

Financial resources earmarked for research and development in the area of environment

Press release on completion of the auditing operation No. 06/05

The auditing operation was included in the Annual Audit Plan of the Supreme Audit Office (hereinafter referred to as "SAO") for the year 2006 under No. 06/05. The auditing operation was managed and the audit conclusion drawn up by Mr. Zdeněk Brandt, the Member of the SAO.

The audit aim was to examine, whether funds earmarked for support of research and development were rendered and used in accordance with the given purpose, correctly and economically.

The audited period covered years from 2002 to 2005 as well as previous or following periods in certain cases of relevant connections.

The audited bodies were the Ministry of the Environment (hereinafter referred to as "ME"),

Agency for Nature Conservation and Landscape Protection of the Czech Republic, the Czech Environmental Information Agency, the Czech Hydrometeorological Institute and others.

Some programmes being solved to 2005 (a few of them have been going on up to 2006) were without concrete aim, ambiguous and difficult to evaluate. Also temporal limitation for their achievement has been missing. The ME evaluated programmes and their usage by means of finished projects' results. This evaluation in many cases stated that results corresponded with goals of programmes but it was namely caused by the fact that these goals had been assigned only in general.

Audited research and developments project tenders contained shortcomings, for which these bidding proceeding could be deemed as insufficiently transparent and objective.

The ME didn't have uniform and unambiguous attitude towards adherence to cost limits in various items of the support contract and in relation to itemised budget altering. It also left possibility of free interpretation considering time points, between which project costs could be claimed to reimburse; it admitted that also costs occurred before contract signing or after final report submitting could have been included in the project costs. The ME failed to specify a provision concerning cost limit of long-term property acquisition with respect to its presumable utilization for the project solution. It tolerated that a considerable part of solution costs was spent for services delivered only on the basis of simple orders without determined budgets, unit prices, time and realized activities sheets. This practice allowed an inadmissible combination of institutional and special-purpose support.

The ME reviewed drawing and using of support by means of the so-called "sound final account". This procedure has got a limited capability to give evidence; beneficiaries worked out documents incompletely, wrongly, and often using data

conflicting with costs actually stated in bookkeeping. There was particularly impossible to assess without further evidence, whether the individual expenses were actually related to approvable costs and whether the support was used solely for solution of the approved project or intention.

The SAO found out a lot of deficiencies at support beneficiaries. They could not always prove using of funds only in direct connection with achievement of goals and parameters of the project, and that these funds were necessary for the project solution, properly justified, evidenced and linked to the authorised activities. For example, travelling costs, which often represented a substantial part of the total costs, were not always sufficiently accounted for. Beneficiaries paid from the research and development support in many cases acquisition of various pieces of equipment, which was for institution or organization activities generally exploitable. In many cases, beneficiaries neglected the obligation to keep for each project or intention a separate file of evidence about approvable costs, which is a basic precondition for effective control.

The ME as a provider of the research and development support uses a control system, which is not able to ascertain most of shortcomings found out during the SAO audit. The ME conducted a limited number of financial controls but in many other cases they could not examine, whether reimbursed costs were for the project or intention solution necessary and whether further conditions of legal regulations and contracts were respected.