's *Annual Report for the year 2009*.

Foreword by the President of the SAO

Dear reader,

In your hands you hold the Annual Report of the Supreme Audit Office containing a summary of information about this institution and an evaluation of its work in 2009.

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

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

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

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

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

**František Dohnal,
President of the SAO**

I. Status of the SAO in society

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

Independent audit is one of the indispensable components of parliamentary democracy. In the Czech Republic, this function is carried out by the Supreme Audit Office ("SAO"). It is independent from legislative, executive, and judicial powers. Its status and powers are enshrined directly in the Constitution of the Czech Republic¹.

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

The SAO's bodies are the President, Vice-President, the Board, the Senates, and the Disciplinary Chamber. The SAO is also financially independent in a reasonable way. The decisive body in this regard is the Chamber of Deputies of the Parliament of the Czech Republic ("Chamber of Deputies"), which approves the state budget.

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

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

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

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

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

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

² International Organisation of Supreme Audit Institutions

2. Board of the SAO

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

Members of the SAO carry out audits and draw up audit conclusions. They manage audit activities from issuing a warrant to perform an audit to approving a resolution on an audit conclusion. In the following part, there are presented completed audits (in blue) whose audit conclusions were approved in 2009; incomplete audits are marked in green.³ Also, there are pointed out changes in the SAO Board that occurred in 2009.



Mr František Dohnal,
President of the SAO



Mr Miloslav Kala,
Vice-President of the SAO



SAO Member since 25 April 2001; he managed 23 audits till the end of 2009, five of which were performed in 2009.

Completed audits: **08/19; 08/27; 09/02**
Incomplete audits: **09/19; 09/23**

Mr Jiří Adámek,
Member of the SAO



SAO Member since 3 May 2002; he managed 24 audits till the end of 2009, five of which were performed in 2009.

Completed audits: **08/29; 08/38; 09/10**
Incomplete audits: **09/26; 09/28**

Mr Zdeněk Brandt,
Member of the SAO



Mrs Ludmila Brynychová died on 8 August 2009.

SAO Member from 9 December 2005 till 8 August 2009; she managed six audits till 8 August 2009, two of which were performed in 2009.

Completed audits: **08/25; 08/37**

Mrs Ludmila Brynychová,
Member of the SAO



SAO Member since 17 September 1993; she managed 48 audits till the end 2009, five of which were performed in 2009.

Completed audits: **07/27; 08/23; 09/03**
Incomplete audits: **09/09; 09/25**

Mrs Marie Hošková,
Member of the SAO

³ Individual audits are marked by numbers in the Annual Report. These numbers are the same as in the SAO's Audit Plan for the respective year. Audit conclusions and detailed information on finished audits are available in *SAO Bulletins*.



SAO Member since 4 June 1998; she managed 28 audits till the end 2009, three of which were performed in 2009.

Completed audits: **08/36**

Incomplete audits: **09/15; 09/29**

Mrs Eliška Kadaňová,
Member of the SAO



SAO Member since 17 September 1993; he managed 45 audits till the end 2009, four of which were performed in 2009.

Completed audits: **08/25; 09/04**

Incomplete audits: **09/11; 09/18**

Mr Ing. Jiří Kalivoda,
Member of the SAO



SAO Member since 9 December 2005; he managed nine audits till the end 2009, five of which were performed in 2009.

Completed audits: **08/21; 08/33; 08/35**

Incomplete audits: **09/14; 09/27**

Mr Antonín Macháček,
Member of the SAO



SAO Member since 17 September 1993; he managed 37 audits till the end 2009, four of which were performed in 2009.

Completed audits: **08/22; 08/32**

Incomplete audits: **09/17; 09/24**

Mr Rudolf Němeček,
Member of the SAO



SAO Member since 18 April 2002; she managed 23 audits till the end 2009, three of which were performed in 2009.

Completed audits: **08/31; 09/06**

Incomplete audits: **09/21**

Mrs Zdeňka Profeldová,
Member of the SAO



SAO Member since 17 September 1993; he managed 44 audits till the end 2009, four of which were performed in 2009.

Completed audits: **08/26; 08/37**

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

Mr Petr Skála,
Member of the SAO



SAO Member since 16 November 2006; she managed nine audits till the end 2009, five of which were performed in 2009.

Completed audits: **08/28; 09/07; 09/08**

Incomplete audits: **09/13; 09/22**

Mrs Jaromíra Steidlová,
Member of the SAO



SAO Member since 25 April 2001; he managed 25 audits till the end 2009, five of which were performed in 2009.

Completed audits: **08/24; 08/30; 09/05**

Incomplete audits: **09/12; 09/30**

Mr Jan Vedral,
Member of the SAO



Mr Ladislav Zeman's office was terminated on 27 August 2009 when he attained the age stipulated by law.

SAO Member from 15 July 1993 till 27 August 2009; he managed 45 audits till 27 August 2009, three of which were performed in 2009.

Completed audits: **08/17; 08/20; 09/01**

Mr Ladislav Zeman,
Member of the SAO



Mr Rudolf Kufa was appointed as Member of the SAO on 15 September 2009.

Mr Rudolf Kufa,
Member of the SAO



Mr Karel Sehoř was appointed as Member of the SAO on 15 September 2009.

Mr Karel Sehoř,
Member of the SAO



Mr Pavel Hrnčíř was appointed as Member of the SAO on 11 December 2009.

Mr Pavel Hrnčíř,
Member of the SAO

II. Assessment of audit work undertaken in 2009

1. Audit Plan for 2009

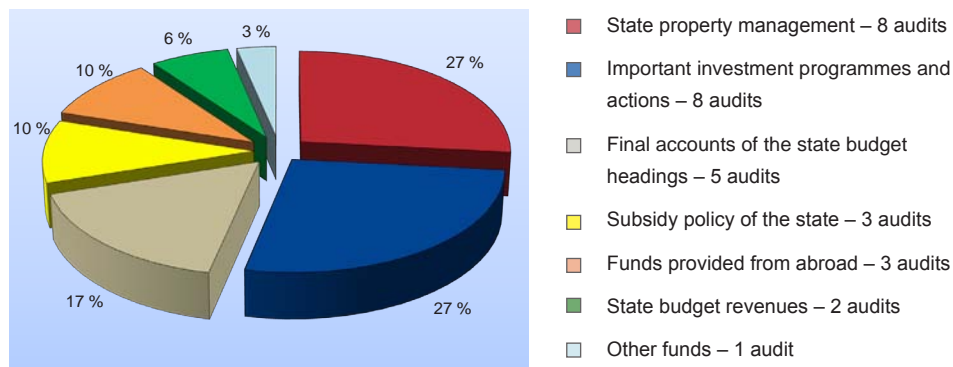
The Audit Plan for 2009 was approved by the SAO Board at its meeting on 23 October 2008. 27 audits were approved in total. During 2009, three more audits were added to the Audit Plan, making 30 in total.

In line with the SAO's statutory competence, the Audit Plan for 2009 focused on scrutinising the following areas:

- state budget revenues (e.g., administration of value added tax);
- the subsidy policy of the state (e.g., social services of a regional nature);
- management of state assets (e.g., state assets falling under the Ministry of Finance);
- finances collected by law in favour of legal persons (finances collected in favour of the General Health Insurance Company);
- management of finances provided to the Czech Republic from abroad (e.g., transport infrastructure projects under regional operational programmes);
- significant investment programmes and actions (e.g., railway infrastructure development);
- closing accounts of state budget headings (e.g. the closing account of the heading "Ministry of Education, Youth and Sports", expenditures of the Czech Social Security Administration in the heading "Ministry of Labour and Social Affairs").

The Audit Plan also took into account *The Audit Strategy of the Supreme Audit Office*⁴. Graph 1 shows the structure of the focus of audits included in the Audit Plan for 2009. Appendix 1 gives a more detailed overview of the individual audits, including a timetable.

Graph 1: Focus of audits in the Audit Plan for 2009



24 changes were made to the Audit Plan during 2009. These concerned the addition of new auditees (18 changes), the timetable (one change), the SAO Members managing audits and drawing up audit conclusions (two changes) and the addition of new audits (three changes).

The SAO received three audit suggestions from the Czech Parliament in 2009. These suggestions will be used when planning audits in the following period.

⁴ *The Audit Strategy of the Supreme Audit Office* was approved by the SAO President on 2 November 2007. This document defines the main goals of audit work for 2008-2012. The Strategy was first reflected in the SAO's Audit Plan for 2008.

2. Results of audits

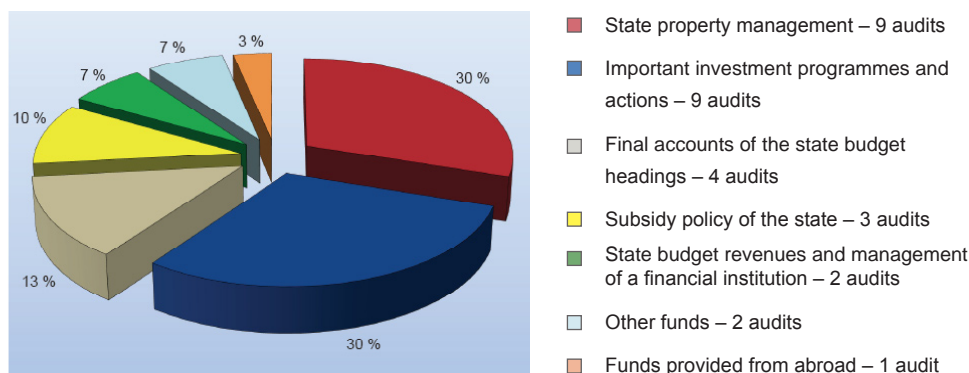
The purpose of SAO audits is to check whether the audited activities conform to the law and whether these activities are materially and formally correct, and to assess whether they are economical, efficient and effective.

The SAO's principal endeavour is to ascertain whether state finances and assets are managed economically. The assessments contained in the subsequent parts of the Annual Report confirm that activities conducted by some auditees are not economical.

The following part of the Annual Report (sections 2.1 to 2.5) is drawn from the results of 30 audits whose audit conclusions were approved by the SAO Board or a SAO Senate in 2009. These audits started in line with the Audit Plans in 2007, 2008 and 2009 and were scheduled to be completed in 2009. The following subchapters provide a brief assessment of audits broken down by areas of the SAO's competence, including the most significant findings. An overview of audits whose audit conclusions were approved in 2009 is given in Appendix 2. The texts of approved audit conclusions were published in the four issues of the *SAO Bulletin*.

Graph 2 shows the structure of completed audits by their focus on areas of scrutiny.

Graph 2: Focus of audits whose audit conclusions were approved in 2009



Audits whose audit conclusions were approved in 2009 focused primarily on the areas of management of state assets, major investment programmes and actions, the closing accounts of the most significant state budget headings in volume terms, and the state's subsidy policy.

2.1 State budget revenues and audit of financial institutions

Two audits were carried out that focused on state budget revenues and scrutiny of financial institutions in 2009. Audit No. **08/31** dealt with the management of state assets when the Czech Consolidation Agency ("CCA"), a financial institution established by law, was wound up. Audit No. **08/35** scrutinised repayable financial assistance ("RFA") provided by the Ministry of Industry and Trade ("MoIT") and the Ministry of Agriculture ("MoA") and the procedure followed by the financial authorities when collecting penalties for breaches of budgetary discipline by RFA beneficiaries.

These audits revealed that, particularly when managing state receivables, the auditees did not proceed in a way that would ensure that the debts were asserted duly and in time or that the maximum possible revenue was attained by selling the receivables.

- In audit No. **08/31**, the SAO found that CCA did not manage to maximise profits from the sale of receivables even in its last year in operation. Considerable undervaluation of some assigned receivables was ascertained. When selling shares to their issuers, the CCA did not demand a price that would be proportionate to the value of the shares and did not even attempt to ascertain what that price should be. The Ministry of Finance ("MoF") failed to perform any checks of the CCA in 2007 even though the SAO had drawn attention to the need for the rigorous exercise of its control powers in the audit conclusion from audit No. 05/27 (the audit conclusion was published in Issue 2/2006 of the *SAO Bulletin*).
- In audit No. **08/35**, the SAO found that MoIT, MoA, and MoF failed to ensure that the state's right to claim wrongfully withheld finances and penalties could be exercised duly and in time. MoIT and

MoF permitted adjustments to payment schedules at a time when RFA beneficiaries were already obliged by law to pay sums for breach of budgetary discipline. The audited ministries failed to notify the financial authorities of the withholding of state budget finances. When managing receivables from RFA for the years 1991-1995, problems arising from the division of powers between MoA and the financial authorities persisted, most notably when claiming receivables in bankruptcy proceedings and the collection of contractual 2% interest.

2.2 The state's subsidy policy, management of state assets and other funds

2.2.1 The state's subsidy policy

The state's subsidy policy is one of the areas the SAO focuses on every year in its audits. Last year, the SAO completed three audits in this field. The audits examined the provision of state budget funds to the Nordic World Ski Championship (audit No. **07/27**), programmes of support for electricity generation from renewable energy resources ("RERs") and for energy savings (audit No. **08/38**), and subsidies to social services of a regional nature (audit No. **09/03**).

The SAO's audits revealed that shortcomings persist in the conceptual, methodical and appraisal work done by budget heading administrators as the subsidies providers. In some audits, the SAO found recurring shortcomings in programmes planning and in the proper discharge of programme administrators' obligations. This state of affairs has a negative impact on the economy, efficiency, and effectiveness of financial expenditure, as the following examples demonstrate:

- In the audit No. **07/27**, the SAO found that when preparing the Nordic World Ski Championship in 2009 the Ministry of Education, Youth and Sports ("MoEYS") failed to follow a systematic approach and failed to discharge properly the duty of programme administrators; it approved actions that were insufficiently prepared and without knowing the total scale of investments, which ultimately led to exceeding the Government-approved proportion of state budget funds and to an increase in awarded state budget funds to **CZK 1,620 million**. That happened despite the fact that in a document from 2004 entitled *Expressing State's Support for the Candidature to Hold the Nordic World Ski Championship in the Czech Republic in 2009* MoEYS assured the Government that no state budget funds would be requested.

This audit also found that end beneficiaries of subsidies had split on purpose public contracts into smaller contracts and were at fault for other serious shortcomings in awarding contracts and in the implementation of the contractual relations entered into.

- In the audit No. **08/38**, the SAO ascertained that an evaluation of up-to-date documents submitted by the auditees revealed that the indicative target of 8% of gross domestic electricity consumption in 2010 being accounted for by RERs in 2010 was unattainable. The SAO had already drawn attention to this risk in audit No. 05/08, whose audit conclusion was published in Issue 4/2005 of the SAO Bulletin. Nevertheless, neither MoIT, which holds the key competences in the state energy policy, nor the Ministry of the Environment ("MoE") drafted a conceptual solution that would lead to an improvement in this indicator's development. The Czech Republic currently has no national concept that would set priorities for the use of different kinds of RERs and would enable support to be precisely targeted.
- In the audit No. **09/03**, the SAO found that the Ministry of Labour and Social Affairs ("MoLSA") had failed to perform sufficient analysis of the impact that implementation of Act No. 108/2006 Coll., on social services, would have on public budgets. In the explanatory memorandum accompanying the draft of this Act MoLSA reckoned with the state budget expenditure under the audited programme in 2007 and 2008 being **CZK 5,915 million** lower and in the case of care contributions **CZK 17,130 million** lower. At the same time, MoLSA failed to create a system for collecting information about actual costs, sources of financing, capacity, and the numbers of employees and users of social services; it consequently has had no basis on which to assess the economy of the state budget expenditure in the audited programme.
- Areas of the state's subsidy policy were also partly covered by the audit No. **09/04** (for more information see section 2.2.2) that dealt with state assets and finances for the work of veterinary administrations and institutions. It was found that in some cases MoA included in the programme actions for which the programme participant had not submitted investment plans, and failed to assess whether the defined parameters of actions were achieved.

Audits conducted in this area also reveal a long-term failure to scrutinise subsidy beneficiaries by the providers of finances.

2.2.2 Management of state assets

Nine audits scrutinising the management of state assets were completed. These – specifically audits Nos. **08/21**, **08/23**, **08/28**, **08/30**, **08/37**, **09/01**, **09/04**, **09/06**, and **09/10** – focused on the management of assets by organisational units of the state (“OUS”), organisations part-financed by the state budget (“PFOs”), and state-owned enterprises.

The SAO already documented a number of serious shortcomings in this area in previous years. These were mainly shortcomings in the stock-taking of assets and liabilities, in the reporting and valuation of assets, in book-keeping, and in management of state assets. The shortcomings were caused primarily by the fact that the auditees had failed to proceed in line with relevant regulations. Even though the SAO repeatedly mentions these facts in its audit conclusions, the unsatisfactory state of affairs in this area persists, as documented by the following findings:

- Serious shortcomings in the stock-taking of assets and in book-keeping were found, for example, by the audit No. **08/28** in all audited PFOs of MoEYS, as a result of which their accounts for 2007 were inconclusive; further by the audit No. **08/30** at the Ministry of Defence (“MoD”) regarding long-term intangible assets; by the audit No. **09/04** in several veterinary administrations and institutions; and by the audit No. **09/06** in all audited OUS and PFOs established in 2007 and 2008. In the audit No. **09/01** the SAO found discrepancies between records of assets and data in the real estate register in two Police colleges of the Ministry of the Interior (“MoI”): for example, one Police college did not have buildings with an acquisition price of **CZK 145 million** and located on 15 building parcels listed on ownership deeds in the real estate register.
- In the audit No. **08/23**, the SAO found that one PFO of the Ministry of Culture (“MoC”) had not included a sum of **CZK 31 million** it had received as compensation for damages in its revenues for the tax year in question and, in contravention of Act No. 586/1992 Coll., on income tax, it had not taxed the received sum. In addition, shortcomings in the management of surplus and unusable inventories were found in two PFOs; one PFO was found to have wiped off part of a debt in contravention of the law.

One recurring finding is insufficient discharge of the function of founder of a state enterprise. The audit No. **08/21** found shortcomings in the founding deeds of state enterprises founded by the Ministry of Health (“MoH”), most notably an insufficient definition of assets, and a very lengthy approval process for the sale of surplus assets.

Discharge of the function of founder of a PFO was also inadequate. The audit No. **08/28** found that MoEYS, as the founder of PFOs, did not assess and approve the depreciation plans of its controlled PFOs when specifying the level of contributions to their operations.

A very common cause of errors that the SAO found in its audits, including those audits whose audit conclusions were approved in 2009, was the underestimation of the importance of financial control and its effective organisation:

- In the audit No. **09/01**, the SAO found that MoI had performed ex-post audit at just one Police College of five in the audited period of 2007 and 2008. When scrutinising PFOs under the authority of MoEYS, the audit No. **08/28** found that, with the exception of one audited PFO, an internal audit department had not been set up in any of the audited organisations, nor had MoEYS compensated for this absence by its own regular audits.
- When performing the audit No. **09/06**, the SAO found shortcomings in the way the internal control system was set up in two audited OUS formed in 2007.

The performance audit No. **08/37** found fundamental systemic shortcomings in the expenditure of finances used for external consultancy services which were intended to make the central state administration more effective. The audited ministries used the outputs of the external consultancy services to achieve the defined goals in 11 cases out of 18, of which in six cases the goals were only partially achieved. The quantity of money spent on these 11 consultancy services constituted approximately 51% of the quantity of audited finances, i.e., approximately CZK 94 million. By the time the audit was completed, a state of affairs that would guarantee objective outputs and conditions for making central state administration more effective had not been attained.

2.2.3 Management of other finances

Two audits scrutinising the management of other finances were completed in 2009. One focused on state budget funds provided to churches and religious societies (audit No. **08/20**) and the other on finances collected by law by the Military Health Insurance Company of the Czech Republic (audit No. **08/36**):

- In the audit No. **08/20**, the SAO found that the various types of payment provided to churches and religious societies from the state budget are performed on the basis of Act No. 218/1949 Coll., on the economic provision for churches and religious societies by the state, which is terminologically and materially out of line with Acts on the state budget. This Act does not categorically define what costs can be paid out of state finances.
- The audit No. **08/36** found that the Military Health Insurance Company of the Czech Republic (“MHIC”) made payments for provided healthcare duly and in time. However, when concluding contracts with medical facilities, it did not rigorously respect the MoH’s applicable decrees and in a number of cases failed to make sure that the contracts contained the necessary information on apparatus and staffing. The MHIC performed minimal on-the-spot inspections of medical facilities.

2.3 Important investment programmes and actions

Investment programmes and actions are an important area not just in terms of volume and scope; their all-society impact is also important. Nine audits were performed in this area, focusing on the most significant expenditure in the following fields:

- transport infrastructure (audit No. **08/19** – waterways; audit No. **08/26** – preparation of a road link from Brno to Vienna; audit No. **08/27** – repairs and maintenance of roads);
- environmental infrastructure co-financed from EU funds and national funds (audit No. **08/22** – purity of waste water; with regard to the nature of the findings this audit is included in section 2.4 of this Annual Report);
- financially significant ISPROFIN programmes and projects (audit No. **08/17** – environment-friendly destruction of ammunition; audit No. **08/29** – support for industrial zones; audit No. **08/32** – development of a clinical centre in Brno; audit No. **08/33** – construction of a university campus in Brno; audit No. **09/02** – acquisition of fixed assets from programmes under the authority of MoLSA).

In the past, the SAO repeatedly draw attention to the absence or insufficient preparation of long-term strategic and conceptual documents, the failure to ensure optimal allocation of public funds, the absence of priorities, and the insufficient assessment of progress in achieving strategic and conceptual goals. These facts had a negative impact on the economy, efficiency, and effectiveness of expenditures. This was also the case in audits whose audit conclusions were approved in 2009. Regarding investments in transport infrastructure, for example, the SAO found the following shortcomings:

- in conceptual documents on the development and modernisation of the Elbe Waterway, the Ministry of Transport (“MoT”) did not formulate a comprehensive definition of the technical, temporal, and financial conditions for attaining the desired state and failed to prove credibly the need for investments to complete the Elbe Waterway (audit No. **08/19**). The deadline for completing the Elbe Waterway was gradually postponed by more than 10 years. The fact that the Directorate of Waterways of the Czech Republic had failed to prepare a technical solution resulted in an increase in the envisaged costs. In the case of the action entitled *Reconstruction of a Railway Bridge in Kolín*, for example, this fact led to the planned costs being increased by 366% to **CZK 915 million** and completion of the building work being postponed by at least two years. After discussing the audit conclusion from this audit, the Committee on Budgetary Control of the Chamber of Deputies (“CBC”) requested the Transport Minister to submit to the CBC the current concept of the strategic development and modernisation of waterways and ports, including proposals for executive and legislative measures to implement it.
- MoT did not convincingly demonstrate the priority of the construction of the Brno-Vienna road link (R52) from the point of view of the national or international need for the development of transport infrastructure (audit No. **08/26**). It did not perform an analysis of the risks of the plan to build this high-speed road and did not respect the differing opinions of other bodies of state administration or of the expert and lay public. The objective of building the R52 did not satisfy most of the requirements placed on the Trans-European Networks by the European Union (“EU”). Failure to respect the principles of social effectiveness and the letter and the spirit of the EU poses a serious threat to EU co-funding expected to be worth of **CZK 7,000 million**. Allocating public funds to this investment is a risky step at present

In some cases, the SAO found that Ministries, in their capacity as the programme administrators, had failed to formulate a satisfactory definition of the programmes' technical, temporal and financial parameters. That has negative consequences when evaluating the need for investments and the programmes' socio-economic benefits; it increases financial requirements and delays completion of the programmes or even causes programmes to be suspended. For example, the SAO found the following in audits whose audit conclusions were approved in 2009:

- Implementation of the MoT programme for repairs of 1st class roads and motorways has not commenced because of a lack of funds and repairs to certain sections of roads have been deferred by several years (audit No. **08/27**). In the audited period of 2006 to 2008, the planned repair costs were increased by 18%, i.e., by approximately **CZK 1,456 million**. The planned completion deadline was not met in 69% of actions. In 2007, MoT changed the maintenance way of 1st class roads; it is organised without performing a prior assessment of the benefit of the change compared to the previous method. Assessment of the unit prices of the work in question revealed that the altered method of organising maintenance is more expensive - by **CZK 296 million** per annum. In seven cases, uneconomical expenditure on maintenance totalling **CZK 22.4 million** was found. This audit also drew attention to the different programme financing rules for actions financed from state funds and for those financed from the state budget.
- MoIT in its documents repeatedly assessed programmes of support for the development of industrial zones and regeneration of sites and buildings for subsequent industrial and commercial use as highly effective and bringing multiplier effects. However, it has failed to produce a credible evaluation so far, enumerating all the related costs and objectively documenting the enumeration of benefits, even though the Government instructed it do so (audit No. **08/29**). The evaluation of the effect of support drawn up by the agency CzechInvest was insufficiently conclusive and was based on unverified and inaccurate data. The documentation of programmes contained shortcomings, including arithmetic errors.

Despite the fact that the SAO had recommended in previous audits of the same focus that conclusive analyses of the effectiveness of the development of industrial zones should be drawn up, it took the Czech Government until 2009 to instruct MoIT to inform it about the implementation of the adopted remedial measures, including measures for drawing up this analysis (with a deadline of June 2010).

The SAO often states in its audit conclusions that programme administrators approve certain actions that lack proper documentation or are insufficiently prepared (e.g., they do not prove the need for investment or the socio-economic benefit or contain non-objective calculations). That has a negative impact on changes to the parameters of actions during preparations for their implementation, increasing costs and diminishing the economy of the action and the programme as a whole. The following findings were made in audits whose audit conclusions were approved in 2009:

- In the case of an action to develop the International Clinical Research Centre in Brno, MoH decided to make a fundamental change to the concept of the construction work at a time when the site was being prepared according to the original Government-approved plan. The change to the plan and to the binding parameters necessitated an increase in finances of **CZK 654 million**, i.e., almost 50%, and the completion deadline was postponed by two years (audit No. **08/32**).
- MoLSA arranged the preparation and implementation of programmes to acquire real property in a way that merely formally conformed to the programme financing rules. In fact, it failed to create a set of conclusive technical, temporal, and financial conditions that would serve as an objective basis for assessing the achievement of the defined goals and the economy, efficiency, and effectiveness of expenditure on the programmes (audit No. **09/02**).

2.4 EU funds and other foreign financial instruments

One audit scrutinising the area of management of EU funds and other foreign financial instruments was completed in 2009. The audit dealt with the Common Agricultural Policy (audit No. **08/25**). Some of the audits performed by the SAO did not primarily focus on the set-up and working of the system for implementing EU funds but on the achievement of programme financing goals and verifying whether the defined parameters of investment projects co-financed out of EU funds were achieved. Above all, these were an audit of financing for the completion of waste water treatment plans (audit No. **08/22**) and audits Nos. **08/26**, **08/27**, **08/29**, **08/33**, and **08/38**.

The audit No. **08/25** examined whether funds of the state budget and the EU in LEADER+ sub-measure and LEADER measure were provided and used in conformity with the defined rules and conditions⁵:

- The SAO found that funds of the state budget and the EU were in principle provided and used in conformity with the defined rules and that the system for providing these finances is functional. Nevertheless, the SAO's audit uncovered certain shortcomings, e.g., MoA did not specify or create additional monitoring indicators as the programme annex instructed it to. In some projects under which investments were made the State Agricultural Intervention Fund did not define a minimal time limit for tying these investments to a specific purpose in the *financial assistance provision conditions*. Certain irregularities were also found in book-keeping on expenditure related to implementation of the projects.
- The SAO recommended specifying a time limit for processing applications for the payment of project expenditure and, in the case of acquisition of fixed assets, specifying for the financial assistance beneficiaries a time limit for tying the investments to a specific purpose in order to ensure that these assets continue to be used. Based on the results of the audit, the Government instructed the Agriculture Minister to apply experience with implementation of LEADER+ sub-measure in the 2004-2006 programming period when implementing LEADER measure in the 2007-2013 programming period, and to do so in line with the SAO's recommendations.

With regard to drawing EU funds, the SAO has repeatedly pointed out significant risks it has identified in the implementation of the Council directive concerning urban waste water treatment⁶ and the financing of projects that deal with waste water treatment and are co-financed by the EU. The audit No. **08/22** found the following:

- Some contracts concluded between the owner and operator of infrastructure do not meet the standards of international best practice. Consequently, EU funds cannot be drawn for these projects (e.g., for the construction of waste water treatment plants in Prague with investment costs of **CZK 12,115 million**), or these finances may only be drawn to a limited extent. The audit results show clearly that the Czech Republic does not fulfil the obligations stemming from the Council directive concerning urban waste water treatment. Extending the transitional period for implementing the directive is unrealistic and failure to meet the deadline is linked to penalties the EU authorities can impose on the Czech Republic. These risks had already been highlighted by audit No. 06/31 (audit conclusion published in Issue 3/2007 of the *SAO Bulletin*).
- Some shortcomings in the exercise of control were found in individual entities in the implementation structure of the *Cohesion Fund* and the *Infrastructure* operational programme (Ministry for Regional Development, MoE, and the State Environmental Fund). In addition, shortcomings in the awarding and implementation of public contracts and in the conclusion and implementation of contractual relations were found when the implementation of projects was being scrutinised at subsidy beneficiaries.
- Shortcomings were also found in the exercise of financial control. The audit showed the need for an amendment to Act No. 320/2001 Coll., on financial control in public administration and amending certain acts (Act on Financial Control), as the current form of the Act does not contain specific rules on the delegation of powers with regard to control of EU finances that correspond sufficiently to the requirements of the EU legislation. This finding is consistent with similar findings from the audit No. **08/06** – *Financial means from the operational programme for Human Resources Development allotted for active employment policy* (audit conclusion published in Issue 1/2009 of the *SAO Bulletin*). This audit found, among other things, shortcomings with regard to the award of public contracts. In connection with the audit No. **08/06**, the European Commission demanded that MoLSA present to it the SAO's audit protocol and subsequently demanded that MoLSA submit an action plan to eliminate the identified shortcomings.

2.5 Audit of the closing accounts of state budget headings

In line with the SAO's audit strategy, financial audits seek to verify the reliability of data in the financial statements and closing accounts of the most significant state budget headings every year. After aggregation,

⁵ Support for the LEADER initiative provided in the 2004-2006 programming period in the context of structural measures under the operational programme *Rural Development and Multifunctional Agriculture* and in the 2007-2013 programming period as a part of the Common Agricultural Policy under the *Rural Development Programme of the Czech Republic for the years 2007-2013*

⁶ Council Directive 91/271/EEC concerning urban waste water treatment of 21 May 1991 sets out requirements for the quality of urban waste water before it is discharged into receiving waters; EU Member States are obliged to meet these requirements, the Czech Republic by 31 December 2010.

the identified shortcomings (deviations from the relevant regulations and other shortcomings arising when compiling financial statements) that can be enumerated are compared with the significance level⁷. If the total volume of the quantifiable shortcomings is greater than the specified significance level, the financial statements do not give a true and fair view of the subject of the accounts and are therefore not a reliable basis for compiling the state budget heading's closing account.

As part of the audits listed below, audits focused on assets and finances mentioned in the auditees' financial statements for the period under scrutiny. The total level of assets was CZK 40,481 million; total revenues were CZK 38,860 million; and total expenditure was CZK 204,791 million.

Four audits of the closing accounts of state budget headings were completed in 2009. The following were scrutinised: the closing account of the "Energy Regulatory Office" heading for 2007 (audit No. **08/24**); the closing accounts of the "Ministry of Labour and Social Affairs" heading for 2008 (audit No. **09/05**); the closing accounts of the "Ministry of Education, Youth and Sports" heading for 2008 (audit No. **09/07**); and the closing accounts of the "Ministry of Agriculture" heading for 2008 (audit No. **09/08**).

The audits repeatedly identified circumstances testifying to serious shortcomings in the documentation on which the closing accounts of state budget headings are based. In the years under scrutiny, some auditees did not keep complete and correct accounts or conclusive accounts, in contravention of Act No. 563/1991 Coll., on accounting. For example:

- MoLSA incorrectly accounted for the existence of liabilities totalling **CZK 2,669 million** from projects co-financed by the European Social Fund (audit No. **09/05**).
- MoLSA did not account for movements and the balance of finances (in particular received dividends) in an account with a bank in the Federal Republic of Germany and thus understated the reported value of finances in current accounts by **CZK 407 million** (audit No. **09/05**).
- MoA incorrectly reported its 100% ownership interest in a commercial company, giving it a book value **CZK 499 million** higher.
- MoA made errors of **CZK 224 million** and **CZK 389 million** in its accounting for provided repayable financial assistance and provided subsidy respectively (audit No. **09/08**).
- Stock-taking of all assets and liabilities as required by law was not performed (audits Nos. **09/05**, **09/07**, **09/08**).

In all the scrutinised cases, the auditees did not introduce an internal control system that would in time identify, evaluate, and minimise all the risks associated with the activities forming the subject of the accounts.

The SAO also found infringements of the laws and regulations governing the auditees' financial management:

- MoLSA breached budgetary discipline by not paying revenues of **CZK 426 million** from dividends into the revenue account of the state budget by the deadline (audit No. **09/05**).
- MoA failed to ensure that the state's rights – in the sum of **CZK 25 million** owed to the state by a commercial company – were not forfeited (audit No. **09/08**).

The systematic performance of financial audits helps ensure that accounting regulations are correctly applied, thereby achieving the SAO's objective of promoting good accounting practice. At the same time, audit conclusions draw attention to cases where the accounting regulations are not absolutely clear on specific points. In 2009, the SAO again dealt with the issue of the state's ownership interests (audit No. **09/05**) and stated that book-keeping and reporting of the state's ownership interests requires comprehensive legislation and that regulations governing accounting are insufficient and ambiguous in this area.

The SAO found that MoLSA's and MoA's financial statements for 2008 did not give a true and fair view of the subject of the accounts as required by the Act on accounting and the relevant regulations. They were therefore not a reliable basis on which to compile the closing accounts of the "Ministry of Labour and Social Affairs and Ministry of Agriculture" headings for 2008 (audits Nos. **09/05** and **09/08**). Previous audits revealed that MoLSA's financial statements were not a reliable basis on which to compile this heading's closing accounts in

7

In line with the INTOSAI recommendations, the maximum permissible ratio of bad evidence that the users of reports can treat as still acceptable tends to be defined as 0.5-2% of the value that best represents the scope of the given accounting unit's financial activity.

the audited years 2006 and 2007 either (audit No. 07/13, audit conclusion published in Issue 1/2008 of the *SAO Bulletin*; audit No. 08/13, audit conclusion published in Issue 4/2008 of the *SAO Bulletin*).

The facts described above show clearly that insufficient attention is paid to the area of accounting in state administration and that accounting is still not generally viewed as a way of safeguarding assets and as a source of sound information for correct decision-making and subsequently for good financial management as well. The completed audits bring to light recurring shortcomings, mainly in the field of stock-taking of assets and liabilities and correct and complete book-keeping. The auditees' remedial measures have not been yet sufficiently effective to prevent these shortcomings being repeated.

2.6 Opinions regarding the interim report on implementation of the state budget and the draft state closing account

Based on the findings of its audit and analytical work, the SAO submitted to the Chamber of Deputies its opinion on the draft *State Closing account of the Czech Republic for 2008* and its opinion on the *Report on Implementation of the State Budget Process for the 1st Half of 2009*⁸.

The opinion on the draft of the state closing account of the Czech Republic focused on, among other things, an assessment of the closing accounts of budget headings. The most serious recurring shortcoming found by SAO's audits is the facts that to a substantial extent heading administrators do not concentrate on assessing the outputs (effects) of activities and programmes financed by the state budget. The SAO also drew attention to failures to respect the scope and structure of the proposed closing accounts of state budget headings when they are compiled according to the applicable legislation⁹.

In its opinion on the *Report on Implementation of the State Budget of the Czech Republic for the 1st Half of 2009*, the SAO drew attention to the negative tendencies in the implementation of the state budget, heightened by impacts of the economic crisis, and to the non-existence of systemic measures that would bring savings on the expenditure side of the state budget given the expected sharp fall in budget revenues. The SAO stated that the failure to give a more detailed outlook for the implementation of the state budget up to the end of the year and to include steps to ensure stable budget management were some of the shortcomings of the *Report on Implementation of the State Budget of the Czech Republic for the 1st Half of 2009*.

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

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

The SAO's Annual Report for 2008 was discussed by the Chamber of Deputies' CBC at its 41st session on 15 April 2009. The Committee adopted resolution No. 310 on the Annual Report. On 22 April 2009 the Annual Report was also discussed by the Committee on National Economy, Agriculture and Transport of the Senate, which adopted resolution No. 109 on it. The Annual Report was also discussed in the Senate's 6th plenary session on 6 May 2009. The Senate adopted resolution No. 155 on the Annual Report.

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

In 2009, CBC discussed a total of 29 SAO's audit conclusions and one information material on the implementation of remedial measures regarding heavy heating oil adopted on the basis of the audit conclusion from the audit No. 06/04 (audit conclusion published in Issue 4/2006 of the *SAO Bulletin*). Audit conclusions are usually discussed by the CBC in the presence of the SAO President or Vice-President, the SAO Member who managed the audit in question, and representatives of the auditees. For every audit conclusion, the CBC adopts a resolution acknowledging the audit conclusion in question. If an audit conclusion has already been

⁸ The SAO submits these opinions under the terms of Section 5 of Act No. 166/1993 Coll., on the Supreme Audit Office.

⁹ Decree No. 419/2001, on the extent, structure and deadlines relating to data submitted for compiling the draft state closing account and on the extent, structure and deadlines for compiling the draft closing accounts of relevant state budget headings.

discussed by the Czech Government, the CBC acknowledges both the audit conclusion in question and the opinion of the concerned Government department on the audit conclusion. Resolutions often declare the identified shortcomings and simultaneously demand the Government or the Ministry or Minister in question to remedy the state of affairs or, if appropriate, to submit additional materials (concepts, reports, list of remedial measures, etc.). An overview of audit conclusions discussed by the CBC in 2009 and a summary of the resolutions adopted is given in Appendix 3 to this Annual Report.

The Czech Government discusses all audit conclusions. Audit conclusions are sent to the Prime Minister, who passes them on to the concerned Ministry for an opinion. Then the audit conclusion and Ministry's opinion are discussed at a session of the Government in the presence of the SAO President. In 2009, the Government discussed 36 SAO's audit conclusions. It adopted a resolution acknowledging each audit conclusion as well as the opinion of or information provided by the Ministry concerned. In most cases, these resolutions have a section issuing instructions; there is often also a deadline by which the concerned Minister must inform the Government about the implementation of remedial measures. An overview of audit conclusions discussed by the Government in 2009 and a summary of the measures imposed is given in Appendix 4 to this Annual Report.

2.8 Cooperation with law enforcement authorities

In 2009, the SAO lodged a criminal complaint under Section 8 (1) of the Criminal Code¹⁰ indicating criminal wrongdoing. It did so on the basis of the findings of the audit No. **07/27** dealing with state budget funds provided in connection with the staging of the Nordic World Ski Championship in the Czech Republic in 2009. The facts mentioned in the complaint indicated that the crimes of credit fraud, breach of binding rules of economic commerce, fraud, and possibly breach of trust were committed. This complaint is currently being investigated by the law enforcement authorities.

The criminal complaint lodged in 2008 in connection with the audit No. 07/13 was lied down by a body of the Police of the Czech Republic on the grounds that the suspicion that a crime had been committed was not confirmed. Investigations into two other criminal complaints are still ongoing. The law enforcement authorities requested the SAO's cooperation in nine cases in 2009. In response to their requests, the SAO provided them with audit materials from ten audits and the SAO President, acting pursuant to Section 23 of the Act on the SAO, lifted the ban on disclosure on one employee on the grounds of important state interest.

¹⁰ Act No. 141/1961 Coll., on criminal judicial proceedings (the Criminal Code).

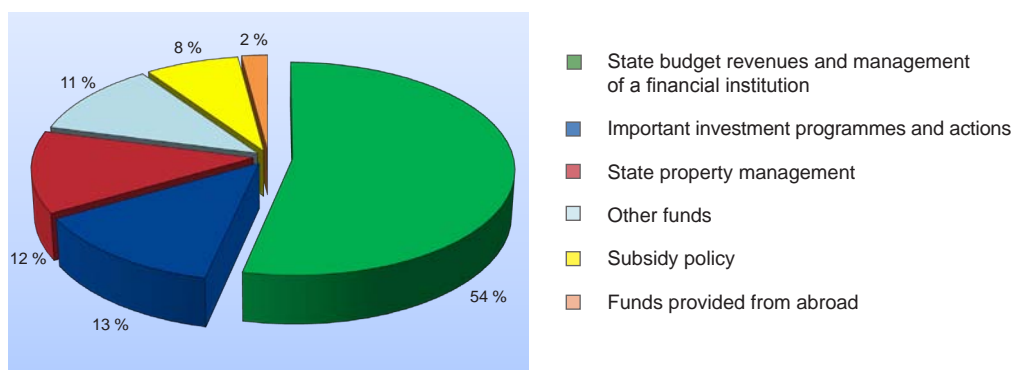
III. Financial evaluation of audit work

1. Summary financial evaluation of audits

Every year, the summary financial evaluation of audits is expressed by means of an indicator of the volume of audited state finances and assets. This indicator provides information about the total extent of audited items of state budget revenue and expenditure, state assets, EU finances and other funds. It is influenced by, among other things, the number of audits undertaken and the subject and scale of the audits.

The audits whose audit conclusions were approved in 2009 scrutinised funds and assets worth a total of **CZK 113,585 million**. That figure does not include audits examining the closing accounts of the state budget. It also does not include the finances mentioned in long-term and strategic conceptual materials or the total finances of programmes whose management by the administrators of the relevant budget heading or intermediaries was scrutinised. The structure of the total volume of finances and assets scrutinised in the audits is shown in Graph 3. The audited funds and assets in individual audits were aggregated by the different areas of focus of SAO's audits, which are set out in the previous sections of this Annual Report.

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



The biggest share of the audited volume of funds and assets was taken by the Czech Consolidation Agency audit carried out in connection with the winding up of this financial institution (audit No. **08/31**; audited volume **CZK 58,676 million**).

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

Based on its audit findings, the SAO, where justified, discharged its notification duty in respect of territorial financial authorities pursuant to Act No. 337/1992 Coll., on the administration of taxes and charges.

Under its duty to notify the relevant financial authorities, 19 notifications concerning total finances of **CZK 523 million** were sent in 2009, based on the results of 13 audits.

IV. Evaluation of other activities

1. Other SAO's activities related to audit work

Section 6 of the Act on the SAO provides that both chambers of the Czech Parliament and their bodies are authorised to request the SAO's opinions on draft legislation concerning budget management, accounting, state statistics, and the performance of control, supervisory, and inspection activities. In 2009, the SAO responded to a question from the CBC of the Chamber of Deputies about whether the changes contained in a draft amendment of the Act on support for research and development were consistent with the comments raised by the audit No. 08/03 – *Financial means of the state budget heading "Ministry of Education, Youth and Sports" allotted for research and development*. The SAO stated in its opinion that the amendment of the fundamental piece of legislation on support for research, development, and innovation would put in place the right conditions to eliminate the most serious shortcomings which were identified by the SAO audit and which could be addressed by generally binding legal regulations.

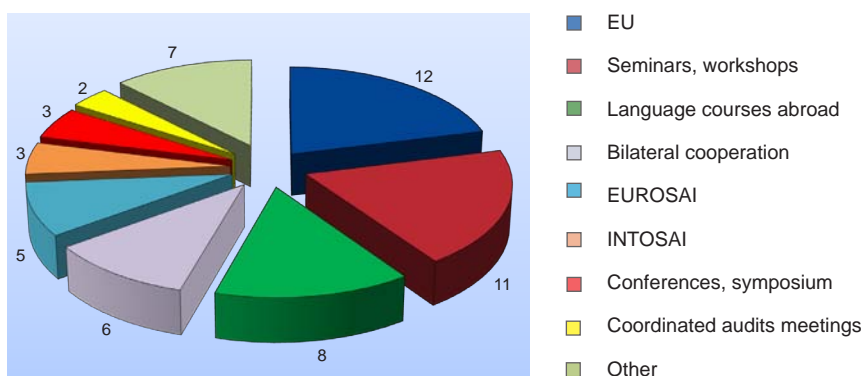
In an inter-departmental comment process conducted pursuant to the *Government's Legislative Rules*, the SAO gives its opinion on draft legislation that concerns it as an organisational unit of the state or fall within its competence. In 2009, the SAO received a total of 152 legislative drafts for appraisal. The findings the SAO gained from its audits were used, for example, in the comments it formulated on draft regulations implementing the Act on accounting related to the introduction of state accounting from 1 January 2010. The SAO presented specific comments on 33 drafts in total.

2. International cooperation

International cooperation in 2009 concentrated mainly on bilateral cooperation and activities within the EU.

SAO representatives took part in a total of 57 events in foreign countries. These were mainly events related to the Czech Republic's membership of the EU; a wide variety of expert seminars, workshops and meetings of working groups focusing on audit issues (principally the environment, structural funds, international audit standards, public procurements, the EU's financial management, VAT, and information technologies); and also events associated with participation in the Audit Board of the European Organisation for the Safety of Air Navigation. A number of SAO representatives took the opportunity to improve their language skills abroad. Graph 4 provides an overview of foreign business trips.

Graph 4: Number of foreign business trips by SAO representatives in 2009



Two significant international events were a meeting of the Presidents of the Supreme Audit Institutions (“SAIs”) of Visegrad 4 Countries (the Czech Republic, Hungary, Poland, and Slovakia), Austria, and Slovenia (V4+2), which was held in the Polish town of Zakopane in autumn 2009, and a meeting of the Contact Committee of the Heads of the SAIs of the EU Member States and of the European Court of Auditors (“ECA”), held in Budapest in December 2009. The principal topics on the agenda were the SAIs’ role in connection with measures adopted in response to the financial and economic crisis and SAIs’ independence.



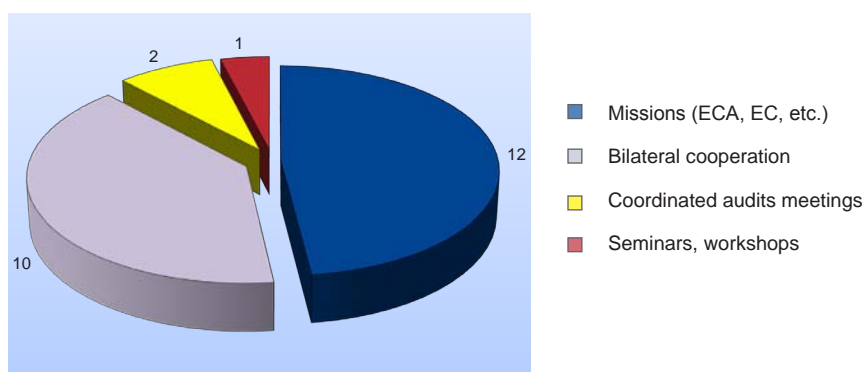
Meeting of V4+2 representatives



Meeting of the Contact Committee

The SAO organised a total of 25 international events in the Czech Republic in 2009. Graph 5 displays the focus on the international events. One key event was the EUROSAI¹¹ seminar focused on experience with the implementation and development of performance audit in response to new challenges and changes in the environment. The seminar took place in Prague in April; its two plenary sessions and four workshops were attended by a total of 80 representatives from 26 SAIs and the ECA. The primary goal was to facilitate the exchange of information about trends in performance audit and to present the practical experiences of SAIs that have f conducted performance auditor long.

Graph 5: Number and focus of international events organised by the SAO in the Czech Republic in 2009



11 European Organisation of Supreme Audit Institutions



Participants of the performance audit seminar



Traditionally, the SAO prepared a presentation of its work intended for the ambassadors of the EU countries in the Czech Republic. As a part of bilateral cooperation, the President of the SAI of Slovakia and the Auditor General of Vietnam visited the SAO; also, meetings with experts from the SAIs of Germany, Slovakia, and China took place. In addition, work went ahead on a project of the INTOSAI Working Group on Environmental Auditing called *Sustainable Energy*. Information about the project can be found on the SAO's web site.

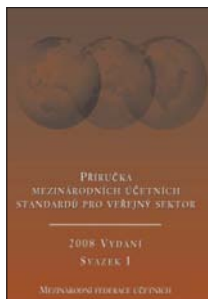
Other events in 2009 included four audit missions undertaken by the ECA and four audit missions by the European Commission, where SAO representatives took part in as observers. A coordinated audit of VAT administration is currently taking place in cooperation with the German SAI.

3. SAO activities in respect of the public

3.1 Publishing activities



The **SAO Bulletin** (Volume XVII) was published in four quarterly Issues appearing at the end of each calendar quarter. A total of 33 audit conclusions, the Annual Report for 2008, amendments and changes to the Audit Plan, and the Audit Plan for 2010 were published in these Issues. The outputs of individual audits were also regularly published on the SAO web site.



In March 2009, the SAO published a translation of the **2008 Handbook of International Public Sector Accounting Pronouncements**. This handbook brings together background information about the International Federation of Accountants (IFAC) and the currently effective pronouncements issued by IFAC for the public sector as of 15 February 2008. The publication is accessible to the public on the SAO's web site.



For the second year running, the SAO issued a publication entitled **EU Report 2009 – Report on EU Financial Management in the Czech Republic** in May 2009. Unlike the first edition, which contained information on the years 2004 to 2007, the EU Report 2009 contains information related to 2008 mainly. Besides information on the drawdown of finances and a comparison of available audits, it draws attention to current trends in financial management and the possibilities for further development and presents the basic characteristics of the protection of the EU's financial interests. The information was drawn from the SAO's and ECA's conclusions and also from other publicly accessible sources. Cooperation with the Ministry of Finance was also used to obtain information at a national level.

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

In 2009, the SAO received a total of 27 requests for information under the terms of Act No. 106/1999 Coll. In compliance with the Act, the requests were responded to by the full provision of the requested information (14 requests), the partial rejection of the requests (three requests), or by laying down the requests on the grounds they were outside the SAO's competence (10 requests); in the latter case, the applicants were given recommendations how to proceed in the matter.

In one case, a complaint was filed against the partial refusal to provide information. The complaint was rejected; the applicant lodged an appeal, which was also rejected. The partial refusal to provide information was justified in accordance with the Act (protection of a person's personality and privacy).

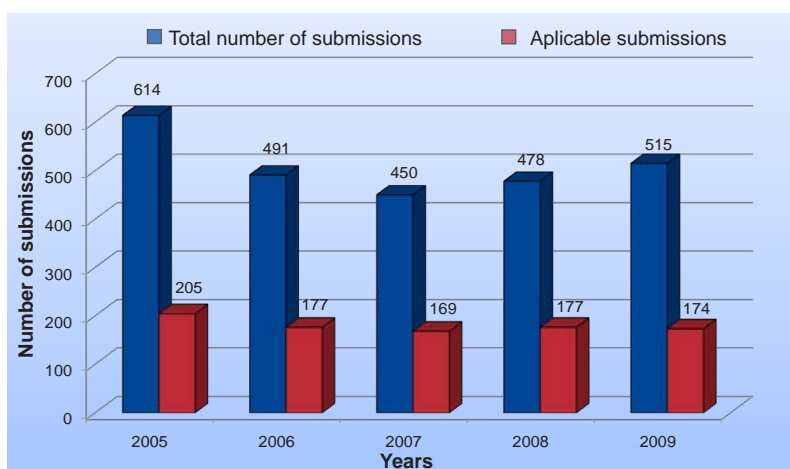
As in 2008, the SAO also received a number of requests for information by telephone; these were dealt with as they arose and the applicants did not demand that their requests be formally responded to as per the Act.

3.3 Submissions from citizens and institutions

The SAO received 515 written submissions in 2009 (requests, complaints, enquiries, etc.) from citizens and institutions, which was 7.7% more than in 2008. Besides the written submissions, numerous enquiries and complaints made by telephone and in person by citizens were also dealt with as they arose.

All received submissions are assessed from the point of view of whether they can be used in the SAO's audit work as an additional source of information when preparing suggestions for the Audit Plan or directly in ongoing audits. In 2009, the SAO received 174 submissions that could be used, i.e., 33.8% of the total number of recorded submissions. Graph 6 gives an overview of the number of submissions and their practical use for audit work.

Graph 6: Overview of the total number of submissions and their practical use for audits in the years 2005 to 2009



4. Management of finances allocated to the SAO budget heading in 2009

4.1 Implementation of the mandatory indicators of the SAO budget heading

The budget of the heading 381 "Supreme Audit Office" was approved by Act No. 475/2008 Coll., on the state budget of the Czech Republic for 2009. No budget measures adjusting the mandatory indicators of the approved budget were adopted in 2009.

Incomes

The SAO's own incomes were CZK 1,159.78 thousand, i.e., 205.63% as against the approved budget. Table 1 shows the incomes, including the transfer of extra-budgetary finances from the reserve fund.

Expenditures

Total expenditures excluding extra-budgetary funds amounted to CZK 562,424.01 thousand, i.e., 87.24% of the approved budget. The figure given in Table 1 includes the used extra-budgetary finances from the reserve fund.

The largest share is taken by expenditures on pay and related expenditures (61.85%), followed by expenditures on asset replacement programmes.

All the mandatory indicators of the SAO budget heading were complied with in 2009.

4.2 Expenditures on asset replacement programmes

Budget funds were allocated to the implementation of the Programme 281 010 – *Development and Renewal of the Material and Technological Resources of the Supreme Audit Office*, specifically, on information and communication technologies and replacement of assets. On top of extra-budgetary finances from the reserve fund, a total of CZK 54,316.58 thousand was spent.

Table 1: Implementation of mandatory indicators of the budget (incomes and expenditures) in 2009

(CZK thousand)

| Indicator | Approved budget | Implementation | Implementation (in %) |
|---|-----------------|----------------|-----------------------|
| Aggregate indicators: | | | |
| Total income | 564 | 33,220.95* | 5,890.24 |
| Total expenditure | 644,665 | 594,485.18* | 92.22 |
| Specific indicators: | | | |
| Incomes | 564 | 33,220.95* | 5,890.24 |
| Expenditure covering performance of the SAO tasks | 644,665 | 594,485.18* | 92.22 |
| of which: | | | |
| Reimbursement for expenses associated with the function | 4,262 | 2,779.66 | 65.22 |
| Non-investment transfers to international organisations | 150 | 105.14 | 70.09 |
| Other expenditures of the SAO | 640,253 | 591,600.38 | 92.40 |
| of which: use of the reserve fund | – | 32,061.17 | – |
| Cross-sectional indicators: | | | |
| Employees' pay and other payments for work done | 283,376 | 256,806.12 | 90.62 |
| Pay of employees with a fixed-duration or temporary employment contract | 259,767 | 239,417.89 | 92.17 |
| Mandatory insurance premiums paid by the employer | 96,348 | 86,276.11 | 89.55 |
| Transfer of the Cultural and Societal Needs Fund | 5,195 | 4,788.36 | 92.17 |
| Expenditures on the Programme 281 010 financing | 62,150 | 86,377.75* | 138.98 |

* Including the transfer of extra-budgetary funds amounting to CZK 32,061.17 thousand from the reserve fund. These funds were used for the implementation of actions that were not realized in the previous period.

4.3 Mandatory audit

The annual financial statements of the SAO were audited by an auditor in compliance with Section 33 (3) of Act No. 166/1993 Coll., on the Supreme Audit Office. In the auditor's opinion, *"the financial statements and financial reports give a true and fair view of the assets and liabilities as at 31.12.2009 and the revenues and expenditures of the Supreme Audit Office in 2009, in accordance with the Czech accounting regulations"*.

5. Internal audit

Work of the Internal Audit Department was based on Act No. 320/2001 Coll., on financial audit in public administration and on amendments to some acts (Financial Audit Act). The Internal Audit Plan for 2009 was based on the medium-term Internal Audit Plan that sets priorities and reflects the needs of the SAO from the viewpoint of its activities, objectives, and goals.

The internal audits did not raise any serious findings within the meaning of the provisions of Section 22 (6) of the Financial Audit Act. The SAO President set appropriate deadlines by which the responsible employees are to remedy any minor shortcomings identified in the course of the internal audits.

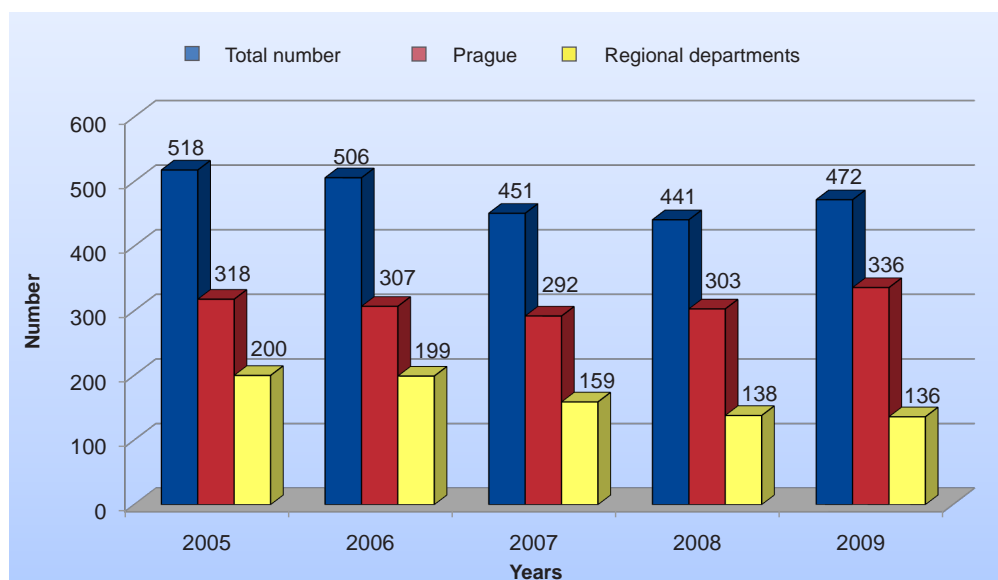
In line with the document called *International Standards for the Professional Practice of Internal Auditing*, a new risk analysis methodology was implemented and other changes were made in order to improve the effectiveness and quality of work in internal audit processes.

6. SAO staffing

As at 31 December 2009, the total SAO workforce was **472**, including 338 staff who were employed in the Audit Section; of these, 283 were auditors, 36 were senior auditors, and 19 were other staff.

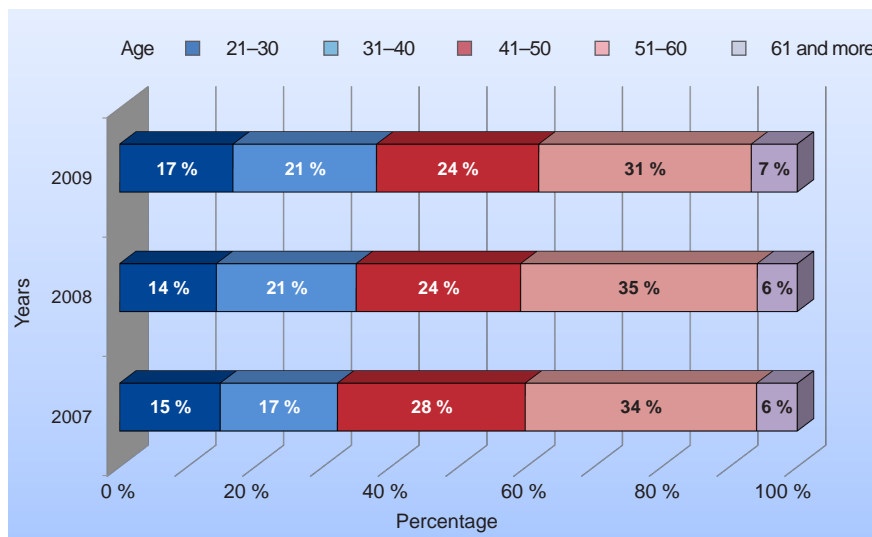
During 2009, 57 new employees were taken on and 31 ended their employment; nine of these (29%) went into retirement. 42 of the new staff joined the Audit Section. 18 of the employees who ended their employment in 2009 left the Audit Section.

Graph 7: Overview of the number of SAO employees in the 2005-2009 period (total number of employees as at 31 December of the given year)



The average age of SAO employees in 2009 was 45; that represented a slight fall in the average age compared to 2008.

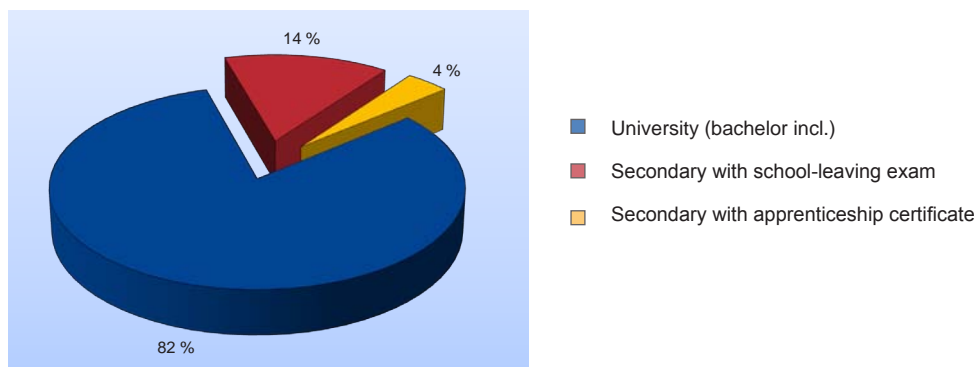
Graph 8: Overview of the age structure of SAO employees in the 2007-2009 period (total number of employees as at 31 December of the given year)



NB: The proportion of the under-20 age category is 0%.

There was little change in the structure of SAO staff in terms of educational attainment compared to 2008. A total of 385 employees, i.e., 82%, were university-educated as at 31 December 2009.

Graph 9: Overview of the structure of SAO employees by educational attainment as at 31.12.2009



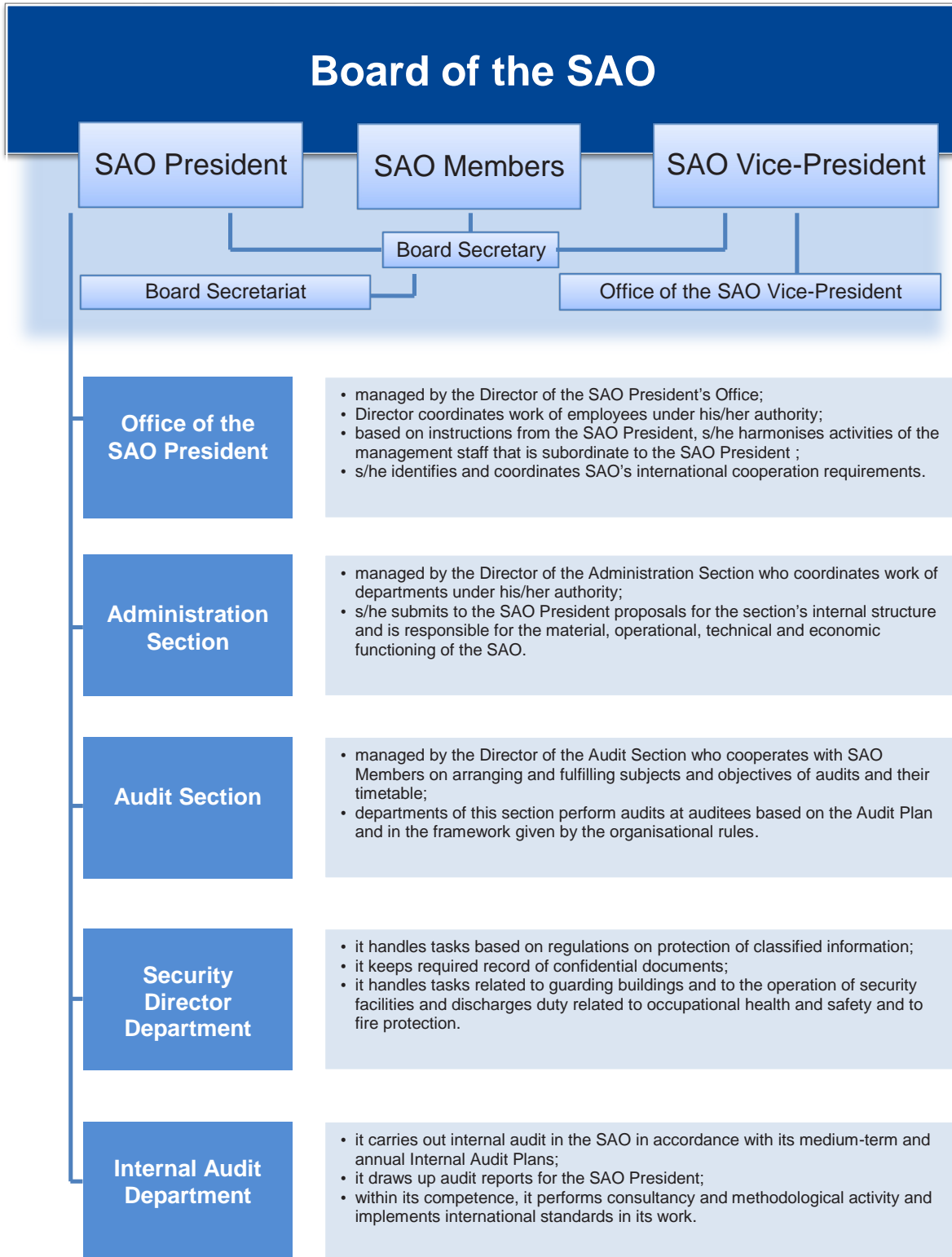
NB: The proportions of the "higher vocational", "secondary" and "basic" education categories are 0%.

As in previous years, the SAO's professional training focused mainly on improving the professional skills of the Audit Section staff in 2009.

Particular attention was paid to the initial training of new employees. 63 employees were included in the initial training programme in 2009. Initial training is divided into three levels and adapted to the needs of different areas of work. The first and second levels of this initial training end with a test; the third ends with a final examination.

Employees wishing to improve their language skills could make use of a motivational system for independent language study in 2009. As at 31 December 2009, 118 SAO employees had successfully taken one of the standardised language tests in the English, German or French language. That meant that 25% of all employees had attained a language skills level of at least B1 of the European Framework of Reference.

7. Organisational structure of the SAO



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

Conclusion

The SAO's long-term endeavour is to develop an effective system for the state's financial management. The aim is to ensure that the results of audits have positive effects both on the financial management itself and on the economical, efficient, and effective use of state funds and assets in order to achieve goals that are socially and economically justified.

The results of audits carried out in 2009 show clearly that systemic shortcomings persist, above all in the management of state assets, the financing of major investment programmes and actions, in subsidy policy and in the auditees' book-keeping. Again in 2009, the SAO repeatedly drew attention to the fact that some long-term strategic and conceptual documents either do not exist or are prepared insufficiently, which has had a negative impact on the economy, efficiency, and effectiveness with which public funds are spent. Another serious shortcoming in the SAO's view is the fact that the administrators of budget headings do not specify the relevant programme parameters in sufficient detail and that they do not evaluate the outputs (effects) of activities and programmes financed out the state budget in many cases. In addition, the SAO draws attention to serious risks that indicate a threat to the drawdown of EU funds earmarked for co-financing major investment events and programmes.

Although auditees have adopted systemic measures to remedy the identified shortcomings, these measures are not effective enough to prevent them being repeated. This state of affairs is documented by the fact, for example, that in three consecutive years the Ministry of Labour and Social Affairs' financial statements did not give a true and fair view of the accounts' subject matter. It is therefore necessary for auditees to ensure that their internal control system works effectively, with the emphasis on rigorous compliance with the law.

The results of audits have also shown that some legislation needs amending. The SAO repeatedly recommends that there should be systemic amendment of the rules for financing programmes through state funds – at present, such financing is not bound by the Act on Budget Rules. In addition, Act No. 218/1949 Coll., on the economic provision for churches and religious societies by the state, requires amending so that the terminological and material discrepancies with the Acts on the state budget are eliminated.

In line with the Audit Plan, the SAO will continue to scrutinise significant investment expenditure in the state budget, EU funds, and extra-budgetary finances of state funds in 2010. Moreover, subsidy provided in the context of selected mandatory indicators laid down by the State Budget Act will be subject to scrutiny. Following the entry into effect of the amendment of Act No. 563/1991 Coll., on accounting, on 1 January 2010, scrutiny of the closing accounts of budget headings will pay increased attention to both the application of the new accounting rules by auditees and to assessing the completeness and correctness of accounts compiled under the new rules applicable in 2010.

| Audits included in the Audit Plan for 2009 | | | | | | | |
|--|---|--------------------|--|---|-----------------------|-------------------------|----------------|
| Audit No. | Subject of audit | Start (month/year) | AC submitted for approval (month/year) | Audited area | Heading administrator | AC drawn up by a Member | AC approved by |
| 09/01 | State property under the management of the Police Academies of the Ministry of Interior | 01/09 | 06/09 | State property management | MoI | Mr Zeman | SAO Board |
| 09/02 | Funds earmarked for financing selected programmes that are in the competence of the Ministry of Labour and Social Affairs | 01/09 | 11/09 | Important investment programmes and actions | MoLSA | Mr Adámek | SAO Board |
| 09/03 | Subsidies from the state budget provided to regional social services providers through budgets of regions | 01/09 | 11/09 | Subsidy policy of the state | MoLSA | Mrs Hošková | SAO Board |
| 09/04 | State property and funds earmarked for operations of veterinary administrations and institutions | 02/09 | 12/09 | Management | MoA | Mr Kalivoda | SAO Board |
| 09/05 | Closing account of the state budget heading "Ministry of Labour and Social Affairs" for the year 2008 | 02/09 | 09/09 | Closing accounts of SB headings | MoLSA | Mr Vedral | SAO Board |
| 09/06 | State property under the management of the government agencies and organizations co-funded from the state budget that were established in the years 2007 and 2008 | 02/09 | 08/09 | State property management | MoFA, MoEYS, ISTR | Mrs Profeldová | SAO Board |
| 09/07 | Closing account of the state budget heading "Ministry of Education, Youth and Sports" for the year 2008 | 03/09 | 10/09 | Closing accounts of SB headings | MoEYS | Mrs Steidlová | SAO Board |
| 09/08 | Closing account of the state budget heading "Ministry of Agriculture" for the year 2008 | 03/09 | 11/09 | Closing accounts of SB headings | MoA | Mrs Steidlová | SAO Board |

| Audits included in the Audit Plan for 2009 | | | | | | | |
|--|--|--------------------|--|---|-----------------------|-------------------------|----------------|
| Audit No. | Subject of audit | Start (month/year) | AC submitted for approval (month/year) | Audited area | Heading administrator | AC drawn up by a Member | AC approved by |
| 09/09 | Funds earmarked for implementation of the Single Programming Document for Objective 2 for the Prague Cohesion Region | 03/09 | 02/10 | EU funds | MfRD | Mrs Hošková | SAO Board |
| 09/10 | State property and funds allotted for operations of district courts and courts with competences of district courts | 03/09 | 12/09 | State property management | MoJ | Mr Brandt | SAO Board |
| 09/11 | Administration of the Value Added Tax | 05/09 | 04/10 | SB revenues | MoF | Mr Kalivoda | SAO Board |
| 09/12 | Support for fisheries in the Czech Republic in accordance with Operational Programmes in 2004–2008 | 04/09 | 03/10 | EU funds | MoA | Mr Vedral | SAO Board |
| 09/13 | State property under the management of the Ministry of Finance | 05/09 | 02/10 | State property management | MoF | Mrs Steidlová | SAO Board |
| 09/14 | State property under the management of the Ministry of Foreign Affairs | 05/09 | 02/10 | State property management | MoFA | Mr Macháček | SAO Board |
| 09/15 | Funds and state property under the management of the Radioactive Waste Repository Authority | 05/09 | 02/10 | State property management | MoIT | Mrs Kadaňová | SAO Board |
| 09/16 | Funds earmarked for building the D47 motorway "Lipník nad Bečvou – state border with Poland" | 06/09 | 04/10 | Important investment programmes and actions | MoT | Mr Skála | SAO Board |
| 09/17 | Funds earmarked for building and reconstruction of administrative facilities of the Ministry of Defence | 06/09 | 03/10 | Important investment programmes and actions | MoI | Mr Němeček | SAO Board |
| 09/18 | Funds earmarked for rehabilitation of old environmental burdens | 06/09 | 04/10 | Important investment programmes and actions | MoF, MoE | Mr Kalivoda | SAO Board |

Audits included in the Audit Plan for 2009

| Audit No. | Subject of audit | Start (month/year) | AC submitted for approval (month/year) | Audited area | Heading administrator | AC drawn up by a Member | AC approved by |
|------------------|--|---------------------------|---|---|------------------------------|--------------------------------|-----------------------|
| 09/19 | Funds earmarked for railway infrastructure development | 06/09 | 05/10 | Important investment programmes and actions | MoT | Mr Adámek | SAO Board |
| 09/20 | Funds spent on anti-flood measures and on prevention in areas endangered by adverse climate changes | 08/09 | 05/10 | Important investment programmes and actions | MoE | Mr Skála | SAO Board |
| 09/21 | State property under the management of the Office of the Government Representation in Property Affairs | 09/09 | 05/10 | SB revenues | MoF | Mrs Profeldová | SAO Board |
| 09/22 | Closing account of the state budget heading "Ministry of Transport" for the year 2008 | 09/09 | 05/10 | Closing accounts of SB headings | MoT | Mrs Steidlová | SAO Board |
| 09/23 | State budget funds provided to settle the loss emerging from the public service commitment concerning the public passenger transport service by rail | 09/09 | 06/10 | Subsidy policy of the state | MoT | Mr Adámek | SAO Board |
| 09/24 | Funds earmarked for housing support programmes | 10/09 | 08/10 | Important investment programmes and actions | MfRD | Mr Němeček | SAO Board |
| 09/25 | State property under the management of selected organisations co-funded from the state budget through the Ministry of Health | 11/09 | 08/10 | State property management | MoH | Mrs Hošková | SAO Board |

| Audits included in the Audit Plan for 2009 | | | | | | | |
|--|--|--------------------|--|---|-----------------------|-------------------------|----------------|
| Audit No. | Subject of audit | Start (month/year) | AC submitted for approval (month/year) | Audited area | Heading administrator | AC drawn up by a Member | AC approved by |
| 09/26 | Funds earmarked for transport infrastructure projects under the regional operational programmes | 11/09 | 11/10 | EU funds | MfRD | Mr Brandt | SAO Board |
| 09/27 | Funds earmarked for building roads | 11/09 | 10/10 | Important investment programmes and actions | MoT | Mr Macháček | SAO Board |
| 09/28 | Programmes for co-funding projects for building and expansion of winter sports resorts | 12/09 | 09/10 | Subsidy policy of the state | MfRD | Mr Brandt | SAO Board |
| 09/29 | Funds collected upon the act in favour of the General Health Insurance Company of the Czech Republic | 09/09 | 12/10 | Other funds | – | Mrs Kadaňová | SAO Board |
| 09/30 | Expenditures of the Czech Social Security Administration (under the state budget heading “Ministry of Labour and Social Affairs”) on pension insurance benefits for 2009 | 06/09 | 05/10 | Closing accounts of SB headings | MoLSA | Mr Vedral | SAO Board |

Appendix No. 2 to the SAO's Annual Report for 2009

| Overview of audits whose ACs were approved in 2009 | | | | | | | |
|--|---|---|-----------------------|-------------------------|----------------|------------------|--|
| Audit No. | Subject of audit | Audited area | Heading administrator | AC drawn up by a Member | AC approved by | Date of approval | Published in SAO Bulletin (Issue/year) |
| 07/27 | Funds of the state budget allotted for organization of the 2009 FIS Nordic World Ski Championships in Liberec, Czech Republic | Subsidy policy of the state | MoEYS | Mrs Hošková | SAO Senate | 28. 1. 2009 | 1/2009 |
| 08/17 | Funds of the state budget spent on environment-friendly disposal of useless ammunition and related activities of the Ministry of Defence | Important investment programmes and actions | MoI | Mr Zeman | SAO Board | 26. 1. 2009 | 1/2009 |
| 08/19 | Funds allotted for the waterways and ports development and modernization | Important investment programmes and actions | MoT | Mr Adámek | SAO Board | 12. 1. 2009 | 1/2009 |
| 08/20 | Funds of the state budget allotted for the church and religious organizations | Other funds | MoC | Mr Zeman | SAO Board | 1. 4. 2009 | 2/2009 |
| 08/21 | Management of state enterprises founded by the Ministry of Health | State property management | MoH | Mr Macháček | SAO Board | 26. 1. 2009 | 1/2009 |
| 08/22 | Funds allotted for wastewater treatment | Important investment programmes and actions | MfRD, MoA, MoE | Mr Němeček | SAO Board | 4. 5. 2009 | 2/2009 |
| 08/23 | State property management and management of the state budget funds provided from the heading "Ministry of Culture" by government agencies | State property management | MoC | Mrs Hošková | SAO Board | 1. 4. 2009 | 2/2009 |

| Overview of audits whose ACs were approved in 2009 | | | | | | | |
|--|--|---|-----------------------|-------------------------|----------------|------------------|--|
| Audit No. | Subject of audit | Audited area | Heading administrator | AC drawn up by a Member | AC approved by | Date of approval | Published in SAO Bulletin (Issue/year) |
| 08/24 | Closing account of the state budget heading "Energy Regulatory Office" | Closing accounts of SB headings | ERO | Mr Vedral | SAO Board | 4. 5. 2009 | 2/2009 |
| 08/25 | Funds allotted for LEADER and LEADER+ implementation in the framework of the Common Agriculture Policy | EU funds | MoA | Mr Kalivoda | SAO Board | 14. 9. 2009 | 4/2009 |
| 08/26 | Funds allotted for construction of the Brno-Vienna (R52) road connection | Important investment programmes and actions | MoT, MfRD, MoE | Mr Skála | SAO Board | 17. 6. 2009 | 2/2009 |
| 08/27 | Funds allotted for mending and maintaining of roads | Important investment programmes and actions | MoT | Mr Adámek | SAO Board | 18. 5. 2009 | 2/2009 |
| 08/28 | State property and funds of the state budget heading "Ministry of Education, Youth and Sports" | State property management | MoEYS | Mrs Steidlová | SAO Board | 4. 5. 2009 | 2/2009 |
| 08/29 | Funds allotted for programmes of support for development of industrial zones and regeneration of brownfields | Important investment programmes and actions | MfRD, MoIT | Mr Brandt | SAO Board | 1. 6. 2009 | 2/2009 |
| 08/30 | State property management by the Ministry of Defence | State property management | Mol | Mr Vedral | SAO Board | 1. 6. 2009 | 2/2009 |
| 08/31 | State property management of the Czech Consolidation Agency after its termination | SB revenues and management of a financial institution | MoF | Mrs Profeldová | SAO Board | 17. 6. 2009 | 2/2009 |

Overview of audits whose ACs were approved in 2009

| Audit No. | Subject of audit | Audited area | Heading administrator | AC drawn up by a Member | AC approved by | Date of approval | Published in SAO Bulletin (Issue/year) |
|-----------|--|---|---------------------------------|-------------------------|----------------|------------------|--|
| 08/32 | Funds of the state budget allotted for the construction of the International Clinical Research Centre in Brno | Important investment programmes and actions | MoF, MoH | Mr Němeček | SAO Board | 29. 6. 2009 | 3/2009 |
| 08/33 | Funds allotted for the construction of the Masaryk University Campus in Brno | Important investment programmes and actions | MoEYS | Mr Macháček | SAO Board | 20. 7. 2009 | 3/2009 |
| 08/35 | Repayable financial assistance provided by the Ministry of Industry and Trade and the Ministry of Agriculture | SB revenues and management of a financial institution | MoF, MoIT, MoA | Mr Macháček | SAO Board | 26. 8. 2009 | 3/2009 |
| 08/36 | Funds collected in compliance with the law by the Military Health Insurance Company of the Czech Republic | Other funds | – | Mrs Kadaňová | SAO Board | 29. 6. 2009 | 3/2009 |
| 08/37 | Funds spent on counselling service provided by the central public administration bodies | State property management | MoT, MoF, Mol, MoLSA, Mol, MoFA | Mr Skála | SAO Board | 9. 11. 2009 | 4/2009 |
| 08/38 | Funds allotted for support programmes for energy production from sustainable energy resources and for energy savings support | Subsidy policy of the state | MoIT, MoE | Mr Brandt | SAO Board | 14. 9. 2009 | 3/2009 |
| 09/01 | State property under the management of the Police Academies of the Ministry of Interior | State property management | Mol | Mr Zeman | SAO Board | 20. 7. 2009 | 3/2009 |

| Overview of audits whose ACs were approved in 2009 | | | | | | | |
|--|---|---|-----------------------|-------------------------|----------------|------------------|--|
| Audit No. | Subject of audit | Audited area | Heading administrator | AC drawn up by a Member | AC approved by | Date of approval | Published in SAO Bulletin (Issue/year) |
| 09/02 | Funds earmarked for financing selected programmes that are in the competence of the Ministry of Labour and Social Affairs | Important investment programmes and actions | MoLSA | Mr Adámek | SAO Board | 9. 11. 2009 | 4/2009 |
| 09/03 | Subsidies from the state budget provided to regional social services providers through budgets of regions | Subsidy policy of the state | MoLSA | Mrs Hošková | SAO Board | 9. 11. 2009 | 4/2009 |
| 09/04 | State property and funds earmarked for operations of veterinary administrations and institutions | State property management | MoA | Mr Kalivoda | SAO Board | 14. 12. 2009 | 4/2009 |
| 09/05 | Closing account of the state budget heading "Ministry of Labour and Social Affairs" for the year 2008 | Closing accounts of SB headings | MoLSA | Mr Vedral | SAO Board | 14. 9. 2009 | 3/2009 |
| 09/06 | State property under the management of the government agencies and organizations co-funded from the state budget that were established in the years 2007 and 2008 | State property management | MoFA, MoEYS, ISTR | Mrs Profeldová | SAO Board | 26. 8. 2009 | 3/2009 |
| 09/07 | Closing account of the state budget heading "Ministry of Education, Youth and Sports" for the year 2008 | Closing accounts of SB headings | MoEYS | Mrs Steidlová | SAO Board | 19. 10. 2009 | 4/2009 |
| 09/08 | Closing account of the state budget heading "Ministry of Agriculture" for the year 2008 | Closing accounts of SB headings | MoA | Mrs Steidlová | SAO Board | 30. 11. 2009 | 4/2009 |
| 09/10 | State property and funds allotted for operations of district courts and courts with competences of district courts | State property management | MoJ | Mr Brandt | SAO Board | 14. 12. 2009 | 4/2009 |

| Overview of audits whose approved audit conclusions were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic | | | | | |
|---|-----------------|-----------|-------------------------|--------------------------------|--|
| CBC resolution | Date of session | Audit No. | Government document No. | Government resolution No./Year | Summary of CBC's resolution |
| 356 | 19. 11. 2009 | 09/05 | 1523/09 | 1422/09 | CBC I. takes cognisance of: a) AC; b) the MoLSA's opinion on the AC contained in Government document No. 1523/09; II. states that MoLSA's activity continues to contravene Acts Nos. 563/1991 Coll., on accounting, 218/2000 Coll., on budgetary rules, 320/2001 Coll., on financial control in public administration; III. states that MoLSA has not eliminated some shortcomings from the audits Nos. 07/13 and 08/13. |
| 355 | 19. 11. 2009 | 09/06 | 1703/09 | Not discussed yet | CBC takes cognisance of AC. |
| 350 | 19. 11. 2009 | 08/28 | 1035/09 | 1140/09 | CBC I. takes cognisance of: a) AC; b) the MoEYS' opinion on the AC contained in Government document No. 1035/09; II. states that the activity of the semi-budgetary organisations mentioned in the AC contravenes the following Acts: a) Act No. 563/1991 Coll., on accounting, b) Act No. 320/2001 Coll., on financial control in public administration. |
| 349 | 19. 11. 2009 | 09/07 | 1688/09 | Not discussed yet | CBC I. takes cognisance of AC; II. requests the Minister of Education, Youth and Sports to submit to CBC draft measures to eliminate the shortcomings identified in Section II Chapter 3 – <i>Inaccuracies identified in the financial statements</i> of the audit No. 09/07 by 31 December 2009. |
| – | 27. 5. 2009 | 08/05 | 10/09, 135/09, 1408/09 | 169/09 | AC was discussed. No resolution was adopted as the Committee did not have a quorum. |
| 327 | 27. 5. 2009 | 08/19 | 245/09 | 298/09 | CBC I. takes cognisance of: a) AC; b) the MoT's opinion on the AC contained in Government document No. 245/09; II. requests the Transport Minister to submit to CBC the up-to-date concept for the strategic development and modernisation of waterways and ports by 31 August 2009, including proposals for executive and legislative measures to implement the concept. |

| Overview of audits whose approved audit conclusions were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic | | | | | |
|---|---------------------------|--------------|---------------------------------|--------------------------------|---|
| CBC resolution | Date of session | Audit No. | Government document No. | Government resolution No./Year | Summary of CBC's resolution |
| 326 | 27. 5. 2009 | 08/06 | 248/09, 1302/09 | 1173/09 | CBC I. takes cognisance of: a) AC; b) the MoLSA's opinion on the AC contained in Government document No. 248/09; II. states that shortcomings, primarily in the area of methodological management, administrative controls, monitoring of the effectiveness of assistance, the award of public contracts, eligible expenditure and publicity, jeopardise the successful drawdown of finances from EU funds in the 2007-2013 programming period; III. states that in these areas and others MoLSA's activities contravened the following Acts: a) Act No. 218/2000 Coll., on the budget rules, b) Act No. 320/2001 Coll., on financial audit in public administration, c) Act No. 137/2006 Coll., on public procurement, d) Act No. 563/1991 Coll., on accounting; IV. states that MoLSA's activity contravened the requirements of the following Community legislation: a) Council Directive (EC) 1260/1999 laying down general provisions on the Structural Funds, b) Council Directive (EC, Euratom) 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, c) Commission Regulation (EC) 1685/2000 laying down detailed rules for the implementation of Council Regulation 1260/1999, d) Commission Regulation (EC) 1159/2000 on information and publicity measures to be carried out by the Member States concerning assistance from the Structural Funds. |
| 325 | 27. 5. 2009 | 06/04 | 1680/06 | 1297/06 | CBC I. states that in the area of the protection of the heavy heating oils commodity the Administration of State Material Reserves: a) failed to present a binding internal regulation governing this activity; b) failed to put in place sufficient conditions for the economical, efficient, and effective management of funds; II. lodges with the SAO a suggestion pursuant to Section 17 (2) of Act No. 166/1993 Coll., on the SAO, for the performance of a follow-up audit, including a performance audit in the area of the protection of the heavy heating oils commodity. |
| 316 | 29. 4. 2009 4. 3. 2009 | 07/25 | 1542/08, 1968/08, 1969/08 | 1303/08 | CBC I. takes cognisance of: a) AC; b) the MoT's opinion on the AC contained in Government document No. 1542/08; c) MoT's information about implementation of the measures contained in Government document No. 1968/08 and adopted to remedy the shortcomings identified by the SAO in the audit No. 07/25. |
| 313 | 15. 4. 2009 | 08/16 | 37/09 | 71/09 | CBC I. takes cognisance of: a) AC; b) the MoJ's opinion on the AC contained in Government document No. 37/09. |

**Overview of audits whose approved audit conclusions were discussed by the Committee on Budgetary Control of the Chamber of Deputies
of the Parliament of the Czech Republic**

| CBC resolution | Date of session | Audit No. | Government document No. | Government resolution No./Year | Summary of CBC's resolution |
|-----------------------|------------------------|------------------|--------------------------------|---------------------------------------|--|
| 312 | 15. 4. 2009 | 06/36 | 1340/07 | 1210/07 | CBC I. takes cognisance of: a) AC; b) the MoT's opinion on the AC contained in Government document No. 1340/07. |
| 305 | 4. 3. 2009 | 07/23 | 1050/08, 1513/08 | 887/08 | CBC I. takes cognisance of: a) AC; b) the MoRD's opinion on the AC contained in Government document No. 1050/08;c) MoRD's information about fulfilling the task set in Government resolution No. 887/08 regarding the AC as contained in Government material No. 1513/08. |
| 303 | 4. 3. 2009 | 08/10 | 1868/08, 157/09 | 72/09 | CBC I. takes cognisance of: a) AC; b) the MoEYS' opinion on the AC contained in Government document No. 1868/08;c) the set of systemic measures for developing a functional accounting system and functional internal audit system in MoEYS (ref. No. MoEYS 1 188/2008-K1, and CBC KV/4.8.08/07973/00367);II. states that the MoEYS' activity did not entirely conform to the following Acts in the period under scrutiny: a) Act No. 563/1991 Coll., on accounting, b) Act No. 320/2001 Coll., on financial audit in public administration. |
| 302 | 4. 3. 2009 | 08/03 | 1708/08 | 1522/08 | CBC I. takes cognisance of: a) AC; b) the MoEYS' opinion on the AC contained in Government document No. 1708/08; II. requests the Minister of Education, Youth and Sports to submit to CBC a report on the fulfilment of measures to eliminate the shortcomings mentioned in the audit No. 08/03 as adopted in Government resolution No. 1522/08 by 31 December 2009; III. requests the SAO President to submit to CBC an assessment regarding whether the changes made in the amendment of the Act on support for research and development are consistent with the comments arising from SAO's audit No. 08/03. |
| 298 | 25. 2. 2009 | 06/22 | 808/07 | 843/07 | CBC I. takes cognisance of: a) AC; b) the MoD's opinion on the AC contained in Government document No. 808/07 – <i>MoD Measures to Remedy the Identified Shortcomings</i> ; II. by 30 June 2009, requests the Minister of Defence to submit to CBC a report on the updating of corrective measures in the following areas: documentation of asset replacement programmes, field hospitals for foreign missions, public procurement, accounting for and stocktaking of assets. |
| 297 | 25. 2. 2009 | 06/39 | 747/07 | 844/07 | CBC I. takes cognisance of: a) AC; b) the Czech Mining Authority's opinion on the AC contained in Government document No. 747/07; b) the MoIT's opinion on the AC contained in Government document No. 747/07. |

| Overview of audits whose approved audit conclusions were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic | | | | | |
|---|-----------------|--------------|-------------------------|--------------------------------|--|
| CBC resolution | Date of session | Audit No. | Government document No. | Government resolution No./Year | Summary of CBC's resolution |
| 295 | 25. 2. 2009 | 07/21 | 1110/08, 133/09 | 906/08 | CBC I. takes cognisance of: a) AC; b) the MoD's opinion on the AC contained in Government document No. 1110/08. |
| 294 | 25. 2. 2009 | 07/14 | 613/08 | 847/08, 485/09, | CBC I. takes cognisance of: a) AC; b) the MoD's opinion on the AC contained in Government document No. 613/08; II. states that in the period under scrutiny, MoD's conduct in the area of keeping records of real estate contravened Act No. 563/1991 Coll., on accounting; III. requests the Defence Minister to submit to CBC the following: a) by 9 April 2009, an assessment of adopted measures drawn up in line with Government resolution No. 847/08;b) by 30 April 2009, a process map of MoD's investment activity; c) by 30 April 2009, an overview of individual investment actions in the investment programmes of the MoD budget heading structured by approved budget – actual drawdown for the years 2002-2008;d) by 30 June 2009, a report on MoD measures for the transition to the new accounting principle as of 1 January 2010. |
| 290 | 25. 2. 2009 | 08/14 | 160/09 | 187/09 | CBC I. takes cognisance of: a) AC; b) the MoF's opinion on the AC contained in Government document No. 160/09; II. lodges with SAO a suggestion pursuant to Section 17 (2) of Act No. 166/1993 Coll., on the SAO, for the performance of an audit of the drawdown of finances from the state budget for the <i>Integrated Information System of the State Treasury</i> . |
| 289 | 25. 2. 2009 | 07/15 | 307/08, 1495/08 | 438/08 | CBC I. takes cognisance of: a) AC; b) the MoF's opinion on the AC contained in Government document No. 307/08; c) MoF's information about implementation of the measures contained in Government document No. 1495/08 and adopted to remedy the shortcomings identified by the SAO in the audit No. 07/15; II. states that a) MoF continues to be the provider and administrator of loans and repayable financial assistance provided from the state budget; b) up to the time of the SAO's audit, MoF did not administer this agenda in conformity with Acts Nos. 563/1991 Coll., on accounting, and 218/2000 Coll., on the budget rules; III. requests the Finance Minister to submit the following to CBC by 31 March 2009: a) a report on fulfilment of the MoF measures as set out in the proposal, most notably the introduction of accounting in the headings in question; b) a process map for <i>Loans and Repayable Financial Assistance Provided from the State Budget and State Financial Assets</i> . |

**Overview of audits whose approved audit conclusions were discussed by the Committee on Budgetary Control of the Chamber of Deputies
of the Parliament of the Czech Republic**

| CBC resolution | Date of session | Audit No. | Government document No. | Government resolution No./Year | Summary of CBC's resolution |
|-----------------------|------------------------|------------------|--------------------------------|---------------------------------------|---|
| 288 | 25. 2. 2009 | 08/08 | 1817/08 | 68/09 | CBC I. takes cognisance of: a) AC; b) the MoF's opinion on the AC contained in Government document No. 1817/08; II. states that a) MoF's competences include the state budget of the Czech Republic, the state closing account of the Czech Republic, the State Treasury of the Czech Republic, financial audit and accounting; b) up to 2008, MoF was in breach of Act No. 563/1991 Coll., on accounting, by not keeping accounts in the " <i>State Financial Assets Operations</i> " heading; c) in the period under scrutiny, the MoF's activity also contravened Acts Nos. 320/2001 Coll., on financial control in public administration, and 218/2000 Coll., on the budget rules; d) MoF has not put in place sufficient conditions for the economical, efficient, and effective management of the state funds; III. requests the Finance Minister to submit the following to CBC: a) by 30 April 2009, internal regulations related to accounting in the " <i>State Financial Assets Operations</i> " heading; b) by 30 June 2009, the concept for a new set-up of the mechanism for financial operations with state financial assets, including their sorting according to the budget composition and the definition of management control rules, with a scheduled date of introduction of 1 January 2010. |

| Overview of audits whose approved audit conclusions were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic | | | | | |
|---|-----------------|--------------|-------------------------|--------------------------------|---|
| CBC resolution | Date of session | Audit No. | Government document No. | Government resolution No./Year | Summary of CBC's resolution |
| 287 | 25. 2. 2009 | 06/24 | 1014/07 | 841/07 | CBC I. takes cognisance of: a) AC; b) the MoF's opinion on the AC contained in Government document No. 1014/07; II. states that a) MoF's competences include the state budget of the Czech Republic, the state closing account of the Czech Republic, the State Treasury of the Czech Republic, financial audit and accounting; b) up to 2008 MoF was in breach of Act No. 563/1991 Coll., on accounting, by not keeping accounts in the "General Treasury Administration" heading; c) in the period under scrutiny, MoF's activity contravened Acts Nos. 320/2001 Coll., on financial control in public administration, 218/2000 Coll., on the budget rules, MoF Decree No. 40/2001 Coll., on state budget participation in the financing of asset replacement programmes, and MoF Decree No. 323/2002 Coll., on the budget composition; d) MoF has not put in place sufficient conditions for the economical, efficient, and effective management of state funds; III. requests the Finance Minister to submit the following to CBC by 30 April 2009: a) a continuation of tables Nos. 1-7 from the audit No. 06/24 for the years 2006-2008, including the approved budget for 2009, with a full commentary; b) the set of items of all investment programmes with the prefix 298 in the "General Treasury Administration" budget heading, containing the equivalent expenditure from the "State Financial Assets Operations" budget heading structured by approved budget – actual drawdown for the years 2004-2008; c) draft legislative amendments defining personal responsibility in management control; d) internal regulations related to accounting for the "General Treasury Administration" budget heading. |
| 282 | 21. 1. 2009 | 06/34 | 1486/07 | 1209/07 | CBC I. takes cognisance of: a) AC; b) the MoA's opinion on the AC contained in Government document No. 1486/07. |
| 281 | 21. 1. 2009 | 07/01 | 1848/07, 931/08 | 38/08 | CBC I. takes cognisance of: a) AC; b) the MoI's opinion on the AC contained in Government document No. 1848/07; c) MoI's information about the implementation of measures to remedy the shortcomings identified by the SAO in the audit No. 07/01; these measures were contained in Government document No. 931/08. |

**Overview of audits whose approved audit conclusions were discussed by the Committee on Budgetary Control of the Chamber of Deputies
of the Parliament of the Czech Republic**

| CBC resolution | Date of session | Audit No. | Government document No. | Government resolution No./Year | Summary of CBC's resolution |
|-----------------------|------------------------|------------------|--------------------------------|---------------------------------------|--|
| 280 | 21. 1. 2009 | 06/28 | 1183/07 | 986/07 | CBC I. takes cognisance of: a) AC; b) the MoF's opinion on the AC contained in Government document No. 1183/07; II. states that a) in some cases, the General Directorate of Customs (GDC) did not proceed in conformity with Act No. 563/1991 Coll., on accounting; b) in some cases, GDC did not discharge the obligations laid down in Act No. 219/2000 Coll., on the assets of the Czech Republic and the representation thereof in legal relations; c) GDC did not proceed effectively and economically as regards the state budget; d) MoF did not always issue documents in time and did not exercise claims, thus, it reduced its revenues; III. recommends that the Finance Minister a) eliminates any remaining shortcomings identified in the audit No. 06/28; b) adopts suitable measures to ensure that the area of management of state assets in particular receives extremely close attention; IV. by 31 March 2009, requests the Finance Minister to submit to CBC measures charging the relevant control bodies with scrutinising the effectiveness and efficiency of measures for the period scrutinised by the SAO's audit No. 06/28 up to the present date. |
| 279 | 21. 1. 2009 | 08/13 | 154/09 | 168/09 | CBC I. takes cognisance of AC; II. states that MoLSA's financial statements do not give a true and fair view of the accounts for 2007; III. states that MoLSA's activity continues to contravene the following Acts: a) Act No. 563/1991 Coll., on accounting, b) Act No. 320/2001 Coll., on financial audit in public administration; IV. states that MoLSA still has not introduced a functional accounting system or functional control system. |
| 278 | 21. 1. 2009 | 07/24 | 1160/08, 1996/08 | 1104/08 | CBC I. takes cognisance of: a) AC; b) the MoEYS' opinion on the AC contained in Government document No. 1160/08; c) MoEYS' information about implementation of measures contained in Government document No. 1996/08 and adopted in order to remedy the shortcomings identified by the SAO's audit No. 07/24; II. states that a) in the audited period of 2005 and 2006, MoEYS managed contributions from the state budget without an implementing regulation governing the management of these finances; b) in the period under scrutiny, the internal control systems did not fully conform to the relevant legislation in the case of public art-based universities; c) MoEYS failed to remedy most of the identified shortcomings; III. recommends that the Minister of Education, Youth and Sports: a) eliminates any remaining shortcomings identified in the audit No. 07/24; b) focuses on ensuring that the internal control systems of public art-based universities conform better to the relevant legislation, above all Acts Nos. 137/2006 Coll., on public procurement, 218/2005 Coll., on the budget rules, 320/2001 Coll., on financial audit in public administration, and 563/1991 Coll., on accounting. |

| Overview of audits whose approved audit conclusions were discussed by the Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic | | | | | |
|---|-----------------|-----------|--------------------------------|--------------------------------|---|
| CBC resolution | Date of session | Audit No. | Government document No. | Government resolution No./Year | Summary of CBC's resolution |
| 277 | 21. 1. 2009 | 06/29 | 1180/07 | 985/07 | CBC I. takes cognisance of: a) AC; b) the MoEYS' opinion on the AC contained in Government document No. 1180/07; II. states that MoEYS a) from the very beginning considerably underestimated the difficulty involved in the individual preparatory phases and the categorical nature of the implementation of the investment plan to build a new National Technical Library building; b) displayed a long-term failure to perform regular checks of expenditure of finances from Programme No. 233 010; III. recommends that the Minister of Education, Youth and Sports: a) eliminates all the shortcomings mentioned in the audit No. 06/29;b) strengthens the capacity of the investments department to enable it to carry out regular checks; IV. requests the Minister of Education, Youth and Sports to submit the following to CBC by 28 February 2009:a) information about the difference in the valuation of item of real estate Karmelitská 378/17, Prague 1, with regard to the amended implementing Decree for the Act on the valuation of assets; b) a list of investment building actions ongoing in the period from 2004-2008 (comparison of the plan and actual state); c) internal regulations concerning MoEYS' investment activity. |
| 274 | 15. 1. 2009 | 07/02 | 1733/07, 956/08, 1958/08 | 36/08 | CBC I. takes cognisance of: a) AC; b) the MoE's opinion on the AC contained in Government document No. 1733/07; c) MoE's information about implementation of measures contained in Government document No. 956/08 and adopted to remedy the shortcomings identified by the SAO's audit No. 07/02; II. requests the Environment Minister to submit to CBC: a) by 28 February 2009, information about the current effectiveness of fines imposed by the Czech Environmental Inspectorate; b) by 31 March 2009, a list of subsidy programmes concerning the protection of the environment. |
| 273 | 15. 1. 2009 | 07/16 | 328/08, 1957/08 | 441/08 | CBC I. takes cognisance of: a) AC; b) the MoE's opinion on the AC contained in Government document No. 328/08; c) the MoI's opinion on the AC contained in Government document No. 328/08; d) MoE's information about implementation of measures contained in Government document No. 1957/08 and adopted to remedy the shortcomings identified by the SAO's audit 07/16; II. requests the Environment Minister to submit to CBC by 31 March 2009: a) a concept of the introduction of information technologies in MoE; b) a concept of the development of MoE in conformity with Section 22 of Act No. 2/1969 Coll., on the establishment of Ministries and other central bodies of state administration of the Czech Republic; c) internal regulations dealing with the economical, efficient, and effective management of funds. |

| Overview of audits whose approved AC was discussed by the Government of the Czech Republic in 2009 | | | | | |
|--|-----------------|--------------|-------------------------|--|---|
| Government resolution No. | Date of session | Audit No. | Government document No. | Government took cognisance of auditee's measures | Measures imposed by the Government |
| 1422 | 23. 11. 2009 | 09/05 | 1523/09 | NO | The Government instructs the Minister of Labour and Social Affairs to implement the measures adopted to remedy and eliminate the shortcomings mentioned in the AC and to inform the Government thereof by 30 June 2010. |
| 1421 | 23. 11. 2009 | 08/25 | 1548/09 | NO | The Government instructs the Agriculture Minister to bring to bear the experience with implementing sub-measure LEADER+ in the 2004-2006 programming period when implementing Axis IV – Leader in the 2007-2013 programming period, including the SAO's recommendations given in Section III of the AC. |
| 1420 | 23. 11. 2009 | 08/35 | 1446/09 | NO | The Government instructs the Ministers of industry and trade and of agriculture to inform the Government about implementation of measures contained in the opinion on the AC by 30 June 2010. |
| 1419 | 23. 11. 2009 | 08/38 | 1537/09 | NO | The Government instructs 1. the Ministers of Industry and Trade and of the Environment to make use of the findings set out in the AC when drawing up conceptual documents concerning the issue of electricity generation from RERs and the issue of energy savings; 2. the Environment Minister a) to ensure, when formulating the concept of the promotion of RERs, that the adopted measures result in the new target of 13% of end electricity consumption generated from RERs being achieved by 2020, b) to include in the Audit Plan for 2010 an audit of the State Environmental Fund focusing on the justification for and effectiveness of subsidies allocated under the programmes administered by the State Environmental Fund. |
| 1173 | 7. 9. 2009 | 08/06 | 1302/09 | YES | The Government instructs the Minister of Labour and Social Affairs to inform the Government by 31 December 2009 about implementation of the MoLSA's measures contained in MoLSA's opinion on the AC and adopted to eliminate the shortcomings mentioned in the AC. |
| 1144 | 7. 9. 2009 | 08/33 | 1283/09 | NO | The Government instructs the Minister of Education, Youth and Sports to ensure that Programme 233 330 – <i>Development and Renewal of the Material and Technological Resources of Masaryk University in Brno</i> is completed in line with the approved programme documentation. |

| Overview of audits whose approved AC was discussed by the Government of the Czech Republic in 2009 | | | | | |
|--|-----------------|--------------|-------------------------|--|---|
| Government resolution No. | Date of session | Audit No. | Government document No. | Government took cognisance of auditee's measures | Measures imposed by the Government |
| 1143 | 7. 9. 2009 | 09/01 | 1264/09 | NO | The Government instructs the Interior Minister to implement measures contained in the MoI's opinion on the AC and to inform the Government by 30 December 2009. |
| 1142 | 7. 9. 2009 | 08/36 | 1255/09 | NO | The Government instructs the Health Minister to carry out a follow-up audit of the measures in 2010 that were adopted and implemented by the Military Health Insurance Company of the Czech Republic to eliminate the shortcomings identified by the SAO's audit. |
| 1141 | 7. 9. 2009 | 08/31 | 1146/09 | NO | No instruction |
| 1140 | 7. 9. 2009 | 08/28 | 1035/09 | NO | The Government instructs the Minister of Education, Youth and Sports to implement measures contained in the MoEYS' opinion on the AC and to inform the Government by 31 October 2009. |
| 1139 | 7. 9. 2009 | 08/22 | 1072/09 | NO | The Government instructs 1. the Environment Minister to implement measures contained in the MoE's opinion on the AC by 31 December 2009 and to inform the Government thereof by 31 January 2010; 2. the Minister for Regional Development to monitor the shift in the implementation and fulfilment of the European Commission's conditions for projects undertaken under the <i>Cohesion Fund</i> in the 2004-2006 programming period. 3. the Minister for Regional Development in collaboration with the Environment Minister, by 30 June 2010, to submit to the Government a report on the state of implementation of projects supported by the <i>Cohesion Fund</i> in the years 2004-2006 which contribute towards the implementation of Council Directive 91/271 concerning urban waste water treatment; 4. the Agriculture Minister to monitor regularly the state of fulfilment of the requirements of Council Directive 91/271 concerning urban waste water treatment and to inform the Government by 1 February 2010. |
| 1138 | 7. 9. 2009 | 08/26 | 1289/09 | NO | The Government instructs the Transport Minister to send the MoT's opinion on the AC to the CBC of the Chamber of Deputies for discussion. |
| 1137 | 7. 9. 2009 | 08/27 | 965/09 | NO | The Government instructs the Transport Minister to ensure that measures contained in the MoT's opinion on the AC are implemented and to inform the Government by 1 February 2010. |

Overview of audits whose approved AC was discussed by the Government of the Czech Republic in 2009

| Government resolution No. | Date of session | Audit No. | Government document No. | Government took cognisance of auditee's measures | Measures imposed by the Government |
|---------------------------|-----------------|--------------|-------------------------|--|--|
| 1136 | 7. 9. 2009 | 08/29 | 1080/09 | NO | The Government instructs the Minister of Industry and Trade to ensure that measures contained in the MoIT's opinion on the AC, modified in line with the Government's comments, are implemented and to inform the Government by 30 June 2010. |
| 1135 | 7. 9. 2009 | 08/30 | 1100/09 | NO | The Government instructs the Defence Minister to implement measures contained in the MoT's opinion on the AC and to inform the Government thereof by 31 March 2010. |
| 843 | 29. 6. 2009 | 08/12 | 687/09 | NO | The Government approves the opinion of the Land Fund of the Czech Republic on the AC and instructs the Agriculture Minister to check that measures adopted to eliminate the shortcomings mentioned in the AC are implemented and to inform the Government of the result of this check by 31 December 2009. |
| 842 | 29. 6. 2009 | 08/24 | 919/09 | NO | No instruction |
| 841 | 29. 6. 2009 | 08/20 | 722/09 | NO | The Government instructs the Culture Minister to ensure that measures contained in the MoC's opinion on the AC and adopted to eliminate the shortcomings mentioned in the AC are implemented and to inform the Government thereof by 31 December 2009. |
| 840 | 29. 6. 2009 | 08/23 | 728/09 | NO | The Government instructs the Culture Minister to ensure that the measures mentioned in the MoC's opinion on the AC are implemented. |
| 839 | 29. 6. 2009 | 07/27 | 327/09 | NO | The Government instructs the Minister of Education, Youth and Sports to incorporate ideas for MoEYS measures into the final report and assessment of the Nordic World Ski Championship in the Czech Republic in 2009 and to submit this report to the Government by 31 October 2009. |
| 301 | 16. 3. 2009 | 08/18 | 200/09 | NO | The Government instructs the Agriculture Minister: 1. to issue a code of practice governing assets accounting by 30 April 2009; 2. to eliminate the accounting shortcomings mentioned in the AC and to inform the Government thereof by 30 June 2009; 3. to check that the measures adopted to eliminate the shortcomings mentioned in the AC are being implemented and are effective and to inform the Government thereof by 30 September 2009. |

| Overview of audits whose approved AC was discussed by the Government of the Czech Republic in 2009 | | | | | |
|--|-----------------|--------------|-------------------------|--|--|
| Government resolution No. | Date of session | Audit No. | Government document No. | Government took cognisance of auditee's measures | Measures imposed by the Government |
| 300 | 16. 3. 2009 | 08/21 | 284/09 | YES | The Government instructs the Health Minister, by 31 December 2009, to inform the Government about implementation of measures mentioned in the MoH's opinion on the AC and adopted within MoH and the audited state-owned enterprises to eliminate the shortcomings mentioned in the AC. |
| 299 | 16. 3. 2009 | 08/17 | 285/09 | NO | The Government instructs the Defence Minister to implement measures to remedy the shortcomings mentioned in the AC as contained in the MoD's opinion on the AC and to inform the Government thereof by 31 December 2009. |
| 298 | 16. 3. 2009 | 08/19 | 245/09 | NO | No instruction |
| 297 | 16. 3. 2009 | 08/04 | 287/09 | YES | The Government instructs the Minister of Labour and Social Affairs to implement measures to eliminate the shortcomings mentioned in the AC as contained in the MoLSA's opinion on the AC and to inform the Government thereof by 31 December 2009. |
| 187 | 16. 2. 2009 | 08/14 | 160/09 | YES | No instruction |
| – | 9. 2. 2009 | 08/14 | 160/09 | NO | Suspended; see Government resolution No. 187/09. |
| 170 | 9. 2. 2009 | 08/09 | 116/09 | NO | The Government agrees with MoFA's measures contained in the MoFA's opinion on the AC and adopted to eliminate the shortcomings mentioned in the AC. |
| 169 | 9. 2. 2009 | 08/05 | 135/09 | NO | The Government instructs the Agriculture Minister: 1. by 31 March 2009, to initiate negotiations with the Finance Minister regarding amendment of Act No. 218/2000 Coll., the budget rules, and Decree No. 52/2008 Coll., which lays down principles and times of financial settlement of relations with the state budget, state financial assets, or the National Fund; 2. to ensure that data on subsidies provided by the MoA and the State Agricultural Intervention Fund to finance the Common Agricultural Policy are entered into the CEDR information system; 3. to adopt the other corrective measures mentioned in the State Agricultural Intervention Fund's opinion on the AC by the specified deadlines; 4. by 30 September 2009, to submit to the Government information about the state of implementation of measures adopted by MoA and the State Agricultural Intervention Fund based on the findings in the audit No. 08/05. |

Overview of audits whose approved AC was discussed by the Government of the Czech Republic in 2009

| Government resolution No. | Date of session | Audit No. | Government document No. | Government took cognisance of auditee's measures | Measures imposed by the Government |
|---------------------------|-----------------|--------------|-------------------------|--|---|
| 168 | 9. 2. 2009 | 08/13 | 154/09 | YES | The Government instructs the Minister of Labour and Social Affairs to implement measures to eliminate the shortcomings mentioned in the AC and to inform the Government thereof by 31 December 2009. |
| – | 19. 1. 2009 | 08/05 | 10/09 | NO | Suspended; see Government resolution No. 169/09. |
| 74 | 19. 1. 2009 | 08/07 | 31/09 | NO | The Government instructs: 1. the Minister of Industry and Trade to ensure that measures 1 and 2 mentioned in the MoIT's opinion on the AC are implemented and to inform the Government of the result by 30 June 2009; 2. the Minister of Labour and Social Affairs to ensure that measures mentioned in the MoIT's opinion on the AC are implemented and to inform the Government of the result by 30 June 2009. |
| 73 | 19. 1. 2009 | 08/11 | 1987/08 | NO | The Government instructs the Health Minister to ensure the measures adopted and implemented by the Czech National Health Insurance Company in order to eliminate the shortcomings found by the SAO's audit are regularly checked and to inform the Government of the results of the checks by 1 May 2009. |
| 72 | 19. 1. 2009 | 08/10 | 1868/08 | NO | The Government instructs the Minister of Education, Youth and Sports to implement measures mentioned in the MoEYS' opinion on the AC as referred to in the Government document and to inform the Government of the result by 31 January 2009. |
| 71 | 19. 1. 2009 | 08/16 | 37/09 | NO | The Government instructs the Justice Minister: 1. to implement measures recommended for remedying shortcomings mentioned in the AC, with the understanding that the methodologies issued by MoF will be applied when assessing risks and that risk assessment and the specification of marginal advantage will be properly substantiated; 2. to inform the Government about implementation of measures adopted to remedy the identified shortcomings by 31 July 2009. |
| 70 | 19. 1. 2009 | 08/15 | 1866/08 | NO | The Government instructs the Minister for Regional Development to make use of its experience and to make allowance for the system-related comments mentioned in the AC when implementing national programmes of a similar nature. |

| Overview of audits whose approved AC was discussed by the Government of the Czech Republic in 2009 | | | | | |
|--|-----------------|--------------|-------------------------|--|---|
| Government resolution No. | Date of session | Audit No. | Government document No. | Government took cognisance of auditee's measures | Measures imposed by the Government |
| 69 | 19. 1. 2009 | 08/01 | 1923/08 | NO | The Government instructs the Defence Minister: 1. to implement measures to remedy shortcomings mentioned in the AC; 2. to assess the adopted measures and to inform the Government and the SAO President of the result of this assessment by 31 July 2009. |
| 68 | 19. 1. 2009 | 08/08 | 1817/08 | NO | The Government instructs the Finance Minister: 1. to ensure that measures contained in the opinion on the AC are implemented; 2. to draw up rules governing the content and use of individual accounts of state financial assets; 3. to draft measures designed to put in place clear legislation on state financial assets and to define rules for financial investment of funds forming part of state financial assets; 4. to submit to the Government for discussion the transfers of finances to state financial assets amounting to CZK 4,182 million for which MoF failed to document the appropriate decision of the Chamber of Deputies or the Government or the provision of a special Act; 5. to inform the Government about implementation of the said measures by 31 December 2009. |

Appendix No. 5 to the Annual Report for the year 2009

Abbreviations

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| AC | audit conclusion |
| CEDR | Central Record of Subsidies |
| CBC | Committee on Budgetary Control of the Chamber of Deputies of the Parliament of the Czech Republic |
| CCA | Czech Consolidation Agency |
| EC | European Community |
| ERO | Energy Regulatory Office |
| ECA | European Court of Auditors |
| EU | European Union |
| Euratom | European Atomic Energy Community |
| EUROSAI | European Organisation of Supreme Audit Institutions |
| GDC | General Directorate of Customs |
| IFAC | International Federation of Accountants |
| INTOSAI | International Organisation of Supreme Audit Institutions |
| ISPROFIN | Information System of Programme Financing |
| ISTR | Institute for the Study of Totalitarian Regimes |
| MfRD | Ministry for Regional Development |
| MHIC | Military Health Insurance Company |
| MoA | Ministry of Agriculture |
| MoC | Ministry of Culture |
| MoD | Ministry of Defence |
| MoE | Ministry of the Environment |
| MoEYS | Ministry of Education, Youth and Sports |
| MoF | Ministry of Finance |
| MoFA | Ministry of Foreign Affairs |
| MoH | Ministry of Health |
| MoI | Ministry of the Interior |
| MoIT | Ministry of Industry and Trade |
| MoJ | Ministry of Justice |
| MoLSA | Ministry of Labour and Social Affairs |
| MoT | Ministry of Transport |
| OUS | Organisational Unit of the State |
| PFO | organisation part-financed by the state budget |
| RERs | renewable energy resources |
| RFA | repayable financial assistance |
| SAI | Supreme Audit Institution |
| SAO | Supreme Audit Office |
| SB | state budget |
| VAT | Value Added Tax |

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