

ANNUAL REPORT ON THE AUDIT AUTHORITY'S ACTIVITIES FOR 2022



MINISTRY OF FINANCE OF THE CZECH REPUBLIC

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1. OBJECTIVE OF THE ANNUAL REPORT

The purpose of this, the fifth Annual Report on the Audit Authority's activities, is to remind the general and professional public of the principles of the Audit Authority's functioning and to present the aggregated results of the Audit Authority's activities for the year 2022, thus providing useful information on the progress and status of audits of EU funds in the Czech Republic.

The results of the audit work tell us about the level and quality of the set-up of the system for the use of funds and point to trends that emerge from the audit findings.

In addition to its primary role, i.e., the performance of audit activities, the Audit Authority is active in the area of prevention and consultation activities, thus helping to improve the level of awareness not only of the rules in the area of disbursement among potential applicants, beneficiaries, but also other entities involved in the disbursement of EU funds. The purpose of these activities of the Audit Authority is to share good practice, to highlight risks related to the implementation of the funds and to minimise any errors and their possible negative impacts in the following years.

2. INTRODUCTORY REMARKS BY THE DIRECTOR GENERAL

From my point of view, 2022 should be assessed as a very successful year in relation to the Audit Authority. The Audit Authority has fulfilled all the tasks that were set for it in relation to its audit work and there were many of them, indeed.

What I appreciate is the openness of the Audit Authority in communication with both the European Commission and the audited entities. It actively explains its opinions and conclusions as part of its audit work and this openness contributes to the transparency and professionalism of its decisions. Colleagues from the Audit Authority are also active in the field of lecturing activities and in this way, they pass on their valuable experience from audit activities, especially to managing authorities and other bodies of the implementation structure, which certainly strengthens the confidence of beneficiaries and providers of subsidies in their provision or use.

The year 2022 was complicated mainly due to the concurrence of audit work on operational programmes from the ending programming period 2014 - 2020 and the preparation and start of audit activities for the programming period 2021 - 2027. Coping with the temporary overlap of the two programmes will certainly be a major challenge for the Audit Authority in 2023, which is why we started to prepare for this situation intensively last year.

Another major task in 2022 was to manage all the audit work related to the National Recovery Plan. I appreciate that my colleagues were able to manage everything and I realize that it was not an easy task. It was necessary to set up a brand-new department for this activity, to provide this department with competent staff, to develop methodologies and plans for audit activities. The icing on the cake was the completion of all the necessary audits to enable the Czech Republic to apply for the first payment from this programme.

I would like to thank all the auditors for their work and wish them a lot of vigour and strength for their future audit work, so that they can manage all their tasks with honour, especially in today's turbulent times.

Jiří Fojtík

Director General

Section Financial Management and Audit

Ministry of Finance of the Czech Republic

3. PRESENTATION OF THE AUDIT AUTHORITY

The Audit Authority (hereinafter referred to as "AA") is a functionally independent audit body established as a department in the Financial Management and Audit Section of the Ministry of Finance of the Czech Republic. In the Czech Republic, the AA performs the duties and powers associated with the direct performance of the function of the audit authority of EU financial assistance granted to the Czech Republic under the instruments of individual EU policies and cohesion policy in the 2014-2020 and 2021-2027 programming periods in order to ensure a unified system of protection of the financial interests of EU countries, in accordance with the relevant EU legislation (in particular Regulation (EU) No 1303/2013, Regulation (EU) No 1060/2021), Czech legislation (in particular Act No 320/2001 Coll., Act No 255/2012 Coll.), guidelines and methodological notes of the European Commission and internationally recognised auditing standards.

The AA conducts **audits of operations, systems and financial statements**, with approximately 400 audits per year. The results of these audits are presented by the AA for each individual programme in an annual audit report which, together with the auditor's opinion on whether the accounts give a true and fair view, whether the expenditure claimed by the European Commission and reported in the accounts is legal and regular and whether the management and control system in place is functioning properly, is forwarded to the European Commission.

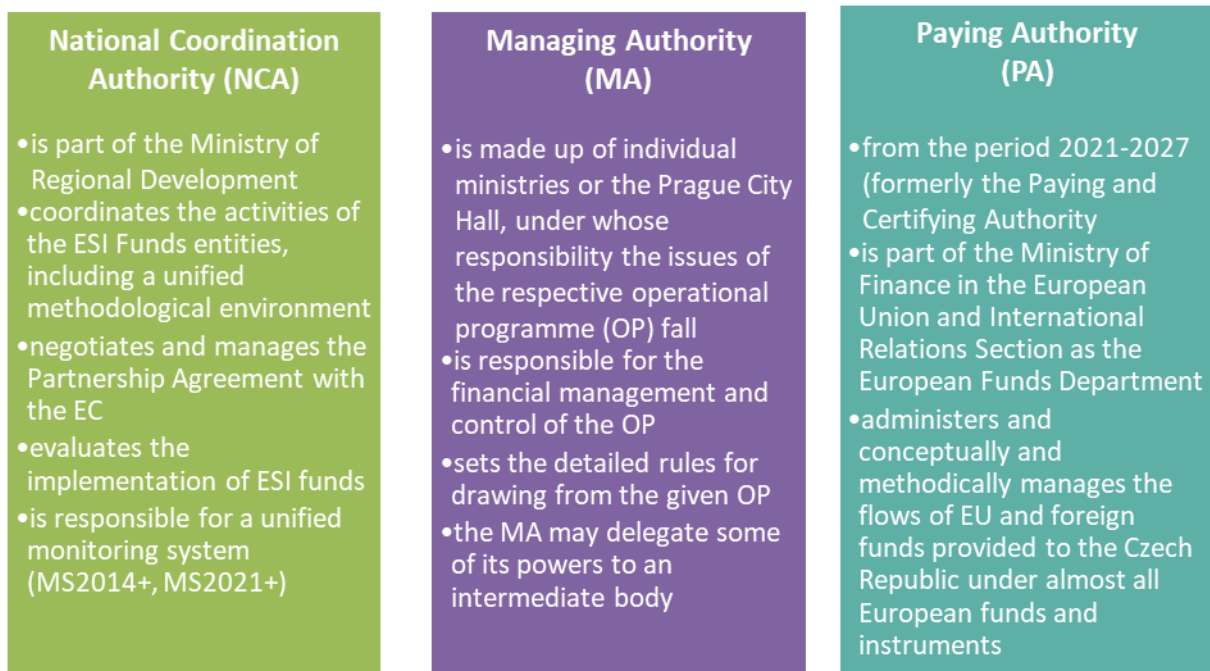
3.1 What does the Audit Authority audit?

The Audit Authority is one of the bodies of the implementation structure involved in the management and control of EU financial assistance provided to the Czech Republic, and specifically audits:

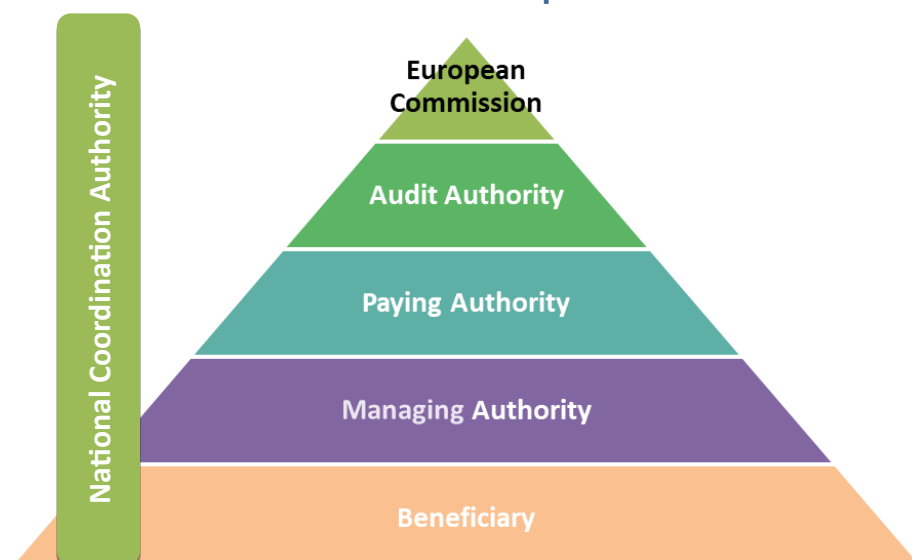
- **European Structural and Investment Funds** (excluding the European Agricultural Fund for Rural Development)
- **Asylum, Migration and Integration Fund and Internal Security Fund**
- **Financial Support Instrument for Border Management and Visa Policy**
- **European Economic Area/Norway financial mechanisms**
- **EU Solidarity Fund**
- **Recovery and Resilience Facility (National Recovery Plan)**

3.2 Position of the AA within the ESIF implementation structure

In accordance with the requirements of the relevant EU regulations, the AA is functionally and organisationally independent from all entities involved in the implementation of EU funds in the Czech Republic (managing authority, paying authority, accounting authority), as well as from the beneficiaries of subsidies. Which other bodies, besides the audit authority, are part of the implementation structure? The diagrams below provide a clue.



Relationships of the implementation structure in the organization of ESI funds in the Czech Republic



3.3 Relationship of the AA to the European Commission

Each year, the AA submits the results of its audit work to the European Commission (EC) in the form of Annual Control Reports (ACR) for individual OPs. For each OP, the AA gives an auditor's opinion as to whether:

- the financial statements give a true and fair view,
- the expenditure claimed by the EC and reported in the accounts is legal and regular,
- the management and control system in place is functioning properly.

The first step is to develop or update the **audit strategy**. The audit strategy sets out what will be audited in a given year and subsequent years and how the sample for the **audit of operations** will be selected. In order for the AA to select a sample for audits of operations, certification, i.e., the reporting to the EC of individual payments made by the Member State from the national budget, must take place. **Certifications** are carried out continuously throughout the year to ensure a continuous flow of funds. For this reason, the AA selects a sample for audits of operations twice a year. In addition to audits of operations, the AA also carries out system audits to verify whether the management and control systems (hereinafter referred to as "MCS") of individual OPs are functioning effectively and correctly. Finally, an **audit of the accounts** reported to the EC is carried out, called an audit of the accounts.

As a result of the AA's work throughout the year, the **annual control reports** and the auditor's opinion are sent in a package with the managing authority's declaration and a summary of the results to the European Commission by 15. 2. N+1 (N = calendar year). Subsequently, the EC verifies the quality and completeness of the data and information in the ACR and sends questions to the AA. The EC can also carry out on-site verifications in the Czech Republic, the so-called Fact Finding Mission - in 2022 these missions were carried out in February and March, and the result of the AA's work was positively assessed by the EC, with only a few comments. However, in most cases, due to the quality of the whole system in the Czech Republic, the inspection and verification of the correctness of the reported data for individual OPs is carried out remotely, i.e., without a physical visit. The EC carries out a quality check of the ACR in order to obtain assurance that it can rely on the work of the AA.

If the AA identifies a failure of the national MCSs, the EC may suspend all or part of the payments to the CR until the failure is corrected. And if sufficient corrective measures are taken and verified to be working, the Member State will not lose any ESI funds. If the possible failure of the MCS is not detected by the AA and the EC finds it on the basis of its own audit mission, the suspension of payments may be longer and a so-called net financial correction may be imposed, which means that the Member State loses the funds and can no longer use them.

The EC meets regularly with the AAs not only to review annual audit reports, auditor's statements and audit strategies, but also to exchange views and questions on how to improve the management and control systems. The AA also works closely with the EC to coordinate the audit plan and audit procedures. In the case of financial mechanisms, the Financial Mechanisms Office plays a similar role to the European Commission.

3.4 Audited programmes, funds and instruments

ESI Funds (MA in the Czech Republic)

- OP Transport (OP T)
- Integrated Regional Operational Programme (IROP)
- OP Enterprise and Innovation for Competitiveness (OP EIC)
- OP Research, Development and Education (OP RDE)
- OP Environment (OP En)
- OP Employment (OP Em)
- OP Technical Assistance (OP TA)
- OP Prague - Growth Pole of the Czech Republic (OP GPCR)
- OP Fisheries (OP F)
- Interreg V-A CZ – PL

ESI Funds (MA outside of the Czech Republic)

- Cross-border, transnational and interregional cooperation programs where the managing authority is outside the Czech Republic and where the Audit Authority is a member of the group of auditors, but is not a designated audit authority (e.g. Interreg V-A SR – CR, Interreg CENTRAL EUROPE, etc.)

Other funds and Financial mechanisms

- Migration funds:
 - AMIF
 - ISF
- EEA and Norway financial mechanisms

National Recovery Plan

- Since 2022, the Audit Authority has been auditing the Recovery and Resilience Facility programme; its funds are provided to beneficiaries through the National Recovery Plan (NRP)

Solidarity Fund

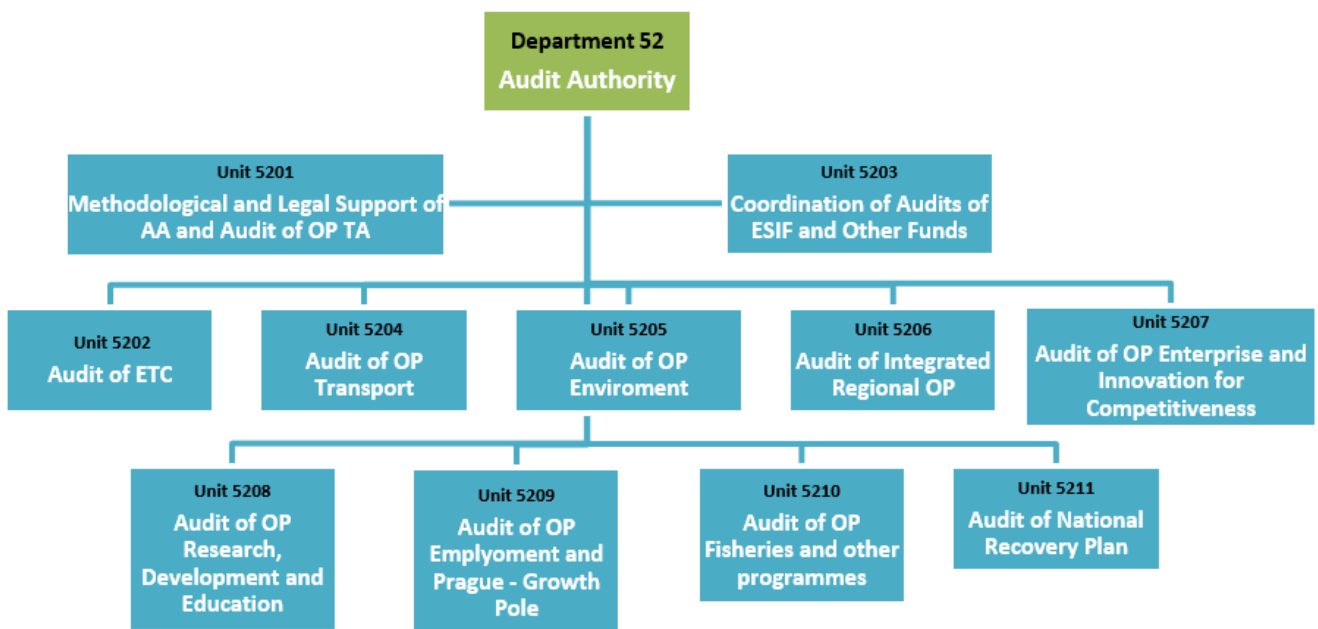
3.5 Organisational structure of the AA

Adequate and qualified staff capacity is essential for the AA to be able to perform its function in a good and timely manner. For this reason, the AA had a total of 217 systematised positions in 2022, both from the ranks of staff performing audit activities and management and support activities.

The audit authority is classified in the Ministry of Finance in Section 04 Financial Management and Audit. The AA is headed by a director who manages 9 heads of the OP Audit Performance Department, 1 head of the OP TA Methodology and Audit Performance Department and 1 head of the Coordination Department. An important role is played by the Coordination Department, which audits the financial statements and prepares the annual audit reports, samples transactions, coordinates audit performance across the various executive departments and, last but not least, supervises all audits where misconduct has been identified to ensure that the conclusions contained in the audit reports are clearly substantiated and properly supported.

In addition to the coordination department, the methodology and legal support department of the AA is an important department where, apart from the OP TA audit performance, the creation of a unified methodology for executive departments is concentrated. This department also has lawyers who provide legal support to the auditors, human resources experts who provide recruitment and, last but not least, project managers who implement the AA's own projects.

The basic building blocks of the AA are the so-called executive departments carrying out audits of the operations and system of individual OPs. The current structure has evolved over time to organise the audit work efficiently.



3.6 Profiles of senior AA staff



Jiří Fojtík - Director General of Section Financial Management and Audit

Jiří has many years of senior management experience in public administration and public finance. After graduating with a degree in economics and management in the field of raw materials, he worked at various levels of the tax authorities and since 2014 as Director of the Tax Methodology and Enforcement Section at the GFD. He has served as Deputy, and later Senior Director for the Management of the Financial Management and Audit Section at the Ministry of Finance since 2021. From the position of leader, he communicates, directs and covers the activities of four subordinate units - the Auditing Department, the Central Harmonization Unit, the Audit Authority and the State Reporting Unit. His vision is to manage an experienced and professionally versatile team ensuring professional audit and control performance while providing quality legislative and methodological guidance in the areas entrusted to him, particularly with regard to the topics of auditing, financial management and state reporting.



Stanislav Bureš - Department Director of AA

Stanislav has been involved in auditing public finances co-financed by EU funds for more than 12 years. He started his professional career as a lawyer at the Supreme Audit Office of the Czech Republic in the Department of Control of Support from Structural Funds, which fundamentally shaped his professional focus. Subsequently, he moved to the position of lawyer at the Audit Authority, where he has been working since 2016 as its director. Stanislav is an expert in the financial control and audit of public funds provided from EU funds, focuses on public procurement, SME status and other specialized topics. Stanislav strongly emphasizes the proactive consultative and preventive role of the audit and open communication towards applicants for support, beneficiaries and the whole implementation structure. Last but not least, Stanislav lectures on the above-mentioned topics at both national and international conferences, including those organized by the European Commission.



Jaroslav Gramel - Head of Unit Methodological and Legal Support of AA and Audit of OP TA

Jaroslav graduated from the Faculty of Law of Charles University in Prague. After several years of involvement in local government and the non-profit sector, he has worked as a lawyer at the Office of the Regional Council of the Central Bohemia Cohesion Region since 2009. Since 2015 he has been a member of the Audit Authority of the Ministry of Finance, since 2020 he has been the Head of the Methodological and Legal Support Department of the AA and Audit of the OP TA. In the course of his professional career focused on the implementation of European Structural and Investment Funds, he has dealt with areas such as public procurement, public support, legal regulation of European cohesion policies, conflicts of interest, international sanctions, etc. Currently, he leads a team of legal specialists, methodologists, project managers and auditors, whose task is to provide quality professional support for the implementation of the main tasks of the Audit Authority. His vision is to work on the long-term profile of the Audit Authority as a professional, reliable and professionally competent partner within the professional network of entities cooperating in the implementation of EU cohesion policies in the Czech Republic.



Milan Puszkaier - Head of Unit Audit of ETC

Milan has more than 15 years of experience in the field of financial control and protection of financial interests of European Union countries. He graduated from the Mining and Geology Faculty of the Technical University in Ostrava, where he focused on waste management, mining and mining activities. He worked at the Ministry of the Environment, where he was involved in the development of new regulations in the field of waste management (end-of-life products). He then moved to the Ministry of Regional Development to the Managing Authority of the OP Technical Assistance, where he covered the agenda of public procurement, irregularities and the performance of first level control. He moved to the Ministry of Finance as the next step in his career, where he has gradually worked his way through coordination and audit activities at the Audit Authority over the last ten years. Milan enjoys working with the experienced and professional colleagues in his team, who work with him on audit activities in the framework of European territorial cooperation.



Hana Horejsková - Head of Unit Coordination of Audits of ESIF and Other Funds

Hana has over 20 years of experience in public finance and programme finance. After graduating from the Faculty of Civil Engineering at the Czech Technical University in Prague, she worked at the Ministry of Regional Development, first in the field of state aid after natural disasters and later as a senior methodologist of the managing body of the Integrated Regional Operational Programme. She also tried her hand at working on the side of a beneficiary of support from structural funds, namely at the Institute of Organic Chemistry and Biochemistry of the CAS. She has been working at the Audit Authority in the ESIF and Other Funds Audit Coordination Department since 2018. Her vision is to manage a professional, experienced, professionally versatile team performing audit coordination and planning, reporting and providing synergy and support to the executive departments.



Stanislav Masařík - Head of Unit Audit of OP Transport

Stanislav has 15 years of experience in public finance and structural funds. After graduating from the Faculty of Materials Science and Technology at the Mining University, he worked at the Centre for Regional Development in Ostrava, where he was in charge of the OP Cross-Border Cooperation Czech Republic - Slovakia. At the same time, he partly dealt with the OP Cross-border Cooperation Czech Republic and Poland and the Integrated Operational Programme. He started at the Audit Authority in 2013 as an auditor of the OP Transport. Since 2021 he has been the Head of the OP Transport Audit Department. His vision is to build on a solid foundation and manage a stable team of professional auditors whose work contributes to the proper functioning of the management and control system for the absorption of EU funds.



David Novák - Head of Unit Audit OP Environment

David, a graduate of the University of Economics in Prague, has been involved in internal audits and the auditing of EU-funded projects since 2008. For over 4 years, he worked as the Head of the Internal Audit and Irregularities Department at the Office of the Regional Council of the South-West Cohesion Region. Currently, he is the Head of the OP E and OP JT Audit Department at the Ministry of Finance. He is also a lecturer, and can provide applicants and beneficiaries of financial support with practical experience from audits of projects financed mainly from ESIF funds.



Naděžda Koubková - Head of Audit Integrated Regional OP

Naděžda has been working in public administration since 2005, when she started her audit profession at the Ostrava City Hall in the Audit and Control Department, where she participated not only in audit activities but also in the control of subsidies financed from national sources. In 2008-2012 she extended her knowledge of auditing activities to the area of structural funds at the Regional Council of the Moravian-Silesian Cohesion Region. Since 2013, she has been part of the Audit Authority's audit team, where she has been working in the IROP Audit Department, which she has headed for the past three years. The variety of audited projects co-financed by the Integrated Regional Operational Programme is what keeps her entertained and broadens her knowledge. Going in depth while seeing things from a perspective. This is the most important skill she needs to perform both auditing and management activities.



Jiří Frýdecký - Head of Unit Audit of Enterprise and Innovation for Competitiveness

Jiří has been with the Audit Authority since 2013. Prior to that, he worked as financial manager of EU funds at the Prague City Hall for 8 years. He enjoyed the issue of funds and was keen to continue his practice and develop his career. He first worked at the Audit Authority for 4 years as an auditor of OP EI and since 2017 he has become the head of the department where he is responsible for OP EIC and OP TAC as well as for 20 colleagues, for whom he tries to provide a pleasant place to work and a space for continuous growth in the current ever-changing environment of our industry. He has a generationally diverse group in the department, so it is often a challenge for him, but Jiří likes it.



Martin Kubš - Head of Unit Audit OP Research, Development and Education

Martin has been working in the field of financial control in public administration for over twenty years. At Palacký University he studied physics and technical subjects. He started working at the Ministry of Regional Development as an internal auditor and later as Head of the Internal Audit Department and Director of the Internal Audit and Control Department. Since 2011, he has worked at the Ministry of Education and Youth as Head of the Audit Department of the Operational Programme Research and Development for Innovation. Since 2013, he has been leading the team of auditors of the operational programmes Research, Development and Education at the Audit Authority. His vision is to conduct high quality, professional audits and transfer experience in the field of management and control systems of public organisations.



Martin Ryšavý - Head of Unit Audit OP Employment and OP Prague—Growth Pole

Martin has extensive experience in the area of structural funds, where he has been working since 2005. He graduated from the Czech University of Agriculture in Prague with a degree in Finance and Tax Administration and then joined the Ministry of Education, Youth and Sports as a financial manager of projects financed by the OP Human Resources Development. During the following programming period he worked first as an auditor and then as head of the department of the Authorised Audit Body of the OP Education for Competitiveness. After the establishment of the central Audit Authority of the Ministry of Finance, he worked as Head of the Audit Performance Department and Chief Auditor of the OP Education for Competitiveness and subsequently as Deputy Head of the ESIF Audit Coordination Department, where he was able to apply his practical knowledge and experience in reporting and negotiations with the European Commission, the National Coordination

Authority, and the Paying and Certification Authority. However, because he missed the practical part of the audit, he returned to performing audits as the Head of the Audit Department of the OP Employment and OP Prague - Growth Pole of the Czech Republic. His vision is to lead a hard-working, reliable, professionally proficient and responsible team of auditors that helps to reduce the error rate of audited operational programmes.



Eva Hoch Hrstková - Head of Unit Audit OP Fisheries and other programmes

Eva has professional experience and knowledge gained during more than 20 years of practice in the field of control and audits of EU funds implementation. After graduating from the Faculty of Finance and Accounting at the University of Economics in Prague with a minor in Law in Business, she was involved in the implementation of EU pre-accession Phare programmes as a financial manager of projects. After the accession of the Czech Republic to the EU, she worked in the field of methodology and financial management of European cross-border and transnational cooperation projects. He has been working at the Audit Authority since 2012, first in the area of methodology, and since 2017 as Head of the Audit Department for OP R and other programmes. She is a member of ACCA and so is required to maintain her professional competence and skills through continuing professional education. Her strategy is to lead a department that will contribute, through the use of appropriate

audit techniques and raising legal awareness to improving audit performance and credibility.



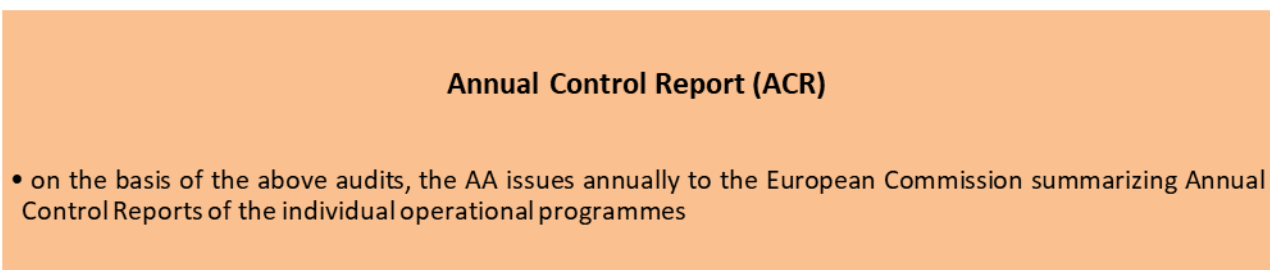
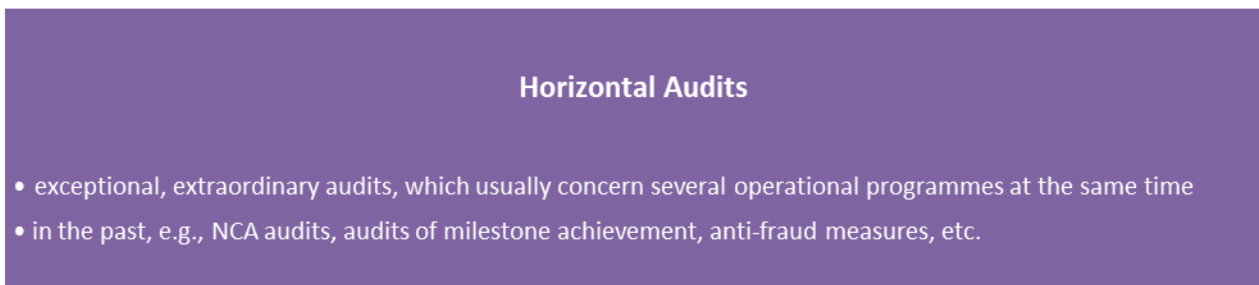
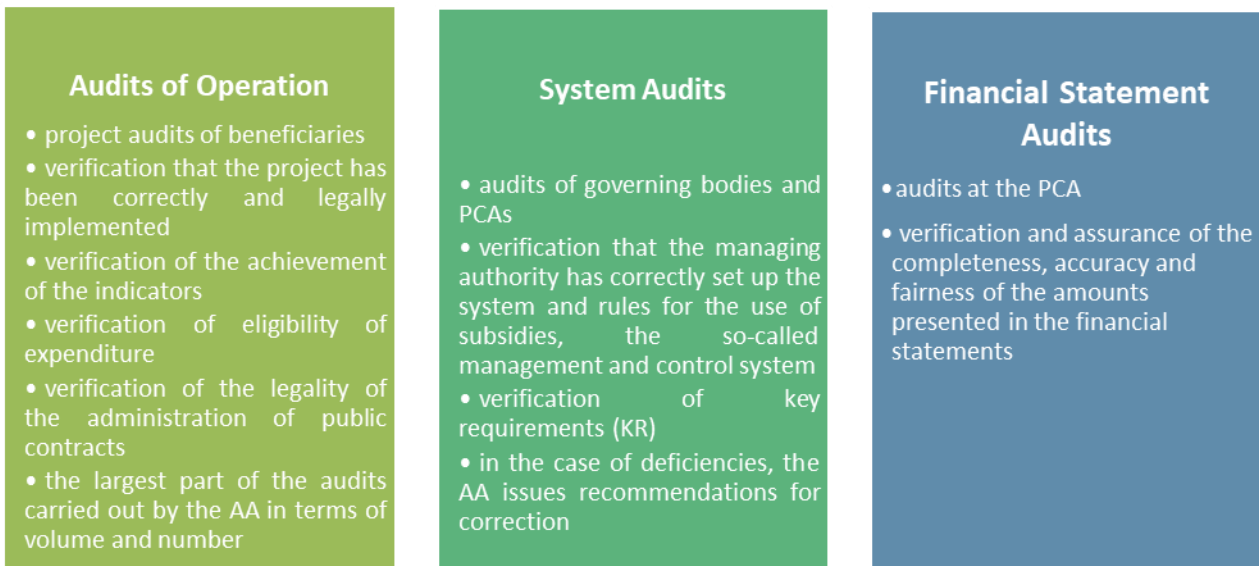
Kateřina Doubravová - Head of Unit Audit National Recovery Plan

Kateřina has been working in the field of EU funds since 2006 when, after graduating from the Faculty of Science of Charles University, having majored in geography, she started her professional career at the Centre for Regional Development of the Czech Republic as a project manager. Thanks to her daily communication with beneficiaries and other colleagues, she gained enough experience to provide support to regional offices as a senior methodologist and to participate in the preparation of programme documentation for cross-border cooperation programmes in the 2007-2013 programming period. Since 2009, she has been working at the Ministry of Finance in the Audit Authority Department, where she has been involved in setting up the methodology for audits within the framework of cross-border cooperation programmes, the actual performance of audits,

coordination, planning and reporting of audit activities within individual groups of auditors. Later, she started to focus on simplified reporting methods, setting up methodological procedures for the ex-ante evaluation of simplified reporting methods in the Czech Republic and providing consultations in this area both to colleagues in the Audit Authority Department and to individual managing authorities. She is now Head of the Audit Department of the National Recovery Plan.

4. TYPES OF AUDITS AND THEIR FOCUS

The AA carries out **three main types of audits** based on the requirements of general regulations. Performing these audits to the required quality is necessary for the European Commission to reimburse the Czech Republic for the funds that were paid to the beneficiaries.



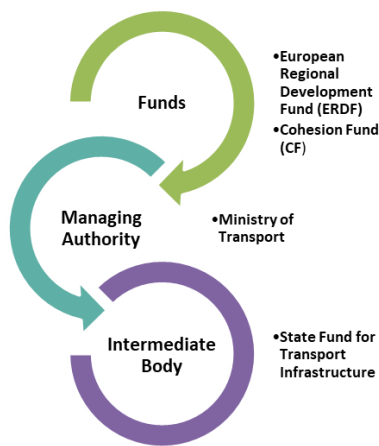
5. ESIF OPERATIONAL PROGRAMME

RESULTS FOR 2022

ESI Funds (MA in the Czech Republic)

- OP Transport (OP T)
- Integrated Regional Operational Programme (IROP)
- OP Enterprise and Innovation for Competitiveness (OP EIC)
- OP Research, Development and Education (OP RDE)
- OP Environment (OP En)
- OP Employment (OP Em)
- OP Technical Assistance (OP TA)
- OP Prague - Growth Pole of the Czech Republic (OP GPCR)
- OP Fisheries (OP F)
- Interreg V-A CZ – PL

5.1 OP Transport



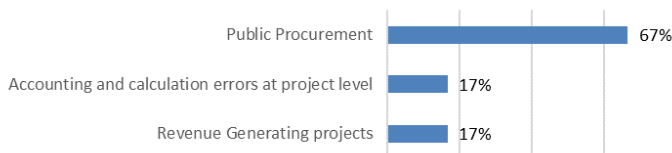
System Audit

Verified key requirements:	KR 1, KR 2, KR 4
Number of findings:	3
System audit assessment:	Category 1. Works well. No or only minor improvement(s) needed.

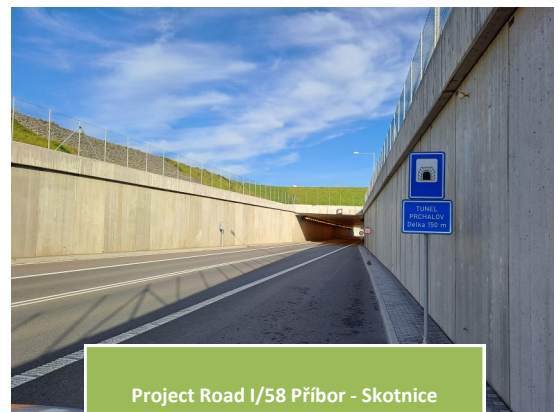
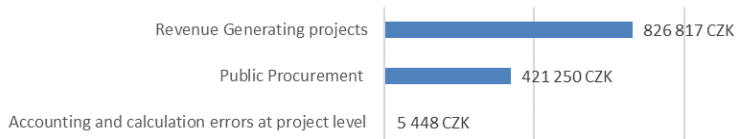
Audits of operations

Number of audits:	28
Number of audit with findings:	3
Audited expenditure:	5.5 billion CZK
Total error rate (TER):	0.01 %
Extrapolated error:	1.65 million CZK
Audit opinion:	unqualified opinion

Infringement areas



Infringement areas according to the financial impact



Project Road I/58 Příbor - Skotnice

photo: Audit Authority

What (among other things) was audited by Unit 5204 - Audit OP T in 2022?

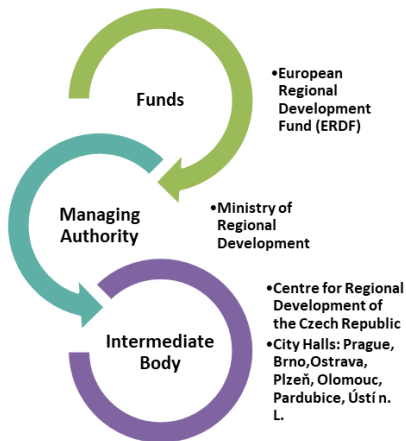
- 63.916 km of new roads and motorways → D35 Opatovice-Časy-Ostrov, D11 Smiřice-Jaroměř, D55 Otrokovice, D56 Frýdek-Místek, I/11 Opava, I/3 Olbramovice, I/38 Církvice, I/38 Havlíčkův Brod, I/42 Brno, I/67 Karviná, I/58 Příbor
- 15.565 km of reconstructed roads and motorways → D1 - section 16, Road I/37 Pardubice - grade-separated junction Palackého
- 79.837 km of reconstructed or modernised railway lines → e.g., the line Uničov - Olomouc, Sudoměřice - Votice, Oldřichov u Duchcov - Litvínov, train station Sklené nad Oslavou, etc.
- 101 km of reconstructed railway lines TEN-T - GSM-R/ETCS → Ústí n. L. - Chomutov
- 120.119 km of railway lines on which the signalling equipment was installed or upgraded
- 8.353 km of new or upgraded metro lines, tram lines or trolleybus lines → Bohunice, Prague - Zahradní město, Ostrava
- 5 pieces of ITS equipment and services → Meteosystems in České Budějovice
- 1 pc of new or modernised service and supply infrastructure for urban rail transport → Pisárky

In the 2014-2020 programming period, the Operational Programme Transport (OP T) represents the main financial and technical instrument for meeting strategic investment needs and addressing key challenges in the transport sector in the Czech Republic. The total allocation of the Cohesion Fund and the European Regional Development Fund is 4.559 billion EUR (approx. 123 billion CZK).

The audit activity was carried out on a selected sample of 27 projects in priority axes 4.1, 4.2 and 4.3 for 6 beneficiaries: Railway Administration, Road and Motorway Directorate of the Czech Republic, Transport Company of the Capital City of Prague, Transport Company of the City of Brno, a.s., Transport Company Ostrava, and the Statutory City of České Budějovice.

The audits identified 6 findings. These included the failure to deduct other monetary income from the implemented gains in accordance with the legislation of the Czech Republic/EU and the methodology of the OP T Managing Authority, non-compliance with the method of initiation and incorrect procedure of the contracting authority during the procurement procedure, failure to specify the mandatory formalities in the Tender documentation, insufficient information of the participants about the result of the tender procedure, unjustified reimbursement of construction works and the procedure for approving the change of key persons within the implementation of the Work.

5.2 Integrated Regional Operation Programme



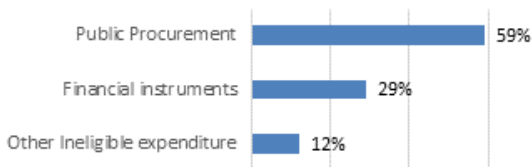
System Audit

Verified key requirements:	KR 2, KR 4
Number of findings:	2
System audit assessment:	Category 2. Works, but some improvement(s) are needed.

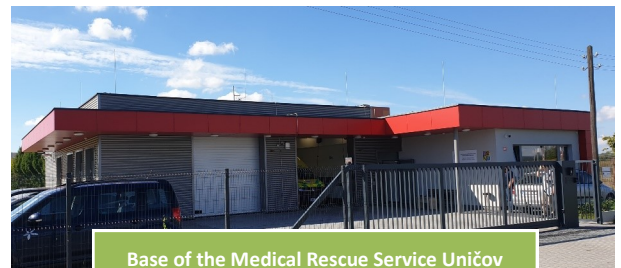
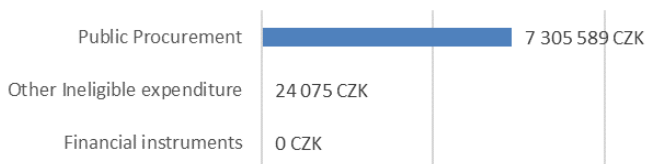
Audits of operations

Number of audits:	47
Number of audit with findings:	10
Audited expenditure:	3.193 million CZK
Total error rate (TER):	0.42 %
Extrapolated error:	117.9 million CZK
Audit opinion:	unqualified opinion

Infringement areas



Infringement areas according to the financial impact



Base of the Medical Rescue Service Uničov

photo: Audit Authority

The Integrated Regional Operational Programme (IROP) is one of the largest operational programmes in the Czech Republic, which primarily supports the development of regions, cities and municipalities. IROP supports projects all over the Czech Republic except for the capital city of Prague. In addition to subsidies, more innovative forms of financial resources have also been provided in the IROP from 2020, namely financial instruments. Within these instruments, the IROP provides newly discounted loans under Specific Objective 2.5 Reduction of energy intensity in the housing sector.

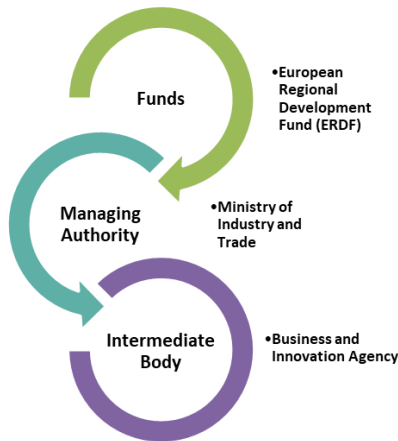
In 2022, a total of 47 projects were audited across all areas. A novelty was the verification of three projects funded by the newly created REACT-EU Priority Axis 6, through which the Czech Republic's EU funding was reinforced in 2021 to reduce the impact of the Covid-19 pandemic. These were two projects whose main objective was to modernise the equipment of hospitals and one project for the construction of a new ambulance base.

What (among other things) was audited by Unit 5206 - Audit IROP in 2022?

- 79 new and upgraded elements to ensure cybersecurity standards
- 43 devices and aids to improve the quality of healthcare provided in hospitals
- 27 flats for social housing
- 8 facilities for services and social work built
- 4 overall restorations of national cultural monuments
- 1 new construction of an ambulance service base
- 50.45 km of new and reconstructed Class II and III roads

As every year, the highest number of findings was identified in the area of public procurement. The causes of the findings in question were mainly non-compliance with the legal procedure for procurement and non-compliance with the binding IROP methodology. Findings with a high level of seriousness were found in a total of two cases, where the infringements consisted of the failure to publish the extended deadline for the submission of tenders, including inconsistencies in the information published, and the inclusion of a specific manufacturer, including the trade name of the product requested, in the tender conditions.

5.3 OP Enterprise and Innovation for Competitiveness



System Audit

Verified key requirements: KR 1, KR 2, KR 3, KR 4, KR 5, KR 8

Number of findings: 18

System audit assessment: Category 3. Works partially; substantial improvement(s) are needed.

Audits of operations

Number of audits: 74

Number of audit with findings: 17

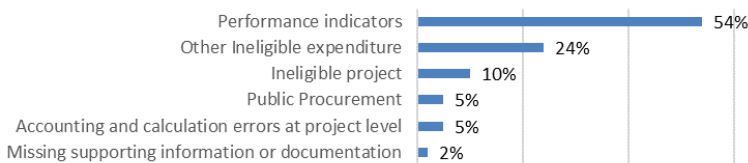
Audited expenditure: 7.2 billion CZK

Total error rate (TER): 2,3 %

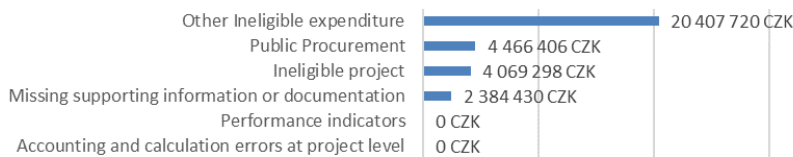
Extrapolated error: 51 million CZK

Audit opinion: qualified opinion

Infringement areas



Infringement areas according to the financial impact



Modernization of electrical wiring, ČEPS

photo: Audit Authority

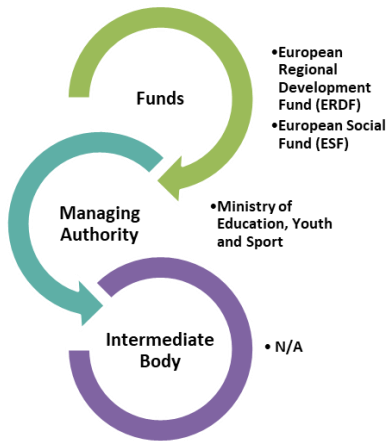
What (among other things) was audited by Unit 5207 – Audit OP EIC in 2022?

- 2 applied innovative low-carbon technologies
- 10 established innovations
- 46 installed technologies
- 3 new, expanded or modernised business research facilities
- 7 newly submitted applied research results
- 276 km of reconstructed or upgraded power lines
- 4951 m² of expanded, renovated or newly built R&D capacities

OP EIC is aimed at increasing the innovative performance of enterprises, the use of the results of industrial research and experimental development and the development of entrepreneurship and competitiveness of small and medium-sized enterprises, as well as to support activities leading to the reduction of the energy intensity of the business sector, activities aimed at increasing the share of energy from renewable sources, the development of distribution networks and the application of new technologies in the energy sector. It supports the expansion of high-speed networks to the Internet and the development of information and communication technologies. The support is targeted preferably at small and medium-sized enterprises; however, specific activities are also suitable for large enterprises, business groups, research organisations, innovation infrastructure entities, public benefit societies, non-profit organisations or state and local government bodies and organisations founded and established by them.

The audit authority also verified subsidies amounting to 2.1 billion CZK reimbursed to the National Development Bank, which also provides loans and loan guarantees to SMEs through financial instruments.

5.4 OP Research, Development and Education



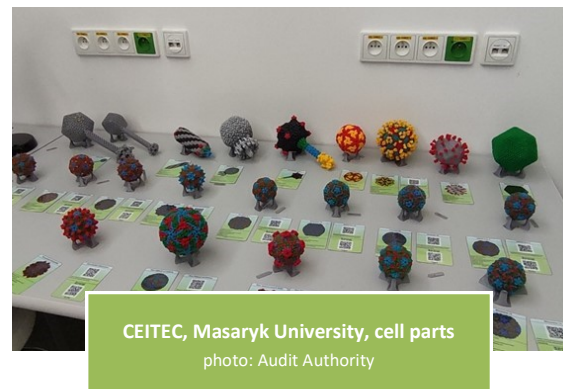
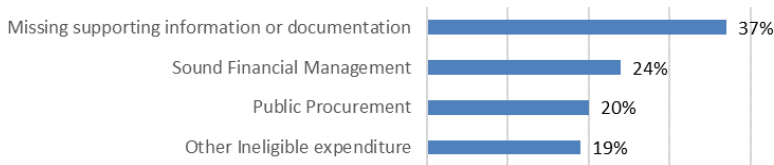
System Audit

Verified key requirements:	KR 1, KR 2, KR 3, KR 4, KR 8
Number of findings:	2
System audit assessment:	Category 2. Works, but some improvement(s) are needed.

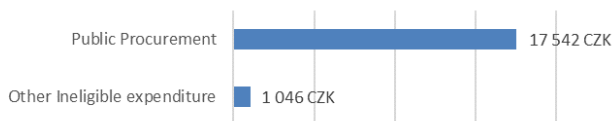
Audits of operations

Number of audits:	33
Number of audit with findings:	14
Audited expenditure:	555 million CZK
Total error rate (TER):	0,001 %
Extrapolated error:	0.018 million CZK
Audit opinion:	unqualified opinion

Infringement areas



Infringement areas according to the financial impact



What (among other things) was audited by Unit 5208 – Audit OP RDE in 2022?

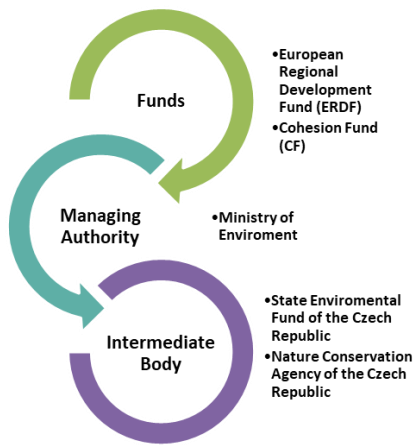
- 1,409 verified publications
- 709 job positions screened
- 128 number of public contracts
- 5 buildings
- 53 technological units, modernised workplaces
- 1 patent
- 23 universities
- 11 public research organisations
- 3 primary schools and 4 kindergartens
- 2 associations
- 2 organisational units of the state

The OP RDE significantly contributes to the growth of the Czech Republic's economy based on an educated, motivated and creative workforce and further supports research in all its fields when applying its results to increase the competitiveness of the Czech Republic. It focuses on improving the conditions of the educational and research environment. Beneficiaries of the OP RDE are from the field of pre-school, primary, secondary and higher education and institutions in the field of research and development.

In 2022, audits of OP RDE operations identified deficiencies in the area of public procurement, missing or incomplete supporting documentation/audit trail, and correct and sound financial management.

The recurrent findings in the category of public procurement mainly concerned errors in the area of tender documentation, in particular the setting of discriminatory conditions in the tender documentation, in the area of tender evaluation, and formal deficiencies in the area of public procurement.

5.5 OP Environment



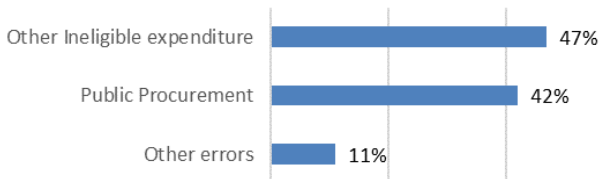
System Audit

Verified key requirements:	KR 1, KR 2, KR 4
Number of findings:	5
System audit assessment:	Category 2. Works, but some improvement(s) are needed.

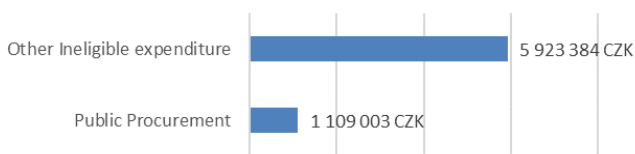
Audits of operations

Number of audits:	37
Number of audit with findings:	12
Audited expenditure:	875 million CZK
Total error rate (TER):	3,16 %
Extrapolated error:	496 million CZK
Audit opinion:	qualified opinion

Infringement areas



Infringement areas according to the financial impact



Landfill rehabilitation Dubno
photo: Audit Authority

The OP Environment is aimed at financing projects that improve not only water and air quality, but also projects that can, for example, reduce the energy consumption of public buildings, prevent the generation of waste, or make material use of this waste, or strengthen biodiversity and the natural functions of the landscape.

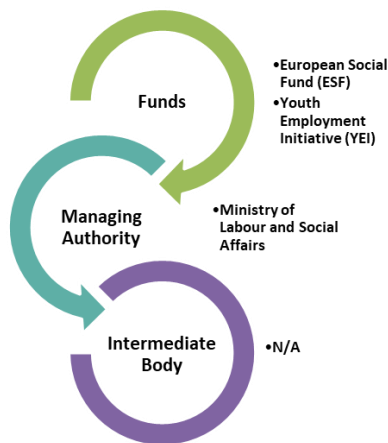
Beneficiaries include public institutions, businesses and non-profit organisations. With the adoption of the so-called Financial Regulation 2018/1046 of the European Parliament and of the Council, a natural person who is not an entrepreneur is also an eligible applicant and therefore a beneficiary.

What (among other things) was audited by Unit 5205 – Audit OP Env in 2022?

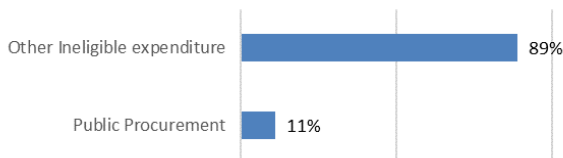
- 18 km of newly built sewerage systems
- 4.024 m2 of newly created floor area of public buildings in passive energy standard
- 8.421 domestic air pollution sources replaced (boiler subsidies)
- 594 tonnes/year of newly built capacity for municipal waste prevention

The audits of operations carried out in 2022 (as in the previous year) identified weaknesses mainly in the implementation of public procurement. A frequent deficiency in OP ENV projects is also the failure to meet the conditions for eligibility of expenditure, e.g., performance that is not related to the subject of support or invoicing for works and services that have not been provided, or have been provided in a different amount and quality, or have not been documented. None of the findings identified in 2022 were identified as systemic failures in the management and control system of the operational programme.

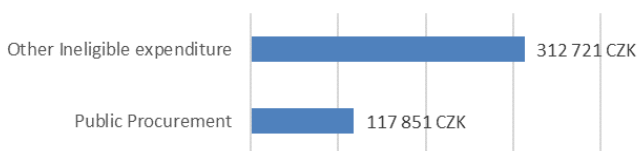
5.6 OP Employment



Infringement areas



Infringement areas according to the financial impact



The main priorities of the Operational Programme Employment are the promotion of employment, social inclusion and effective public administration - it covers in particular the issues of employment support, equal opportunities for women and men, adaptability of employees and employers, further training of employees, social inclusion and the fight against poverty, modernisation and streamlining of public administration and public services, support for international cooperation and social innovation in the field of employment, social inclusion and public administration.

What (among other things) was audited by Unit 5208 – Audit OP Em and OP PGP in 2022?

- projects of the Employment Office of the Czech Republic, especially in support of Active Employment Policy (Support for the employment of long-term registered job seekers, Education and Skills for the Labour Market II, Support for the Vocational Training of Employees II, Support for Employment through the Targeted Antivirus A Programme)
- support for social services (Central Bohemia, Olomouc and Ústí nad Labem regions, Valašské Meziříčí, Sokolov)
- support for people without housing (Jihlava)
- establishment of 14 regional health promotion centres
- crime prevention assistance (Děčín)
- support for social enterprise (Ladná u Břeclav)
- assistance in socially excluded localities through supported employment (Písek), improvement of housing conditions (Žďár nad Sázavou) and a coordinated approach (Česká Kamenice)
- establishment of 16 mental health centres (all over the Czech Republic)
- operation of a children's club (Pardubice), children's groups (České Budějovice, Žďár nad Sázavou, Brandýs nad Labem) and micro-schools (Brno, Prague)
- further professional training of employees
- providing soft loans to social enterprises, etc.

System Audit

Verified key requirements:	KR 2, KR 4
Number of findings:	2
System audit assessment:	Category 1. Works well. No or only minor improvement(s) needed.

Audits of operations

Number of audits:	31
Number of audit with findings:	4
Audited expenditure:	489 million CZK
Total error rate (TER):	1,06 %
Extrapolated error:	159 million CZK
Audit opinion:	unqualified opinion



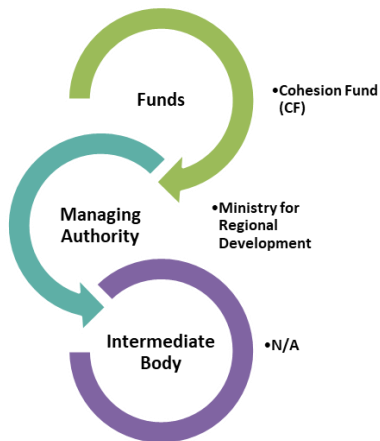
Childrens Group „Rybičky“, Dobrá Voda by České Budějovice (Budweis)
photo: Audit Authority

The most frequent beneficiaries and therefore audited entities include the Employment Office of the Czech Republic and its regional branches, organisational units of the state, contributory organisations, regions, municipalities, social service providers, non-profit organisations, business entities, etc.

In response to developments in 2022, the Managing Authority has updated the recommended levels of normal prices and wages, updated the rules for applicants and beneficiaries and announced an exception for children's groups - Lex Ukraine. The projects supported under the OP Employment should be completed during 2023.

In 2022, the follow-up operational programme Employment Plus was launched, in which more than 40 calls have already been announced and more than 800 applications for support have been registered. At the end of 2022, dozens of legal acts were already issued with a total eligible expenditure of around 4.3 billion. CZK.

5.7 OP Technical Assistance



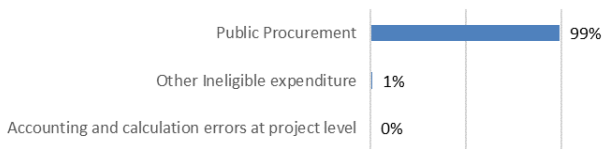
System Audit

Verified key requirements:	KR 4, KR 7, KR 8
Number of findings:	0
System audit assessment:	Category 1. Works well. No or only minor improvement(s) needed.

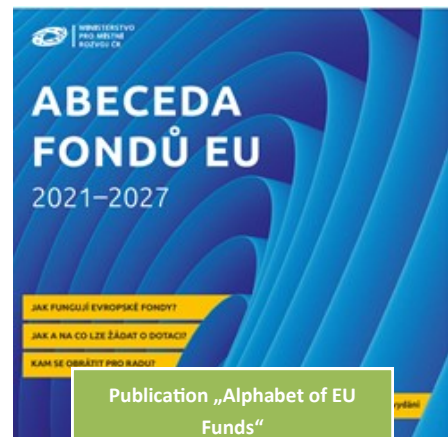
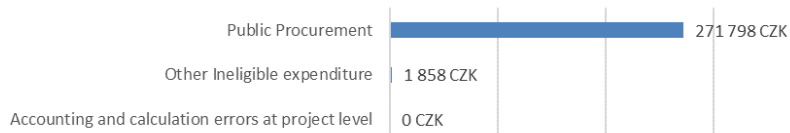
Audits of operations

Number of audits:	21
Number of audit with findings:	3
Audited expenditure:	265.5 million CZK
Total error rate (TER):	0,08 %
Extrapolated error:	0,27 million CZK
Audit opinion:	unqualified opinion

Infringement areas



Infringement areas according to the financial impact



Publication „Alphabet of EU Funds“

Source: web sites of Ministry of Regional Development

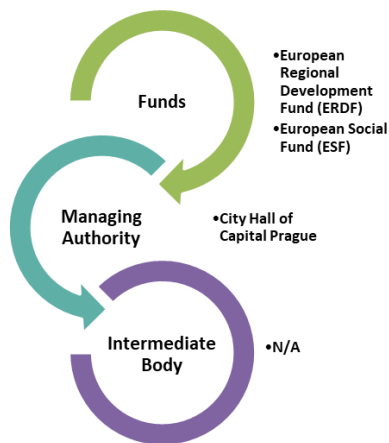
What (among other things) was audited by Unit 5201 – Methodological and Legal Support of AA and Audit of OP TA in 2022?

- salary expenditure for more than 475 staff financed by the OP TA
- 112 domestic and foreign travel orders
- 26 public contracts - focused on EU publicity and the acquisition and development, technical evaluation of information systems
- 556 accounting documents/invoices

The 2014-2020 OP TA has no direct link to any thematic objective or investment priority. Technical assistance in the framework of cohesion policy is very important because it strengthens administrative capacity. This is a crucial factor for success and the Czech Republic is a good example of how to use TA well to achieve good results in cohesion policy.

The OP TA is divided into two priority axes (PA). Under PA1, the OP TA focuses on ensuring the conditions for the coordination and management of the Partnership Agreement by covering the salary and expenditure costs of horizontal institutions and human resources development. PA2 focuses primarily on ensuring a unified monitoring system and other information systems that support smooth project administration.

5.8 OP Prague - Growth Pole of the Czech Republic



System Audit

Verified key requirements:	KR 2, KR 4
Number of findings:	1
System audit assessment:	Category 2. Works, but some improvement(s) are needed.

Audits of operations

Number of audits:	29
Number of audit with findings:	1
Audited expenditure:	615 million CZK
Total error rate (TER):	0,26 %
Extrapolated error:	3.3 million CZK
Audit opinion:	unqualified opinion

Infringement areas



Infringement areas according to the financial impact



New P+R Prague — Černý Most
 photo: Audit Authority

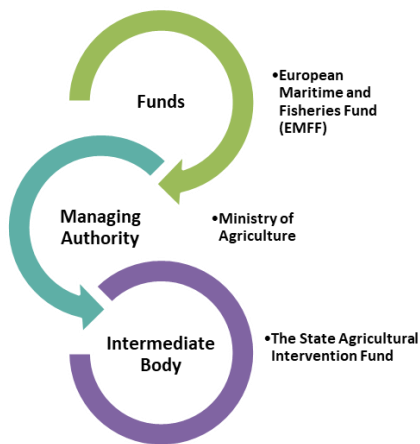
The main objective of the Operational Programme Prague - Growth Pole of the Czech Republic is to increase the competitiveness of Prague and ensure the quality of life of its inhabitants. This operational programme covers in particular the area of strengthening research, technological development and innovation, sustainable mobility and energy savings using appropriate renewable energy sources, energy-efficient equipment and intelligent management systems, increasing the attractiveness of using urban public transport, social inclusion, combating poverty, educational activities, including those with regard to early school leaving, inclusive education, increasing the competences of teaching staff, social entrepreneurship.

- ### What (among other things) was audited by Unit 5208 – Audit OP Em and OP PGP in 2022?
- construction of a parking house P+R Černý Most
 - support for emerging SMEs - trade fairs, mentoring, etc.
 - widening of the road to include a lane for public transport on Strakonická str.
 - expanding the capacity of 4 school facilities (Jinonice, Kolovraty, Lysolaje, D. Chabry)
 - renovation and modernization of classrooms in 4 schools (Hrdlořezy, Bubeneč, Troja, Horní Počernice)
 - building a halfway house (Radotín)
 - reconstruction of the asylum house (Holešovice)
 - improving the efficiency of rainwater management in the territory of the capital city of Prague
 - introduction of training on transport simulators for the modernisation of the air-conditioning system in the Smíchovské nádraží metro station
 - building a business incubator (Smíchov)
 - loan fund for innovative projects of Prague entrepreneurs
 - guarantees for loans to Prague entrepreneurs during the Covid-19 pandemic
 - construction of a building for laboratories and experimental workplaces of the Research and Testing Institute of Aviation

Overall, by the end of 2022, 57 calls were launched under the Operational Programme and 1,780 projects were approved (out of 2,337 applications submitted). Subsidy agreements have been concluded for a total eligible expenditure of 11.3 billion CZK.

The final evaluation of the Operational Programme Prague - Growth Pole of the Czech Republic, which will run until the end of 2024, was also launched. For example, the outcomes of the selected interventions in Prague and their spatial distribution will be examined, how the projects contributed to the achievement of the programme's objectives, or what impact the interventions had on the development of socio-economic indicators. The results will be compared with the needs of Prague as defined in the strategic documents.

5.9 OP Fisheries



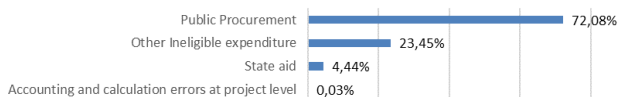
System Audit

Verified key requirements:	KR 2, KR 3, KR 4
Number of findings:	6
System audit assessment:	Category 2. Works, but some improvement(s) are needed.

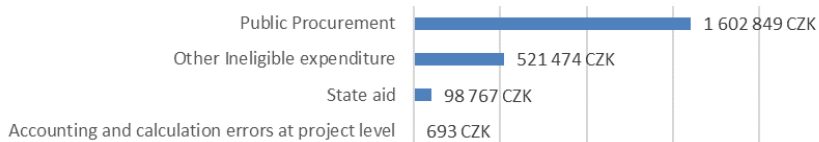
Audits of operations

Number of audits:	30
Number of audit with findings:	8
Audited expenditure:	135 million CZK
Total error rate (TER):	1,78 %
Extrapolated error:	4.3 million CZK
Audit opinion:	unqualified opinion

Infringement areas



Infringement areas according to the financial impact



Modernization of fishing equipment
- small tractor
photo: Audit Authority

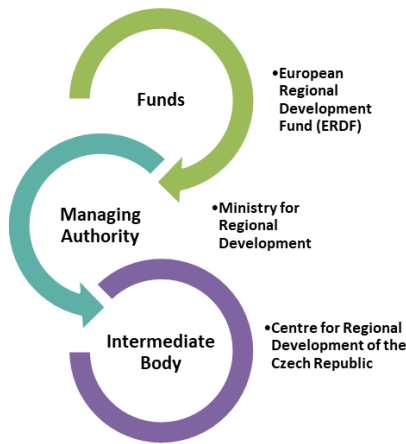
The operational programme is aimed at implementing sustainable development of aquaculture, increasing the competitiveness of enterprises and processors of aquaculture products, promoting the consumption of fish products and activities aimed at environmental protection, including the planting of eels. The aid also applies to new farmers entering the aquaculture sector, as well as to small, medium-sized and large enterprises (with reduced aid rates). State institutions are also supported, especially universities and interest associations of the Czech Fishing Union.

What (among other things) was audited by Unit 5210 – Audit OP Fisheries and other programs in 2022?

- 6 compensations for reduced income from the sale of live or processed fish in the COVID-19 period
- 45 m³ of mud removal
- 34 kg of eel planting
- 2 studies to optimise aquaculture conditions
- 1 construction of a warehouse for fishing equipment and feed
- 1 construction of sludge management RAS
- 1 RAS construction
- 1 extension of a fish factory
- 2 communication services for OP Fisheries and exhibitions
- other equipment and facilities to improve the competitiveness and viability of aquaculture enterprises (nets, cofferdams, water pressure cleaners, saws, lawnmowers, brush cutters, aerators, de-icers, pumps, boats, boat engines, fish boxes, etc.)
- 1 suction excavator, 1 wheeled excavator, 6 tractors, 3 trucks, 6 semi-trailers/trailers, 6 cars up to 3.5 t with loading area, 7 trailers, 2 small tractors, 2 loaders, 2 forklifts, 1 conveyor, 2 silos

In 2022, the audit authority identified several irregularities in the audits of operations in the areas of public procurement, public aid and non-compliance with the conditions for eligibility of expenditure. The errors and deficiencies identified in the audits of operations were isolated, can be described as individual failures and, according to the AA, were not due to the non-functioning of the management and control system. A systemic finding was identified in the audits of compensation project operations, which was caused by misconduct on the part of the beneficiaries.

5.10 Interreg V-A Czech Republic - Poland



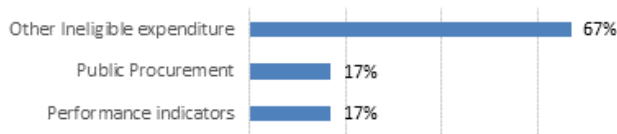
System Audit

Verified key requirements:	KR 2, KR 4
Number of findings:	4
System audit assessment:	Category 2. Works, but some improvement(s) are needed.

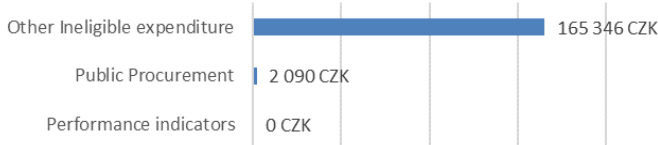
Audits of operations

Number of audits:	29
Number of audit with findings:	3
Audited expenditure:	6.4 million CZK
Total error rate (TER):	3,43 %
Extrapolated error:	0.166 million CZK
Audit opinion:	qualified opinion

Infringement areas



Infringement areas according to the financial impact



Technology without borders (production line model)
photo: Audit Authority

The programme is aimed at increasing cross-border capacity to deal with emergency or crisis situations, to transform declining industrial areas and to improve the accessibility of natural and cultural heritage. It also serves to improve the skills of young people living in the regions concerned in order to facilitate their entry into the labour market. The most frequent beneficiaries are public administrations, church and religious associations, non-governmental non-profit organisations, European groupings for territorial cooperation, tourism associations, chambers of commerce and professional associations, and educational institutions, including universities.

What (among other things) was audited by Unit 5202 – Audit of ETC in 2022?

- 12.5 km of reconstructed roads improving transport accessibility in the border area
- 0.52 constructed cycle paths and cycle tracks
- a virtual trail linking the production sites of regional food products and original traditional producers
- creation of an exhibition space
- creation of an application with models of castles of the Bohemian-Moravian border region
- an experiential and educational cross-border route
- teaching laboratories - models of production lines and virtual teaching lines

The audit of operations in 2022 identified findings mainly in the area of implementation of investment actions. As in the previous year, there was an incidence of misconduct in the area of unallowable expenditure on construction works and insufficiently evidenced expenditure on construction works.

6. RESULTS OF CROSS-BORDER COOPERATION PROGRAMMES (with MAs outside the Czech Republic)

ESI Funds (MA outside of the Czech Republic)

- Cross-border, transnational and interregional cooperation programs where the managing authority is outside the Czech Republic and where the Audit Authority is a member of the group of auditors, but is not a designated audit authority (e.g. Interreg V-A SR – CR, Interreg CENTRAL EUROPE, etc.)

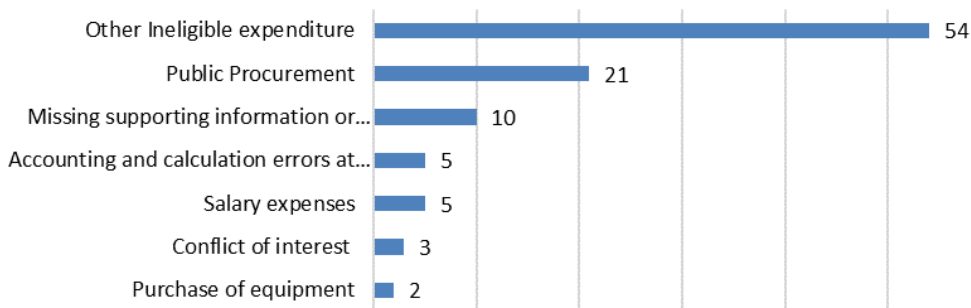
6.1 Other CBC programmes - summary

Summary information for cross-border cooperation programmes with a managing authority outside the Czech Republic (i.e., Free State of Saxony - Czech Republic 2014-2020, Czech Republic - Free State of Bavaria, INTERREG V-A Austria - Czech Republic, INTERREG V-A Slovakia - Czech Republic)

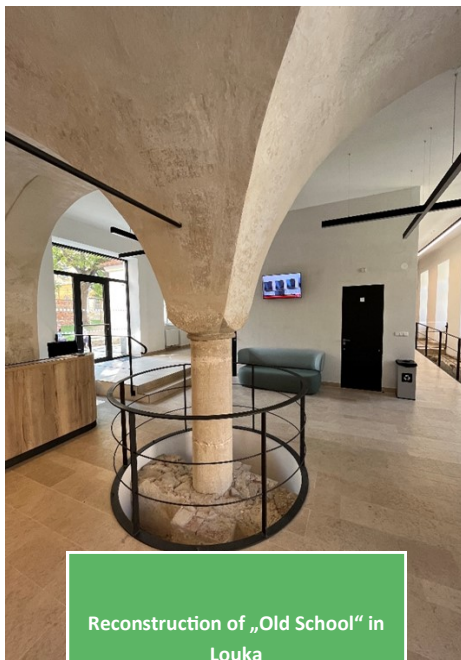
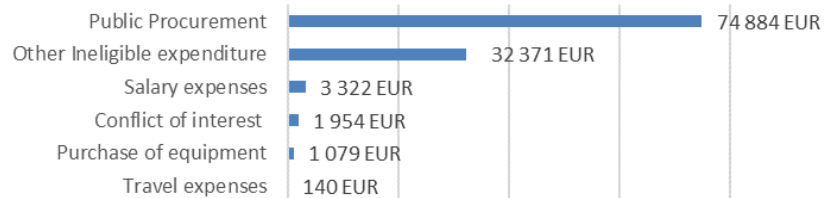
Audits of operations

Number of audits:	60
Number of audit with findings:	20
Audited expenditure:	7.12 million EUR
Extrapolated error:	113 750 EUR

Infringement areas



Infringement areas according to the financial impact



Reconstruction of „Old School“ in Louka

photo: Audit Authority



Reconstruction of the road at the border hill Hvozď from Krompach to Hain

photo: Audit Authority

6.2 Other CBC Programmes – more information

System Audit

	verified key requirements	number of findings	assessment
Saxony	-	-	-
Bavaria	-	-	-
Austria	-	-	-
Slovakia	KR 2, KR 3, KR 4, KR 5, KR 7, KR 9, KR 10, KR 11, KR 12	2	Category 2. Works, but some improvement(s) are needed.

Audits of operations

	number of audits	number of audits with findings	audited expenditure (EUR)	total error rate (TER) %	extrapolated error (EUR)	infringement areas	infringement areas according to the financial impact (EUR)
Saxony	26	14	655 095	1,88	21 940	ineligible expenditure	15 445
						salary expenses	3 322
						conflict of interest	1 954
						purchase of equipment	1 079
						travel expenses	140
Bavaria	16	5	2 902 193	2,11	37 256	public procurement	28 216
						other ineligible expenditure	9 039
						accounting errors	0
Austria	6	0	1 301 459	2,62	-	-	-
Slovakia	12	5	2 260 802	2,23	54 554	public procurement	46 668
						other ineligible expenditure	7 886

What (among other things) was audited by Unit 5202 – Audit of ETC in 2022?

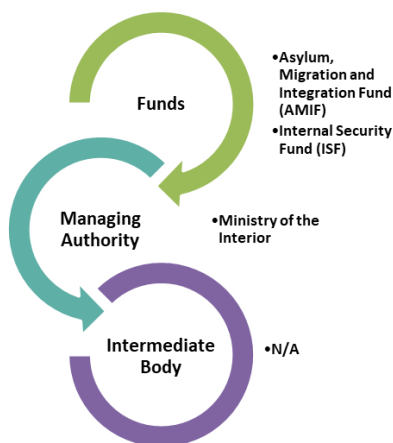
Saxony	Bavaria	Austria	Slovakia
<ul style="list-style-type: none"> development and continuation of the Charles Trail and extension of the cycle path network in the Ore Mountains construction of the VIA SACRA sacral experience route innovative Internet-based educational technologies - interactive maps 1 km of roads around the border hill Hvozď experience locations in the central Erzgebirge virtual trail with augmented reality in the Geopark Ralsko promoting innovative forms of learning protection of biotopes created by mining activities in the Ore Mountains summarising information on useful and ornamental plants increasing the availability of medieval and early modern collections in public archives 	<ul style="list-style-type: none"> 127 FTEs 26 business trips 2 museum buildings 15 items of chemicals and laboratory equipment 6 new, expanded or upgraded research facilities of enterprises 20 items of chemicals and laboratory equipment 2 ethnographic expositions art metal water wheel reconstruction of the textile factory premises 2 370 tonnes of construction waste 	<ul style="list-style-type: none"> software for connecting the cross-border emergency services system 1 reconstruction of a historic building laptops a mobile workshop that travels to schools and children's groups to teach children how to use tools and develop interest in technical fields reconstruction of a historic building 1 earthquake catalogue equipping chemical laboratories with new devices 	<ul style="list-style-type: none"> 90 FTEs 23 km of protective fencing for trees 33 chemicals construction of a multimedia, interactive space called Nature's Vault 8.1 km of cycle paths 21 computers including LCD displays and 8 laptops 1 laser engraver and an optic fibre welder 17 classroom desks 80 teaching aids 3 simulators for a training metallic LAN 3D milling machines 1 weather station

7. RESULTS OF OTHER FUNDS AND FINANCIAL MECHANISMS

Other funds and Financial mechanisms

- Migration funds:
 - AMIF
 - ISF
- EEA and Norway financial mechanisms

7.1 AMIF & ISF



System Audit (AMIF & ISF)

Verified key requirements:	KR 2, KR 3, KR 4, KR 8
Number of findings:	3 (AMIF), 2 (ISF)
System audit assessment:	Category 2. Works, but some improvement(s) are needed.

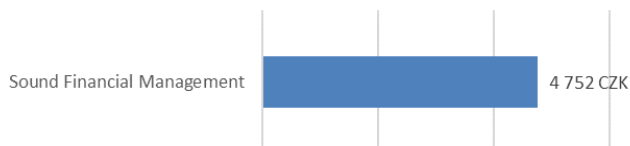
Audits of operations (AMIF & ISF)

Number of audits:	8
Number of audit with findings:	1
Audited expenditure:	155 million CZK
Total error rate (TER):	0,03 %
Extrapolated error:	0.04 million CZK
Audit opinion:	unqualified opinion

Infringement areas (AMIF & ISF)



Infringement areas according to the financial impact (AMIF & ISF)



Reconstruction of kitchen in FSF Bálková

(Implementation process)
photo: Refugee Facilities Administration of the M. of Interior

The **Asylum, Migration and Integration Fund (AMIF)** aims to contribute to the effective management of migration flows, to the implementation, strengthening and development of the common policy on asylum, subsidiary and temporary protection and the common immigration policy, while fully respecting the rights and principles enshrined in the Charter of Fundamental Rights of the European Union. The **Internal Security Fund (ISF)** is used to support the protection of the EU's external borders and the common visa policy, police cooperation in the field of home affairs and the fight against serious and cross-border crime, as well as the protection of critical infrastructure.

AMIF is used mainly by non-profit legal entities that focus their activities on the operation of integration centres for foreign nationals, as well as by the OSS and international organisations. The ISF is drawn upon by the OSS carrying out activities focused on internal security.

In 2022, the audit of the management and control system of the National Programme of the Asylum, Migration and Integration Fund (AMIF) and the National Programme of the Internal Security Fund (ISF) identified minor deficiencies in the areas of the setup of verification of formalities and acceptability checks in the call, the setup and implementation of risk analysis and the setup of procedures for continuous monitoring of approved expenditure on equipment above 10 000/100 000 EUR. The responsible authority has taken partial remedial action within the framework of the sent action plan. Some of the AA's recommendations will be implemented by the RA within the 2021-2027 programme period. The audit of operations revealed a violation of the 3E principle with a low financial impact (impact up to 5,000 CZK). The audits of the accounts of AMIF and ISF were without findings

What (among other things) was audited by Unit 5210 – Audit OP Fisheries and other programs in 2022?

AMIF

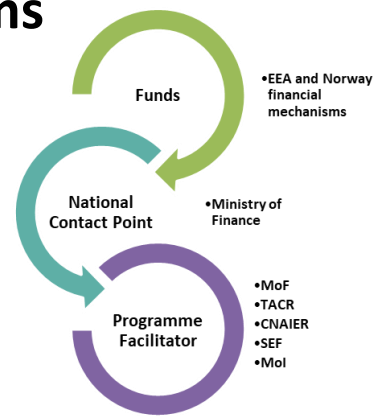
- reconstruction of the kitchen of the Facilities for securing foreigners in Bálková
- client centre for providing information to foreigners

ISF

- national EES project - Entry/Exit system - technology acquisition and system implementation

7.2 EEA and Norway financial mechanisms

- The EEA Financial Mechanism and the Financial Mechanism of Norway are the source of funding for the individual Programmes.
- Each individual Programme has its own Programme Facilitator. 9 Programmes are implemented in the Czech Republic: 5 programmes are mediated by the Ministry of Finance (MoF), 4 programmes are mediated by other entities: The Technology Agency of the Czech Republic (TACR), the Czech National Agency for International Education and Research (CNAIER), the State Environmental Fund (SEF) and the Ministry of the Interior (MoI).
- In addition to the financing of the Programmes, the financial mechanisms also provide a financial contribution as Technical Assistance and as the Bilateral Relations Fund.
- The **National Contact Point (NCP)** is the Ministry of Finance, which is responsible for managing the activities of the EEA and Norway Grants in the Czech Republic.



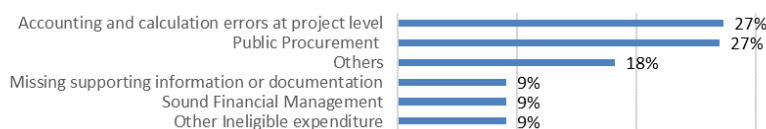
System audit according to audited Programs

program	audited entity	verified KR	number of findings	system audit assessment
Research	Technology Agency of the Czech Republic	KR 1, KR 2, KR 3, KR 4, KR 5, KR 6, KR 7	5	Category 1. Works well. No or only minor improvement(s) needed.
Interior affairs	Ministry of the Interior	KR 1, KR 2, KR 3, KR 4, KR 5, KR 6, KR 7	0	Category 1. Works well. No or only minor improvement(s) needed.
Education	Czech National Agency for International Education and Research	KR 4	2	Category 2. Works, but some improvement(s) are needed.
Health, Culture, Good governance, Human rights, Justice	Ministry of Finance	KR 4	1	Category 2. Works, but some improvement(s) are needed.
Environment	State Environmental Fund of the Czech Republic	KR 4	0	Category 1. Works well. No or only minor improvement(s) needed.

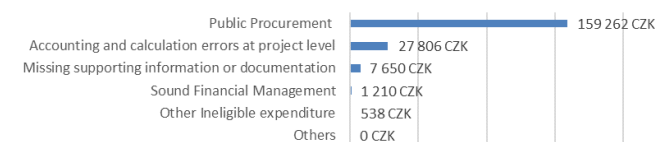
Audits of operations

number of audits	number of audit with	audited expenditure	total error rate (TER):	extrapolated error	audit opinion
6	5	40.7 million CZK	0.23 %	0.2 million CZK	unqualified opinion

Infringement areas



Infringement areas according to the financial impact



The main objective of the EEA and Norway financial mechanisms, also known as the EEA and Norway Grants, is to reduce economic and social disparities in the European Economic Area and to strengthen cooperation. Emphasis on the sharing and exchange of experience between the donors - Norway, Iceland and Liechtenstein - and the grantees is an important aspect that distinguishes these funds from EU funds. Beneficiaries implement their projects through individual programmes, which are broadly focused on environmental protection, culture, health, education, research, human rights and justice, and more. The final beneficiaries are all entities, public or private, commercial or non-commercial and non-governmental non-profit organisations established as legal entities. The emphasis is on encouraging participation by all, no one must be excluded.

The audit authority carried out a total of 21 audits of operations in 2022. For 16 audits, the audits were closed with no findings, for 4 audits a total of 9 findings of medium materiality with financial impact were identified and for 1 audit a total of 2 findings of low materiality without financial impact were identified. Deficiencies were found in particular in the areas of compliance with procedures for small-scale public procurement and compliance with rules on eligibility of expenditure. The identified deficiencies were caused by individual misconduct, were not caused by incorrect settings or non-functioning of the management and control systems of individual programmes, were not of a systemic nature, and the Audit Authority issued an unqualified opinion on the statements of expenditure financed from the EEA and Norway Grants for 2022.

What (among other things) was audited by Unit 5210 – Audit OP Fisheries and other programs in 2022?

- expenditure to strengthen the activities of the Ombudsman's Office in the areas of human rights, protection of children at risk and promotion of equality
- expenditure on support for activities of institutions in the field of prevention and combating domestic and gender-based violence, prevention of hate speech against minorities in public space and in the region (Office of the Government of the Czech Republic, Ministry of Regional Development)
- spending by institutions to improve access to justice for vulnerable groups or raise awareness of the content of fundamental rights and freedoms (Ministry of Justice, Charles University, Judicial Academy)
- expenditure to support training, meetings and exchange of experience of staff of patient organisations, the so-called Patient Hub of the Ministry of Health
- expenditure on student exchange visits and foreign study trips of experts from educational and other institutions (Gymnasium Teplice, University of Pardubice, University of Economics, Regional Office of the Pilsen Region)
- expenditure on the management of most Financial Mechanism programmes

8. NATIONAL RECOVERY PLAN (NRP)

National Recovery Plan

- Since 2022, the Audit Authority has been auditing the Recovery and Resilience Facility programme; its funds are provided to beneficiaries through the National Recovery Plan (NRP)

The National Recovery Plan was created in response to the crisis caused by the COVID-19 pandemic and its economic impact, with a 5.8% drop in GDP in the Czech Republic in 2020, through Regulation 241/2021 of the European Parliament and of the Council of the EU.

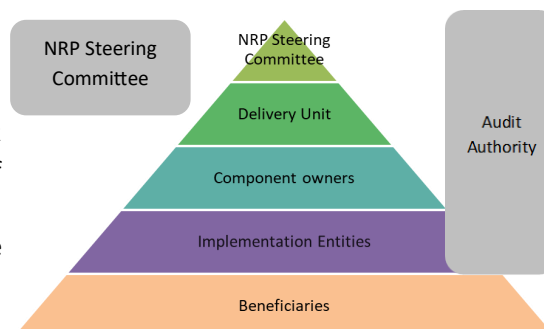
It is made up of reforms and investments that have the potential to steer the Czech Republic towards a green and digital future. Reforms and investments include a total of 244 milestones and targets. In order to implement these reforms and investments, the Czech Republic will receive up to 179.1 billion CZK from the European Resilience and Recovery Facility (RRF). The RRF is the largest instrument of the EU's NextGenerationEU renewal plan. The goal is economic recovery while building a resilient society. The plan reflects the requirement of European legislation, with 37% of spending to support the climate transition and a further 20% to support the digital transformation. It intervenes in many areas of people's daily lives, such as: education, transport, health, agriculture, science, culture and business support.

In this instrument, it is not only important to "spend the money", as we are used to from the Structural Funds, but the key is to achieve the result, i.e., to meet the milestones and targets. The implementation deadline for the NRP is 2026, when the last application for disbursement of funds from the RRF can be submitted in the second half of the year. In this case, European funding is helping the Czech Republic to become a more competitive and sustainable economy, and also helping our citizens and society as a whole to become more resilient.

In 2022, the first Disbursement Request was submitted, which included 37 completed milestones and targets for a total of 1 billion EUR.

Implementation Structure

- **NRP Steering Committee:** the highest decision-making and approval body
- **Delivery Unit (Ministry of Trade):** entity responsible for coordination, monitoring and reporting to the EC
- **Component owners (ministries):** entities responsible for the implementation of the NRP or its individual components. Some COs delegate the implementation of components or parts of components to other entities, which are referred to as implementation entities
- **Beneficiaries (cities, river basins, research organisations, railway administration, etc.)**
- **Independent Audit Body (IAB):** a body carrying out audit work for the purpose of issuing an audit summary which forms part of each payment claim
- **AFCOS Central Contact Point (Ministry of Finance)** - responsible for reporting irregularities

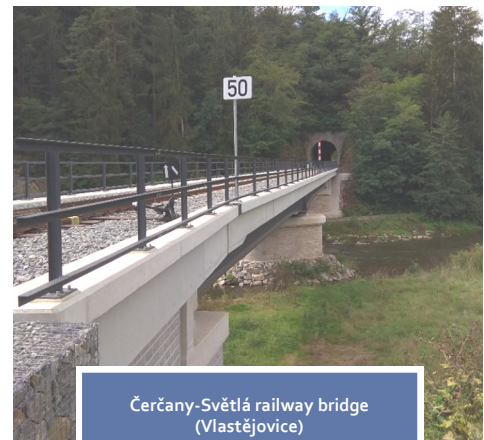


8.1 National Recovery Plan—Audit results

- System audits and substantive testing of milestones and targets were carried out within the NRP. The objective of the M/T substantive testing is to obtain assurance that the milestones and targets to be reported to the European Commission in the payment claim have actually been met in accordance with the NRP and according to a predefined verification mechanism.
- As part of system audits, the AA verifies the setup and effective and efficient operation of the internal control system of the DU, component owners and their implementing entities.
- On the basis of the results of the audit work, the AA prepares an Audit Summary for each payment request, providing the Commission with assurance that the NRP's internal control system is functioning and that the reported milestones and targets have actually been met, including the conditions set out in Article 22(1) and (2) of Regulation (EU) No 241/2021.
- In 2022, 8 milestones out of 31 and 6 targets out of 6, for a total of 108 projects/operations, were audited in connection with the first Disbursement Request. In total, there were 6 audited component owners: MoT, MEYS, MoA, MRD, MIT and Mol. At the same time, an audit of the system of the MIT-DU coordinating body was carried out.
- In addition to testing the substantive accuracy of milestones and targets, two system audits were conducted. These two audits were carried out in order to meet the three so-called pre-requisition milestones, i.e., the milestones which were a condition for the submission of the first request for payment of funds. Specifically, these were:
 - ⇒ An audit of the functionality and operation of the NRP's storage/information system (Milestone 210)
 - ⇒ An audit of the implementation of the action plan to put in place sufficient measures to prevent conflicts of interest and the effectiveness of the internal control system to prevent, detect and correct conflicts of interest in accordance with Article 61 of the Financial Regulation within the NRP (Milestones 209 and 214)
- Based on the results of the audit work carried out, an Audit Summary was prepared for the first payment claim for the period 1. 2. 2020 - 30. 6. 2022.

Audit results

- A total of 4 findings of low severity were identified in **two system audits**, and the AA issued unqualified opinions on milestones 209, 210 and 214
- The **testing of the 14 milestones and targets** identified a total of 5 findings of medium severity and 4 findings of low severity. Two targets (135 and 172) were qualified by the AA and the remaining audited milestones and targets were unqualified.



Čerčany-Světlá railway bridge (Vlastějovice)

photo: Audit Authority

What (among other things) was audited by Unit 5211 – Audit NRP in 2022?

- schools purchased at least 74 000 digital devices for distance learning
- construction of cycle paths, sidewalks and barrier-free routes
- upgrading railway bridges or tunnels
- completion of projects concerning small watercourses and small reservoirs
- entry into force of the new Building Act
- creating a platform for the digitalisation of the economy, and others.
- expenditure financed by the Technical Assistance of the Financial Mechanisms



Reconstruction of the sidewalk in Petlěřská street (Kláštěrec nad Ohří)

photo: Audit Authority

9. SOLIDARITY FUND

Solidarity Fund

- The Solidarity Fund is the EU's main instrument to support recovery from natural disasters and is an expression of EU solidarity. It allows the EU to provide effective support to an EU Member State (or candidate country) dealing with the consequences of a major natural disaster such as a flood, forest fire, earthquake, storm or drought. From 2020, the Solidarity Fund also covers major public health emergencies such as the COVID-19 pandemic.
- The Solidarity Fund was set up in 2002 in response to the disastrous floods that hit Central Europe in the summer of 2002. Since then, it has provided support on more than 130 occasions. So far, 24 Member States (plus the United Kingdom) and three candidate countries (Albania, Montenegro and Serbia) have received support from the Solidarity Fund, with a total of more than €8.2 billion disbursed.
- On the basis of Decision (EU) 2021/885 of the European Parliament and of the Council of 20 May 2021, the Czech Republic was granted on 27. 12. 2021 a financial contribution from the EU Solidarity Fund of **17 373 205 EUR** (433 635 196.80 CZK) to cover part of the expenditure related to the protection of public health and the prevention of the spread of COVID 19.
- The AA was mandated to audit the Solidarity Fund's finances, with only the preparatory phase for the audit taking place in 2022. The objective of the audit, which will take place in 2023, is to verify that the declaration justifying the expenditure gives a true and fair view and that the financial contribution from the Fund is legal and regular.

10. LIST OF KEY REQUIREMENTS (KR)

1. Adequate separation of functions and adequate systems for reporting and monitoring where the responsible authority entrusts execution of tasks to another body
2. Appropriate selection of operations
3. Adequate information to beneficiaries
4. Adequate management verifications
5. Effective system in place to ensure that all documents regarding expenditure and audits are held to ensure an adequate audit trail
6. Reliable system for collecting, recording and storing data for monitoring, evaluation, financial management, verification and audit purposes, including links with electronic data exchange systems with beneficiaries
7. Effective implementation of proportionate anti-fraud measures
8. Appropriate procedures for drawing up the management declaration and annual summary of final audit reports and of controls carried out

11. LIST OF ABBREVIATIONS

AA	Audit Authority
AMIF	Asylum, Migration and Integration Fund
ACR	Annual Control Report
CBC	Cross-boarder Cooperation
CF	Cohesion Fund
CNAIER	Czech National Agency for International Education and Research
EC	European Commission
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European structural and investments funds
FM	Financial Mechanism
FTE	Full Time Equivalent
ITI	Integrated Territorial Investments
ISF	Internal Security Fund
KR	Key Requirement
MA	Managing Authority
MCS	Management and Control Systems
MoF	Ministry of Finance
MoI	Ministry of Interior
NCA	National Coordination Authority
PA	Paying Authority
SEF	State Environmental Fund
SME	Small and medium-sized enterprises
TACR	Technology Agency of the Czech Republic
TER	Total Error Rates



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