



## Audit Report

23/21

### **Funds from the state budget and from the European Union earmarked for competition projects supporting employment and workforce adaptability from the Operational Programme *Employment 2014–2020***

The audit was included in the audit plan of the Supreme Audit Office (hereinafter referred to as the “SAO”) for 2023 under number 23/21. The audit was headed and the Audit Report was drawn up by SAO Member Ing. Stanislav Koucký.

The aim of the audit was to verify whether the funds from the state budget and from the European Union earmarked for supporting employment and workforce adaptability within the competition projects of the Operational Programme *Employment 2014–2020* were used effectively, efficiently and in accordance with the law.

#### **Audited entities:**

- Ministry of Labour and Social Affairs (hereinafter the “MoLSA”);
- Selected beneficiaries: Kvalifikační a personální agentura, o. p. s., Třinec; Nonverba, z.ú., Ostrava; Prosapia, z. ú., společnost pro rodinu, Děčín; Rodinné centrum Pohádková chaloupka, z. s., Přestanov; Sociální agentura, o.p.s., Ústí nad Labem; SocioFactor s.r.o., Ostrava.

The period audited was from 2015 to 2023, and the preceding and subsequent periods where materially relevant.

The audit for the audited entities was carried out in the period from September 2023 to April 2024.

**The SAO Board**, at its 11<sup>th</sup> session held on 5 August 2024,

**approved** by Resolution No 6/XI/2024

the **Audit Report** as follows:

**Funds from the state budget and from the European Union earmarked for competition projects supporting employment and workforce adaptability from the Operational Programme *Employment 2014–2020***

KEY FACTS

**CZK 1,229 million**

Funds spent to support OPEm competition projects<sup>1</sup> under SO 1.1.1<sup>2</sup> in the period 2016–2022

**317**

Number of projects supported

**16,466**

Number of people supported within the 317 projects

FINDINGS

**The only quantitatively expressed support objective**

The MoLSA set for OPEm competition projects under SO 1.1.1 only a single quantitatively expressed objective relating to the target change for the population, which was to achieve for persons aged 20–64 a general employment rate of 75%. But the value was surpassed already in the year the support began.

**Evaluation of success of the support based primarily on meeting the number of participants and the number of qualifications obtained in the projects**

The MoLSA based the evaluation of success of the implementation of OPEm competition projects under SO 1.1.1 primarily on the fulfilment of two indicators reflecting the number of participants and the qualifications obtained in the projects.

**7 out of 10**

of the audited projects were evaluated by the SAO as with reduced effectiveness and efficiency of the funds spent.

**2 out of 10**

of the audited projects were evaluated by the SAO as ineffective and inefficient use of funds.

**In 4 out of 10**

of the audited projects, the SAO found facts indicating a breach of the budgetary discipline.

<sup>1</sup> Operational Programme *Employment 2014–2020*.

<sup>2</sup> Specific objective 1.1.1 “Increase employment of supported persons, particularly older, low-qualified and disadvantaged people.”

## I. Summary and Evaluation

1.1 The SAO carried out an audit of the funds from the state budget (hereinafter also “SB”) and from the European Union (hereinafter also the “EU”) budget spent during the programming period of 2014–2020 from the Operational Programme *Employment 2014–2020* (hereinafter also “OPEm”) for supporting employment and workforce adaptability within the framework of OPEm competition projects. Under the OPEm, subsidy decisions were issued to support OPEm competition projects in the amount of approximately CZK 1.4 billion, and approximately CZK 1.2 billion was paid out.

1.2 The aim of the audit was to verify whether the funds from the state and EU budgets earmarked for supporting employment and workforce adaptability within the competition projects of the Operational Programme *Employment 2014–2020* were used effectively, efficiently and in accordance with the law. The audit was carried out with respect to MoLSA with a focus on its activities in its capacity as the OPEm Managing Authority and provider of subsidies, and also with respect to 6 selected beneficiaries, for which the implementation of 10 projects approved for support was examined. The audited volume of funds at the MoLSA and at the beneficiaries amounted to CZK 112.7 million.

**1.3 The MoLSA spent funds to support OPEm competition projects aimed at increasing employment of various disadvantaged target groups of people<sup>3</sup> with reduced effectiveness and efficiency.**

**In the period 2016–2022, the MoLSA provided support for solutions to increasing employment of various disadvantaged target groups of persons without setting out what (in terms of changes) was to be achieved for these groups with the support. The MoLSA set for the support only a single quantitatively expressed longer-term objective, which was to achieve for persons aged 20–64 a general employment rate of 75%<sup>4</sup>. But the value was surpassed already in the year the support began. Through five calls for the support of OPEm competition projects, the MoLSA provided the beneficiaries with funds in the amount of approx. CZK 1.2 billion.**

**In the projects, the MoLSA followed the total number of participants and the number of participants who obtained qualifications. However, this type of monitoring does not allow evaluating the benefits of the projects, i.e., whether the participants found employment thanks to their implementation.**

**In examining the 10 selected projects for six beneficiaries, the SAO found that in only one case the beneficiaries did spend the funds effectively, but with reduced efficiency. In two cases, the beneficiaries spent the funds in their entirety ineffectively and inefficiently, supporting people who did not fall into the target groups. In the seven remaining cases, the SAO found partial shortcomings that compromised the effectiveness and efficiency of the funds spent. Some beneficiaries violated the statutory regulations and binding conditions governing the subsidies provided.**

**In four projects, the SAO found ineligible expenditure totalling CZK 9.1 million.**

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<sup>3</sup> Examples: persons aged 50 and over; long-term or repeatedly unemployed persons; persons caring for small children; persons with disabilities; low-qualified persons; persons caring for other dependent persons.

<sup>4</sup> The target value was set (taken over into the OPEm) on the basis of the national objective of the *Europe 2020* strategy set out in *the National Reform Programme of the Czech Republic*.

1.4 This overall assessment is based on the following findings:

- a) For the fulfilment of SO 1.1.1, the MoLSA set only a single quantitatively expressed longer-term objective, which referred to a change with regard to the population and which set reaching for persons aged 20–64 the general employment rate at a target value of 75%. This value was surpassed already in the year the support began. The support was aimed at various disadvantaged target groups of people, but the MoLSA did not set out what changes were to be achieved with the support (see paragraphs 4.1 to 4.3).
- b) The MoLSA has not introduced any indicators for the support to monitor changes at the level of the entire population of various disadvantaged target groups of people in the Czech Republic, or employment in general. All installed indicators only related to the number of participants in implemented projects. However, in many cases, the numbers of participants that were fulfilled and the qualifications obtained had no effect on improving the situation (position) of the participants in the labour market. Other monitoring of success was not possible given how the indicators were set. The installed indicators thus do not allow the MoLSA to monitor and evaluate whether the funds to support OPEm competition projects were used effectively and efficiently (see paragraphs 4.4 to 4.7).
- c) The MoLSA cannot monitor the long-term benefits of implemented projects. The interval monitoring<sup>5</sup> that was carried out by the MoLSA for OPEm competition projects did not guarantee that the numbers of persons who found job in the labour market in relation to the implementation of the projects were monitored, as it reflected the status only to a given date but not over the previous period. This substantially diminishes the monitoring relevance as it cannot follow the benefits of implemented projects (see paragraphs 4.8 to 4.9).
- d) The MoLSA spent funds on ineligible expenditure. It used the funds for activities that were not in accordance with the call (see paragraphs 4.10 to 4.12), for supporting persons who did not fall into the defined target groups (see paragraphs 4.26 to 4.28), for activities that were not in accordance with the subsidy decision (see paragraphs 4.13 to 4.15), or for a course that demonstrably had no effect in terms of better chances of getting a job for the participant (see paragraphs 4.16 to 4.17).
- e) The MoLSA applied in the assessment of subsidy applications unequal treatment towards applicants, as it did not make in materially identical or similar cases equivalent decisions (see paragraphs 4.21 to 4.22). Also in its assessment, the MoLSA approved activities for the beneficiaries that were not in accordance with the call (see paragraphs 4.18 to 4.20) or did not subtract unreasonable labour costs (see paragraph 4.23).
- f) The MoLSA did not check to find that a change in activity requested by a beneficiary was not in accordance with the call (see paragraphs 4.24 to 4.25).
- g) The SAO evaluated the funds spent on seven out of the 10 audited projects as with a reduced degree of effectiveness and efficiency, for two out of the 10 as spent ineffectively and inefficiently, and only for one out of the 10 audited projects as spent effectively, but with reduced efficiency (see paragraph 4.29).

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<sup>5</sup> Interval monitoring: regular collection of data to a specific date.

- h) In four out of the 10 audited projects, the SAO found facts that indicate a breach of the budgetary discipline as a result of violation of the conditions of the subsidy decision (see paragraphs 4.10 to 4.12, 4.16 to 4.17 and 4.26 to 4.28).

## II. Information on the Audited Area

- 2.1 The MoLSA is the Managing Authority of the OPEm for the period of 2014–2020.<sup>6</sup>
- 2.2 Over the 2014–2020 period, the OPEm was focused on several areas of support, e.g., promoting employment, promoting equal opportunities for women and men, promoting the adaptability of employees and employers, promoting continuous education, promoting social inclusion and fighting poverty.
- 2.3 A total of five Priority Axes were defined for the support provided through the OPEm.<sup>7</sup> Support from the OPEm is financed from the European Social Fund (hereinafter also “ESF”).
- 2.4 Under Priority Axis 1, specifically in its investment priority 1.1, which mainly focuses on promoting active employment policy tools and measures, the specific objective 1.1.1 “Increase employment of supported persons, particularly older, low-qualified and disadvantaged people” (further also “SO 1.1.1”) was created. SO 1.1.1 is designed to ensure a direct contribution through support interventions to the achievement of the objectives of the *National Reform Programme of the Czech Republic* in the field of employment. In order to increase the general employment rate of persons aged 20–64 to the target value of 75%, according to the MoLSA, it was necessary, among other things, to focus specifically on groups of persons for whom the employment rate is relatively the lowest (older, younger, low-qualified, women with small children and disadvantaged persons).
- 2.5 The main weight is on promoting the creation of new jobs (especially for applicants and job seekers with a cumulative disadvantage in the labour market), support for advisory activities that help finding a job in the labour market, and support for improving employability, in particular through upgrade, update or review of existing qualifications that are no longer in demand in the labour market.
- 2.6 The support was to aim mainly at activation of economically inactive persons, promoting higher participation of young and older persons in the labour market, better involvement of parents with children in the labour market, and inclusion of low-qualified persons and persons with disabilities in the labour market. For young people under the age of 25, the interventions were meant to focus, for example, on job opportunities, further education, completing education or gaining professional experience.
- 2.7 SO 1.1.1 was to be met through an increase in the number and share of applicants and job seekers supported within the framework of active employment policy tools, an increase in the employment rate of supported persons with emphasis on the groups of people with the lowest employment rate, an increase in the share of applicants and job seekers whose

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<sup>6</sup> On the basis of Resolution of the Government of the Czech Republic No 867 of 28 November 2012, the MoLSA was entrusted with the preparation and management of the OPEm for the period of 2014–2020.

<sup>7</sup> Priority Axis 1: *Promoting Employment and Workforce Adaptability*, Priority Axis 2: *Social Inclusion and Combating Poverty*, Priority Axis 3: *Social Innovation and International Cooperation*, Priority Axis 4: *Efficient Public Administration*, and Priority Axis 5: *Technical Assistance*.

qualifications and skill profiles will meet the requirements of employers, and an increase in the use of flexible forms of work.

2.8 To meet SO 1.1.1, OPEm competition projects<sup>8</sup> were implemented among other efforts, in support of which a total of five calls for aid applications were announced, specifically Calls:

- 03\_15\_040 “Promoting Employment of Target Groups” (hereinafter also “Call 40”);
- 03\_16\_053 “Specific Call for Selected Target Groups” (hereinafter also “Call 53”);
- 03\_16\_068 “Promoting Employment of Target Groups” (hereinafter also “Call 68”);
- 03\_17\_075 “Promoting Employment of Disadvantaged Target Groups in the Labour Market” (hereinafter also “Call 75”),
- 03\_18\_090 “Specific Call for Selected IP 1.1 Target Groups” (hereinafter also “Call 90”).

Details of the announced calls intended to support OPEm competition projects are provided in Table 2 of Annex 1 to this Audit Report.

2.9 The calls were generally focused on key activities in the area of promoting employment, while the projects supported by the call were meant to complement the active employment policy tools applied by the Labour Office of the Czech Republic with regard to the need to provide individual, specialised and comprehensive support to significantly disadvantaged groups of job applicants according to Act No 435/2004 Coll., on employment, and also to inactive unemployed persons not registered with the Labour Office of the Czech Republic. These were targeted measures that were meant to promote employment of people from the project’s target group over the course of the project implementation or subsequently to its completion.

2.10 Applicants for subsidies were mainly non-state, non-profit organisations (associations, charities, specialised institutes, etc.), corporate and natural persons engaged in educational and consulting activities, municipalities, voluntary associations of municipalities, and regions. Subsidy applicants did not have to be strictly only entities whose activities were focused on placing people in the labour market or training people.

2.11 The target groups of people who were to be supported through the calls intended to support OPEm competition projects were, for example, the long-term or repeatedly unemployed, people caring for small children or for other dependent persons, low-qualified persons, people with disabilities, ethnic minorities or persons with cumulative handicaps in the labour market.

2.12 The supported activities were always specified in the respective calls, mainly including consultancy and informational initiatives and programmes in the field of employment, motivational activities, retraining, promotion of efforts to acquire work habits and experience, employment mediation or complementary assessment and work diagnostics.

2.13 Support under competition projects was provided in the form of funding ex-ante payments using indirect costs up to 25% of the project budget. The share of financing from public funds (EU and SB) and equity financing differed depending on the type of beneficiary.

2.14 A total of 328 projects were recommended for support as part of calls for OPEm competition projects, of which 317 projects were financially supported. Detailed statistics on

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<sup>8</sup> Competition projects is a designation for projects to which support was allocated based on an open call for aid applications. Open calls define the supported activities and groups of eligible applicants, but it is not known in advance which applicant will receive support. The decisions are made by way of competition between submitted aid applications according to approved evaluation and selection criteria.

the subsidy applications (and on the projects) are provided in Table 3 of Annex 1 to this Audit Report.

2.15 A total of 16,466 people were supported within the 317 OPEm competition projects under SO 1.1.1, of which 7,804 obtained qualification.<sup>9</sup>

2.16 To support OPEm competition projects under SO 1.1.1, CZK 1,228,852,198 was spent, of which CZK 1,067,853,668 was a contribution from the EU budget through the ESF, and CZK 160,998,530 was from state budget resources.<sup>10</sup>

### **III. Scope of the Audit**

3.1 The aim of the audit was to verify whether the funds from the state and EU budgets intended for promoting employment and workforce adaptability within the OPEm competition projects were provided and used effectively, efficiently and in accordance with the law.

3.2 The SAO audit focused on the funds spent under SO 1.1.1 of OPEm through calls for OPEm competition projects. These were funds allocated to Calls 40, 53, 68, 75 and 90 (see paragraph 2.8).

3.3 As effective, a use of funds is considered if it ensures an ideal rate of achievement of objectives in fulfilling set tasks.<sup>11</sup> Consequently, the provision and use of funds was effective where the support resulted in fulfilment of SO 1.1.1, i.e., an increase in the employment rate of supported persons with emphasis on the groups of people<sup>3</sup> with the lowest employment rate, an increase in the share of applicants and job seekers whose qualifications and skill profiles will meet the requirements of employers, and an increase in the use of flexible forms of work.

3.4 As efficient, a use of funds is considered if it achieves the best possible scope and quality of and benefit from the tasks performed in comparison with the amount of funds spent on their fulfilment<sup>12</sup>.

3.5 The SAO carried out an audit with respect to the MoLSA as the Managing Authority of the OPEm and with respect to selected beneficiaries.

3.6 For the MoLSA, the SAO examined whether it had set the objectives and indicators for SO 1.1.1 so that it was possible to monitor and evaluate the degree of and verify their fulfilment, whether the MoLSA had established for monitoring realistic indicators enabling the assessment of longer-term effects of support, and whether the MoLSA had set the allocation of calls for SO 1.1.1 based on relevant analyses and according to current developments in the field. The SAO further examined the process of assessment and selection of competition projects under SO 1.1.1 and the audit activities of the MoLSA with respect to these projects.

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<sup>9</sup> According to data from MS2014+ (Monitoring system of the European Structural and Investment Funds for the programming period of 2014–2020) obtained on 14/02/2024.

<sup>10</sup> MS2014+ data obtained on 03/04/2024.

<sup>11</sup> Pursuant to Section 2 (o) of Act No 320/2001 Coll., on financial control in public administration and on amendments to certain acts of law (the Act on Financial Control).

<sup>12</sup> Pursuant to Section 2 (n) of Act No 320/2001 Coll.

The activities of the MoLSA relating to the process of assessment and selection of projects and auditing were also examined in terms of their compliance with the law.

3.7 For selected beneficiaries, the SAO verified by audit whether they used the funds intended for the implementation of OPEM competition projects in an effective and efficient manner, in accordance with the law and the stipulated conditions of support.

3.8 A sample of 10 OPEM competition projects implemented at six beneficiaries (hereinafter also referred to as the “base sample”) was selected for the audit. The SAO included in the audit projects whose implementation had been concluded. Other criteria for the selection of projects were implementation of multiple projects by a single beneficiary, implementation of projects by territory, financial significance of projects, representation of all audited calls in the base sample, or identical or similar key project activities. For these projects, the SAO verified compliance with the terms of project implementation. Based on the facts found, the SAO evaluated the effectiveness and efficiency of the funds spent for each project (Table 4 in Annex 2 to this Audit Report) on a four-grade scale, which is provided in Annex 3 to this Audit Report.

3.9 For the purposes of additional verification of the areas of assessment, project selection and audit activities of the MoLSA, the base sample of projects was expanded with respect to the MoLSA by additional projects (hereinafter also the “extended sample”). The projects in the extended sample were not evaluated according to the scale for rating the effectiveness and efficiency of the funds spent, as these projects were not checked for project implementation at the beneficiary. The projects in the extended sample are listed in Table 5 of Annex 4 to this Audit Report.

3.10 The financial volume of the audited projects from the OPEM in the base sample amounted to CZK 51.4 million, of which CZK 45 million was a contribution from the EU budget through the ESF and CZK 6.4 million were state budget resources.

3.11 The financial volume of the audited projects from the OPEM in the extended sample amounted to CZK 61.3 million, of which CZK 52,4 million was a contribution from the EU budget via the ESF and CZK 8.9 million were state budget resources.

3.12 The audited period was 2015 to 2023, and the preceding and subsequent periods where materially relevant.

**Note:** The statutory regulations indicated in this Audit Report are applied in their wording valid and effective for the audited period.

## **IV. Detailed Facts Found in the Audit**

**The MoLSA set for the fulfilment of SO 1.1.1 only a single quantitatively expressed objective, which was surpassed already in the year the support began.**

4.1 The MoLSA set up SO 1.1.1 in such a way that it contained only a single quantitatively expressed objective, which was to increase the general employment rate of persons aged 20–64 to the target value of 75%. This was the only specific longer-term objective of support that expressed the desired change for the population. The target value was taken over into the OPEM 2014–2020 programming document from the national objective of the *Europe 2020*



strategy set out in the *National Reform Programme of the Czech Republic*. The goal was to increase employment of people aged 20–64 from 70.4% in 2010 to 75% in 2020.

4.2 The target value was surpassed at the end of 2016, i.e., in the year the provided support began already. The employment rate is provided in Table 1:

**Table 1: General employment rate of people aged 20–64 in the Czech Republic in the period 2012 to 2022**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employment rate of people aged 20–64	71.5	72.5	73.5	74.8	76.7	78.5	79.9	80.3	79.7	80.0	81.0

**Source:** Employment trends analysis (yearbooks for the periods 2012 to 2020). CSO data (VŠPS analyses 2021 & 2022) obtained on 18 June 2024; see <https://csu.gov.cz/docs/107508/68f7650c-df9f-19f3-07b1-4134f363e5ba/2501322264.pdf> and <https://csu.gov.cz/docs/107508/0a5a6915-2341-3f83-a082-eb47c11ebda1/2501322364nm.pdf>.

4.3 The MoLSA considered as the main objectives of the SO 1.1.1 support its targeting of various disadvantaged target groups of people (selected target groups)<sup>3</sup>. However, these objectives were set only in generic terms in the form of e.g., increasing the number of job applicants, increasing the number of job seekers or activating economically inactive people. No quantitative expression (except the number of project participants) of what (what changes) the MoLSA wanted to achieve through these objectives had been provided. The objectives of SO 1.1.1 thus were not quantified in terms of what the MoLSA wanted to achieve with the intervention at the levels of the entire population and selected target groups respectively. The setting of the objectives does not meet the SMART requirements<sup>13</sup>.

**The MoLSA has not implemented any support indicators to monitor changes at the level of the Czech Republic as a whole.**

4.4 All indicators installed for OPEm competition projects under SO 1.1.1 only referred to participants in supported projects. In all cases, these were growth parameters relating to implemented projects. These indicators were unfit for use to express any changes in general parameters at the level of the Czech Republic as a whole. No indicator was introduced that would quantify the desired changes at the level of the entire population of various disadvantaged target groups of people, or employment in general. The indicators used were unsuitable to deduce from as to whether the support achieved desirable long-term changes in the entire structure of employment in the Czech Republic. The MoLSA has not introduced indicators that would capture how the support contributes to fulfilment of the OPEm objectives. Thus as a result, the MoLSA cannot monitor and evaluate whether the funds spent were provided effectively and efficiently.

4.5 For the implementation of projects, the MoLSA established only two indicators as binding. These were the output indicator 6 00 00 “total number of participants” and the outcome indicator 6 26 00 “participants who obtained qualification after concluding their participation”. In order for a project to be considered successful, it had to meet the set target values. Consequently, the MoLSA applied as measure of success of the support mainly fulfilment in projects of the target values of these two binding indicators.

<sup>13</sup> SMART: **S** (the goal should be concrete), **M** (measurable), **A** (achievable), **R** (relevant) and **T** (timed – i.e., the goal should be attached compliance dates).

4.6 As measure of success of participants in the projects, mainly the assumption was used that the participant included in the project will gain a higher potential for finding a job in the labour market, activate their work habits, obtain the necessary qualifications, etc. The success of implemented projects was not assessed through the number of permanently employed persons on a sustainable basis or persons finding employment.

4.7 Mere fulfilment of the target values of the binding indicators does not automatically mean an improvement in the situation of the project participant in the labour market or their success in the labour market, see Examples 1, 2 and 3.

#### Example 1

The beneficiary in project \*12394, as part of the key activity of *implementing retraining courses*, implemented based on an analysis of the labour market and the potential for employment of the participants in the labour market the following retraining courses: drivers, welders, metal workers, motor truck operators, locksmiths, nurses and carers. These were supposed to be professions in actual demand in the labour market. By their claims in the application for subsidy, the beneficiary would have a promise of employment from potential employers approached. This key activity followed on from individual counselling to participants, and was provided to participants who were identified as needing to bolster their qualifications through retraining courses. A total of 38 participants attended retraining courses. Of these, 35 participants completed them, but 3 participants did not pass the final exams and thus did not receive a certificate.

The SAO found that of the 32 people who successfully completed a retraining course under the project, the beneficiary mediated employment to only nine persons (i.e., 28%) during the project. Only seven of the job positions corresponded in their type to the completed retraining courses. 25 people (78% of all retrained persons) either did not find a job in the labour market at all during the project or found it only outside their retraining scope. There was no actual necessity of retraining for these persons. Completion of retraining courses thus did not lead for the majority of the persons to employment mediation.

#### Example 2

The beneficiary in project \*9221 implemented under the key activity of *professional education and retraining* educational and qualification/retraining courses or courses aimed at increasing professional qualifications.

Of the eight people who completed a retraining course as part of the project, seven (87.5%) did not find a job in the labour market. Only one person was placed in the labour market in a subsidised job, but in a position the type of which did not correspond to the scope of the qualification/retraining course. Completion of retraining courses for persons under this key activity did not lead to success in the labour market.

### Example 3

In project \*4038, the target group were unemployed persons with cumulative handicaps in the labour market and persons with disabilities. The beneficiary complied with the set values of the binding indicators 6 00 00 and 6 26 00, but for none of the ten project participants who attended retraining courses over the course of the project, the improvement in qualifications resulted in employment during the project. The only result of the completion of retraining courses by the project participants was merely fulfilment of the value of the binding indicator 6 26 00 "*participants who obtained qualification after concluding their participation*". Out of a total of 39 people who joined the project, employment was mediated for 18 persons, i.e., 46%. Only three people, i.e., 8%, were still employed at the time of the project conclusion. The other 15 persons remained under contract with the given employer only for as long as the latter was receiving wage allowance for the job position.

### **The MoLSA cannot assess the long-term benefits of implemented projects.**

4.8 The MoLSA monitors participants at regular intervals after concluding their participation in the projects. The monitoring reflects status only to a given date and does not account for its trends over the previous period. The monitoring also suffers from limited relevance in that it does not distinguish whether it is a job obtained thanks to participation in the project, with the same or a different employer, and for how long the monitored participant was employed during the specified interval. As a result, this substantially diminishes the monitoring relevance as it cannot follow the benefits of implemented projects.

4.9 The implementation of projects contributes to a short-term boost to employment, chiefly for the duration of the project, or for the period of receiving a wage allowance for a subsidised job. A longer-term benefit of project implementation in the sense of boosting the employment rate was not found. The MoLSA cannot evaluate whether a project has achieved the expected changes and benefits (e.g., for the labour market in the given region).

### **The MoLSA spent funds on ineligible expenditure.**

4.10 In Call 40 and its Annex 1, the MoLSA defined the activities that can be supported, including the requirement that the implemented activities should be beneficial for and relevant to the needs of the target group.

4.11 The SAO found in the audit that the MoLSA, as part of assessment of a submitted application for subsidy, approved for the beneficiary a partial activity that had no benefit for and no relevance to the needs of the target group.

4.12 In scrutinising the eligibility of expenditure, the MoLSA approved and refunded the beneficiary expenditure for a partial activity that had no benefit for and no relevance to the needs of the target group, and thus did not meet one of the eligibility criteria, see Example 4.

#### Example 4

The main objective of project \*2421 was to boost employment of the project participants, and the sub-objectives were motivation and activation, obtaining new qualifications and improving the position of the participants in the labour market. Under the project, also the activity *final evaluation of the project and fulfilment of objectives* was implemented. As part of this activity, a final evaluation report was to be compiled. The report was drawn up by the evaluator in the period 07–08/2018, when the key activities in relation to fulfilment of the main project objective and its sub-objectives had already been completed, and thus were no longer ongoing. This activity was not necessary to fulfil the above project objectives, it had no benefit for the target group, and it cannot be comprised under any of the supported activities of Call 40. The beneficiary spent the funds in the amount of CZK 26,481.75 not effectively or efficiently and not in accordance with the subsidy decision.

4.13 The beneficiary implemented one key activity of the project in a completely different way from what was stipulated in the subsidy decision and its annex.

4.14 For each participant in this activity, a meeting with authorised personnel of the employer was to be held and a communication and education plan prepared in joint effort.

4.15 By examining a selected sample of participants in this activity, the SAO found that for none of the participants a communication and education plan was drawn up that was meant to be the output of this activity, see Example 5.

#### Example 5

In project \*12391, whose target group were persons on parental leave who could be assumed to become unemployed after the end of the parental leave, a meeting with authorised personnel of the employer (supervisor, human resources specialist, etc.) was to be held as part of the activity *preparation for returning to work* and a “communication and education plan” was to be compiled in joint effort for the period when the participant will be on maternal/parental leave. A total of 28 people attended the activity. The activity was implemented in the form of workshops and lectures as part of preparation for returning to work. The topics of the lectures were, for example: how to find what needs to be changed; how to find time to make changes; how to draw up your business plan on a single sheet of paper; a relevant resume for the job; the accounting basics for starting entrepreneurs; being a full-time mom or: don't be afraid to take a vacation; balancing working from home options with our personal life, etc. The activity thus was implemented in a completely different way from what was stipulated in the subsidy decision, as all participants only attended workshops and no communication and education plans were drawn up.

4.16 The main objective of another project was to boost employment of the project participants, the sub-objectives were motivation and activation of the target group, strengthening self-confidence and self-awareness, acquiring new qualifications and improving one's position in the labour market.

4.17 Several key activities were set to fulfil the objectives. One among them were *retraining courses*. The SAO found that the beneficiary had enrolled in the course a participant without any connection to the possible employment chances declared by the project. The SAO

evaluated the expenditure for completing the course for this participant as ineffectively spent, see Example 6.

#### **Example 6**

In project \*2421, the beneficiary enrolled a participant in a driving school course for the return of a class B driving licence. According to the entry in the client's card and the extract from the driver's card, the participant had his driving licence previously withdrawn for 48 months. The reason for the ban was driving under the influence of an addictive substance and causing in that state a traffic accident. The driver's licence was returned to the participant. Subsequently, the participant entered a course to obtain a class C driving licence, but stopped attending soon after the classes began for health reasons. The records in the client's card do not show that there would be an actual promise of getting a job with the requirement for a class B or class C driving licence. The participant's enrolment in the driving school course for the return of the class B driving licence and pertinent additional support for the participant paid from the direct costs of the project (assessment of medical fitness for obtaining a class B driving licence, extract from the driver's registration card, psychological examination of driving fitness) had no effect on (or relation to) successfully finding a job and were not necessary to achieve the project's objectives. The beneficiary spent the funds in the amount of CZK 5,100 not effectively or efficiently and not in accordance with the subsidy decision.

#### **The MoLSA approved activities for the beneficiaries that had a very limited contribution to the fulfilment of the projects' objectives.**

4.18 In the calls and related annexes, the MoLSA defined the activities that can be supported under the projects, including the requirement that all supported (implemented) activities should have a benefit for and relevance to the needs of the projects' target groups.

4.19 The beneficiaries were required to only implement activities beneficial to the target group and relevant to the needs of the target group.

4.20 The SAO found in the audit that the MoLSA approved in two cases activities for the beneficiaries that, in SAO's assessment, had negligible benefit for or relevance to the needs of the projects' target groups, see Example 7.

### Example 7

In project \*9129, the activity *evaluation of the project and fulfilment of objectives* was implemented. The beneficiary was meant to carry out an internal evaluation based on the assessment of evaluation questionnaires, which the participants were to fill out after each activity. Evaluation was also to be carried out on the basis of evaluation interviews with project participants at the end of their participation in the project and at the end of project implementation, as well as with other persons involved from the implementation team, employers and instructors.

This activity was by its nature a summary of the sequences and outputs of the implemented project, or feedback on the meaningfulness of the project or on changes to existing approaches (according to regularly filled-in questionnaires) for the next phase of project implementation. The benefit for and relevance to affect the target group was negligent for this activity.

### The MoLSA treated applicants unequally.

4.21 The MoLSA assessed the estimated expenditure differently in its evaluations. The SAO found in the audit that unjustified differences arose in deciding on materially identical or similar cases, see Examples 8 and 9.

4.22 By doing so, the MoLSA also breached Article 125 paragraph 4 (a) of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 in that it did insufficiently scrutinised the implementation reports and applications for payment by failing to determine that the beneficiaries claimed ineligible expenditure. As a result, the MoLSA approved and refunded the beneficiaries for ineligible expenditure.

### Example 8

For three projects \*2421, \*7169 and \*9129, within the framework of the evaluation, the MoLSA did not deduct the full amount of the salaries of the evaluator or the specialists/methodologists the job of which included the preparation of the final report. In contrast in two other projects \*12391 and \*12394, the MoLSA did deduct the salaries of the evaluators, the job of which also included drawing up the final report, for this specific activity (compiling the report). This approach by the MoLSA effectively meant unequal treatment of beneficiaries.

### Example 9

In project \*7169, the applicant claimed items 1.1.3.2.2.1. *Notebook for the consultation room*, 1 unit for CZK 17,000, and 1.1.3.2.1.1. *Office package*, 1 unit in the amount of CZK 6,500. The same beneficiary already claimed the equipment under another project \*2421, specifically as items 1.1.3.2.2.1. *Notebook for the consultation room*, 1 unit for CZK 13,310, and 1.1.3.2.1.1. *Office package*, 1 unit in the amount of CZK 2,420. The implementation of the projects overlapped in the period between 1 December 2017 and 31 August 2018. In this case, the rules for deducting the entitlement equipment were met, yet the MoLSA did not actually do the deduction. In contrast for other beneficiaries who were simultaneously implementing multiple projects, the MoLSA did the deduction. As part of the project evaluation, the MoLSA did not deduct the equipment items, thereby assessing equipment expenditure differently for different applications.

### The MoLSA approved and refunded disproportionate labour costs for the project implementation team.

4.23 In its evaluation, the MoLSA did not cut the proposed unjustifiable budget for the project, specifically for tasks of the proposed implementation team under one of the activities, see Example 10.

### Example 10

The beneficiary in project \*4038 implemented as one of the activities *liaison with the labour market*. According to the subsidy application, the claimed result of the activity was placing the participants in 12 subsidised jobs (hereinafter also “SJ”). The placement of the participants in the SJ was to be ensured by an external provider (employment agency), as the beneficiary did not have an authorisation to mediate employment within the meaning of Section 14, paragraph 3 of Act No 435/2004 Coll.. The price for placing one participant in a SJ was calculated by the external provider at CZK 4,000/person, i.e., CZK 48,000 in total. Members of the beneficiary’s implementation team (expert specialist and guarantor) were also involved in the activity. The amount of work of the expert specialist on this task was quantified at a total of CZK 125,800 and of the guarantor at a total of CZK 66,000. The tasks of the expert specialist and the guarantor consisted of selecting employers and subsequently placing the participants in the SJ. However, the beneficiary did not possess the authorisation to place people in jobs, so the expert specialist and the guarantor were not allowed to perform the tasks connected with the placement of workers in SJ. The SAO assesses the wage expenditure for the positions of the expert specialist and the guarantor in the activity of *liaison with the labour market* as unjustified as the beneficiary did not have the authorisation to mediate employment and used for that an employment agency. This fact negatively affects the efficiency of the funds spent under the project. The SAO evaluated the funds spent as of limited efficiency only.

### The MoLSA approved a request for change in a key activity, which was not in accordance with the call.

4.24 The beneficiary submitted during the implementation of a project a change request. The MoLSA approved the submitted change request for the beneficiary in administrative verification without reservations.



4.25 The SAO found in the audit that the approval of the change resulted in a change in the material scope of the key activity, which thus fell outside the range of activities supported by the call. The OPEM check system was not effective in this case, see Example 11.

#### Example 11

In Call 40, it was explicitly stated that retraining courses can only be conducted by educational institutions that have the corresponding accredited educational programmes. In the subsidy application, the beneficiary for project \*2421 declared the provision of accredited retraining courses. By means of a change request, the beneficiary then requested a change in the scope of *the retraining courses* activity concerning the possibility of also carrying out professional (non-accredited) courses. Following this change, the project was no longer in accordance (from the point of view of supported activities) with the call for subsidy applications under which it was supported. The MoLSA did not find during the administrative verification any shortcomings and approved the change request.

#### The beneficiaries supported in the projects people who did not fall into the defined target groups.

4.26 In the calls and related annexes, the MoLSA always defined the target groups of people who could be supported under the projects. In their subsidy applications, the beneficiaries specified which groups they wanted to support in the project.

4.27 The beneficiaries were required to only support people who fell into the defined target groups. According to the general part of the OPEM rules,<sup>14</sup> the beneficiaries were required to prove that the supported person belonged to the target group.

4.28 The SAO found in the audit for the beneficiaries that the beneficiaries also supported persons who did not fall into the defined target groups. This deficiency was found for a total of three out of the 10 projects, see Examples 12 and 13.

#### Example 12

In project \*12391, the beneficiary focused on the target group of *people caring for small children*. In Call 90, these persons were defined as follows: “Persons caring for a person under the age of 15. Also comprised in this target group can be persons on parental leave who, without the project intervention, can be expected to become unemployed after the end of the parental leave (they do not have the option of returning to work or business).” The objective (aim) of the project was to support people who would be otherwise at risk of unemployment without their participation in the project. The SAO found in the audit that out of the total of 62 persons, the beneficiary had included in the project 31 persons who had the option of returning to their original employer after parental leave. Consequently, these did not qualify as persons who, without their participation in the project, would have been at risk of unemployment, and thus did not meet the definition of the target group. Nine of the project participants returned to their original job position during the course of the project, or were in contact with the employer and their return was already in the works. In this context, the beneficiary did not fulfil the binding indicator 6 00 00 “total number of project participants”, the value of which was set in the project at 60 people. After

<sup>14</sup> General part of the rules for applicants and beneficiaries under the Operational Programme *Employment*.



subtracting the persons who received the support unjustifiably, the beneficiary only reached a total of 31 persons.

The beneficiary spent the funds in the amount of CZK 5,435,869.30 not effectively or efficiently and not in accordance with the subsidy decision, thus not meeting the aim of the project and not fulfilling the project's binding indicator.

### Example 13

In project \*12528, the beneficiary focused on promoting work integration of people from target groups who are unable to improve their chances of integration in the labour market by themselves and often lack sufficient motivation to do so as they face debts and enforcement actions. The objective (aim) of the project was to contribute to reducing the number of indebted people from the long-term unemployed and disabled persons category<sup>15</sup>. The SAO found in the audit that out of the total of 49 participants in the project, the beneficiary did not prove for 31 people that these would belong to the selected target group of the project. Thus in effect, the beneficiary did not fulfil the binding indicator 6 00 00 "*total number of project participants*", the value of which was set in the project at 25 people. After subtracting the persons who received the aid unjustifiably, the beneficiary only reached a total of 15 persons.

The beneficiary spent the funds in the amount of CZK 3,575,701.25 not effectively or efficiently and not in accordance with the subsidy decision, thus not meeting the aim of the project and not fulfilling the project's binding indicator.

4.29 By auditing selected OPEm competition projects under SO 1.1.1, the SAO concluded that the funds spent in seven of the 10 audited projects were of reduced effectiveness and efficiency, in two of the 10 audited projects, the funds were assessed as spent ineffectively and inefficiently (people were supported not falling into the target groups) and in only one of the 10 audited projects the funds were assessed as spent effectively, but with limited efficiency (see Annexes 2 and 3 to this Audit Report).

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<sup>15</sup> Disabled persons (DP)

## List of Abbreviations and Explanations of Terms

CR	Czech Republic
SJ	Subsidised jobs
ESF	European Social Fund
EU	European Union
MoLSA	Czech Ministry of Labour and Social Affairs
MS2014+	Monitoring system of the European Structural and Investment Funds for the programming period of 2014–2020
SAO	Czech Supreme Audit Office
OPEm	Operational programme <i>Employment 2014–2020</i>
DP	Disabled person
Extended sample	Extended sample of projects at the Ministry of Labour and Social Affairs
SO 1.1.1	Specific objective of OPEm 1.1.1 <i>Increase employment of supported persons, particularly older, low-qualified and disadvantaged people</i>
SB	State budget
Call 40	03_15_040 “Promoting Employment of Target Groups”
Call 53	03_16_053 “Specific Call for Selected Target Groups”
Call 68	03_16_068 “Promoting Employment of Target Groups”
Call 75	03_17_075 “Promoting Employment of Disadvantaged Target Groups in the Labour Market”
Call 90	03_18_090 “Specific Call for Selected IP 1.1 Target Groups”
Base sample	10 OPEm competition projects implemented by six beneficiaries

## List of Annexes

Annex 1:	<b>Information on the Audited Area</b>
Annex 2:	<b>Overview of Audited Projects for the Beneficiaries and Evaluation of Their Effectiveness and Efficiency</b>
Annex 3:	<b>Criteria for Evaluating Effectiveness and Efficiency of the OPEm Competition Projects</b>
Annex 4:	<b>Overview of the Extended Sample of Audited Projects at the MoLSA</b>

## Information on the Audited Area

Table 2: Overview of calls selected for review

Call	40	53	68	75	90
Title	Promoting Employment of Target Groups	Specific Call for Selected Target Groups	Promoting Employment of Target Groups	Promoting Employment of Disadvantaged Target Groups in the Labour Market	Specific Call for Selected IP 1.1 Target Groups
Announced	20/11/2015	30/05/2016	30/11/2016	27/09/2017	21/03/2019
Opening date for subsidy applications	02/12/2015	30/05/2016	30/11/2016	27/09/2017	21/03/2019
Closing date for subsidy applications	29/02/2016	15/08/2016	15/03/2017	04/01/2018	10/05/2019
Project implementation at the latest by	30/11/2018	31/05/2019	30/11/2019	30/09/2020	31/03/2022
Allocation (CZK)	297,000,000	189,000,000	300,000,000	298,000,000	400,000,000
Support (according to SD, in CZK)	288,750,000	186,400,000	288,000,000	290,000,000	388,000,000
Refunded (according to AfP, in CZK)	228,899,764	148,325,792	234,170,786	253,225,575	364,230,281

**Source:** Prepared by the SAO according to information on the website [www.esfcr.cz](http://www.esfcr.cz) and MS2014+ data obtained on 3 April 2024.

**Explanatory notes:** SD: subsidy decision, AfP: application for payment.

**Note:** Amounts in the line "Refunded (according to AfP)" are rounded to whole CZK.

Table 3: Overview of the number of subsidy applications under Calls 40, 53, 68, 75 and 90

Call	40	53	68	75	90	Total
Call allocation (CZK)	297,000,000	189,000,000	300,000,000	298,000,000	400,000,000	1,484,000,000
Subsidy applications (CZK)	2,007,525,000	788,261,000	754,770,000	694,799,000	1,391,815,000	5,637,170,000
Exceeding the allocation amount	6.76×	4.17×	2.52×	2.33×	3.48×	3.8×
Minimum Eligible Expenditure (CZK million)	1.5	1.5	1.5	1.5	3.0	1.5

Call	40	53	68	75	90	Total
Maximum Eligible Expenditure (CZK million)	6.0	6.0	6.0	6.0	10.0	<b>10.0</b>
Average project size (CZK million)	4.5	4.08	4.14	4.22	5.6	<b>4.51</b>
Total number of subsidy applications	461	191	188	167	225	<b>1,232</b>
Number of applications / projects recommended for support	61	46	77	71	73	<b>328</b>
<b>- of which:</b>						
Number of projects in the stage of final completion	60	43	72	66	69	<b>310</b>
Number of projects in the stage of financial completion by the MA		1				<b>1</b>
Number of projects in the physical completion stage	1			3	2	<b>6</b>
Number of not completed projects – terminated by the beneficiary		2	5	1	2	<b>10</b>
Number of not completed projects – terminated by the MA				1		<b>1</b>

**Source:** Prepared by the SAO according to information on the website [www.esfcr.cz](http://www.esfcr.cz) and MS2014+ data obtained on 3 April 2024.

**Explanatory notes:** MA: Managing Authority

### Overview of Audited Projects for the Beneficiaries and Evaluation of Their Effectiveness and Efficiency

**Table 4: Audited projects for the beneficiaries**

Project Number and title	Applicant/beneficiary	EU resources (CZK)	State budget resources (in CZK)	Evaluation	
				Effectiveness	Efficiency
CZ.03.1.48/0.0/0.0/16_053/0004038 Work helps us (*4038)	Prosapia, z. ú., společnost pro rodinu	3,707,752.06	654,309.20	3	3
CZ.03.1.48/0.0/0.0/18_090/0012394 Get an education and find a job in the Ústí Region II (*12394)	Rodinné centrum Pohádková chaloupka, z. s.	6,398,445.73	1,129,137.51	3	3
CZ.03.1.48/0.0/0.0/18_090/0012391 Return to the labour market after parental leave (*12391)	Rodinné centrum Pohádková chaloupka, z. s.	4,620,488.89	815,380.41	4	4
CZ.03.1.48/0.0/0.0/18_090/0012376 OPERA (*12376)	Sociální agentura, o.p.s.	8,016,532.24	1,414,682.19	3	3
CZ.03.1.48/0.0/0.0/17_075/0009221 3P – help, support and opportunity for disabled persons (*9221)	Kvalifikační a personální agentura, o. p. s.	3,701,207.05	653,154.20	2	2
CZ.03.1.48/0.0/0.0/18_090/0012528 Financial freedom through employment (*12528)	Kvalifikační a personální agentura, o. p. s.	3,039,346.05	536,355.20	4	4
CZ.03.1.48/0.0/0.0/18_090/0012167 Parenthood and career (*12167)	Kvalifikační a personální agentura, o. p.	2,494,894.50	440,275.50	3	2
CZ.03.1.48/0.0/0.0/17_075/0009129 Hurray for work (*9129)	Nonverba, z.ú.	4,124,529.30	727,858.11	2	2
CZ.03.1.48/0.0/0.0/16_068/0007169 Back to work – re-employment of long-term unemployed persons in the labour market (*7169)	SocioFactor s.r.o.	4,218,784.15	0	1	2
CZ.03.1.48/0.0/0.0/15_040/0002421 Everyone can work – employment for people who are the most difficult to place in the labour market (*2421)	SocioFactor s.r.o.	4,719,929.52	0	2	2
<b>Total</b>		<b>45,041,909.49</b>	<b>6,371,152.32</b>		

**Note:** Amounts indicated according to MS2014+ data obtained on 3 April 2024.

**Grading:**

<b>1</b>	Project is effective and efficient.
<b>2</b>	Project is effective and/or efficient with minor shortcomings.
<b>3</b>	Project is effective and/or efficient to a limited extent.
<b>4</b>	Project is ineffective and/or inefficient.

## Criteria for Evaluating Effectiveness and Efficiency of the OPEm Competition Projects

### Effectiveness

#### The funds spent are effective – grade 1

The project has been duly implemented and achieved or is likely to achieve (meet) the set objectives and indicator values. The project objectives and indicators are specific and measurable, and their fulfilment can be verified (SMART<sup>16</sup>).

All the key activities of the project were fulfilled, the key activities were implemented according to the project schedule, and the expected benefit of the project for the target group and its contribution to fulfilment of the programme's objectives (priority axis, specific objective, call) can be confirmed. The project achieved the expected benefits, the expected change was effected.

Usually, this entails achieving 100% of the set objectives, indicators and activities; however, the relative importance of each set objective needs to be taken into account – e.g., four major objectives/activities achieved and one marginal objective/activity failed can still be evaluated as *“project effective”* or *“all achieved”*.

#### The funds spent are effective with minor shortcomings – grade 2

The project has been properly implemented, as it supports the specified target groups and resulted (or is likely to result) in fulfilment of the programme's objectives (priority axis, specific objective, call).

The objectives, activities and benefits of the project have been for the most part met/fulfilled. For example, the project has achieved or is likely to achieve  $\frac{3}{4}$  of its objectives or activities. Failure to achieve some of the objectives or activities does not materially affect the project's success.

Some of the project's objectives and activities are set in a non-specific and non-measurable manner, the benefits are worded only in general terms and their achievement can be verified only to a limited extent. Despite these facts, the project as a whole works to the benefit of the target group and will result in fulfilment of the programme (priority axis, specific objective, call).

The SAO audit also revealed some non-essential deviations in compliance with the conditions set out in the OPEm rules, in compliance with the schedule or in the failure to submit some of the required documents.

#### The funds spent are effective only to a limited extent or there is a risk to the effectiveness of the funds spent – grade 3

Some of the effectiveness assumptions (grade 1) are significantly challenged.

The subsidy application (including attachments) and subsequently the SD (including Annex 1 “Information on the Project”) contain, for example, vague and unverifiable data against which

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<sup>16</sup> SMART: **S** (the goal should be concrete), **M** (measurable), **A** (achievable), **R** (relevant) and **T** (timed – i.e., the goal should be attached compliance dates).

the project output and result cannot be measured. The facts confirm that the expected outputs and results were not feasible, e.g., when the project has achieved (or is likely to achieve) only approx. ½ of its objectives/activities. The expected benefit/impact/change that the project was supposed to bring about cannot be observed or assumed for the part.

The SAO audit also revealed some significant deviations in compliance with the conditions set out in the OPEm rules, in compliance with the project implementation schedule or in the failure to submit some of the required documents.

#### **The funds spent are not effective – grade 4**

The effectiveness assumptions (grade 1) are fundamentally challenged, e.g., by any of the shortcomings listed below:

- The project objective(s) were not achieved;
- The key activities of the project were not fulfilled;
- The project indicators were not fulfilled by a substantial margin;
- The project should not have been chosen for funding (project ineligible from the start);
- The project is not meaningful (e.g., in relation to the target group);
- The project did not achieve the defined benefit;
- The project does not have real and measurable objectives or key activities, which makes it impossible to verify their fulfilment.

#### **Efficiency**

##### **The funds spent are efficient – grade 1**

All key project activities were (are) necessary for the achievement of the project objective, and their costs were (are) minimal while maintaining reasonable quality<sup>17</sup>. The size of the implementation team is not unreasonable, and the scope of its work is necessary for the project.

In funding the key activities, the emphasis was (is) on both the least possible use of resources as well as securing them at the optimum price, including rational planning of the resources needed.

The scope of the activities performed was in line with the planned schedule both in terms of time and substance.

All the direct funds spent were directly related to the implementation of the project and were necessary for the achievement of the project objectives (in terms of material content).

The services were provided at usual market prices at the given time and place; the prices were not inflated in relation to the performance for which they were paid.

There is no redundant funding, i.e., the same key activity is not funded for from multiple subsidy sources/titles/from multiple providers.

The project implementation does not deviate significantly and adversely from the expectations in an unjustifiable manner.

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<sup>17</sup> This means it is not just about minimising price at all costs, but achieving the best price for adequate performance, i.e., performance that meets a reasonable standard. The entities (or beneficiaries) specialising in the implementation of “soft projects” and corresponding “soft services” (consulting, training, advising, etc.) have sufficient skills and abilities for their work, and their remuneration is adequate and is not overpriced.

## **The funds spent are efficient with minor shortcomings – grade 2**

Some of the efficiency assumptions (grade 1) are not fully met; however, as a whole, the project can be expected to bring adequate performance at a reasonable cost. E.g., most of the key activities are (were) necessary for the fulfilment of the project's objective(s) and at the same time the costs of most of the key activities are (were) at a level that does not significantly exceed current market prices (or exceeded them only in an insignificant way). Such partial and insignificant expenditure relative to the project as a whole had no demonstrable link to the achievement of the project objectives.

The size of the implementation team was only slightly disproportionate and/or the scope of its work necessary for the project with minimal reservations.

The project implementation deviates only insignificantly from the original plan (subsidy application or SD including Annex 1 to the SD "Information on the Project").

## **The funds spent are efficient only to a limited extent or there is a risk to the efficiency of the funds spent – grade 3**

Some of the efficiency assumptions (grade 1) are significantly challenged. There was (is) a significant proportion of activities under the project the relevance of which to the achievement of the project objective(s) is limited, and/or the cost of some activities clearly exceeds or exceeded the usual market prices.

The size of the project implementation team is or was significantly disproportionate, and/or the scope of its work on the project is or was redundant.

There were fewer supported persons from the target groups than expected, and at the same time there was no (downward) revision of costs per supported target person (costs per supported person are consequently higher).

Several instances of expenditures incurred as part of the project implementation had no direct link to the achievement of its objectives (including the key activities).

The project implementation deviates unjustifiably and completely from the original plan (subsidy application or SD including Annex 1 to the SD "Information on the Project").

## **The funds spent are not efficient – grade 4**

Some of the efficiency assumptions (grade 1) are fundamentally challenged. For example, approx. half of the key activities under the project are or were not necessary at all to achieve the project objectives, and/or the costs of many of the key activities clearly significantly exceed or exceeded the usual market prices. The size of the project implementation team is or was disproportionate, and/or the majority of its tasks on the project is or was unnecessary (or meaningless).

There were substantially fewer supported persons from the target groups than expected, and at the same time there was no (downward) revision of costs per supported target person.

There are significant doubts as to whether the implemented project should have been supported from public funds (or from funds from the EU budget and the state budget of the Czech Republic).

The project implementation deviates unjustifiably and completely from the original plan (subsidy application or SD including Annex 1 to the SD "Information on the Project").



Redundant funding occurs, or there are no clear boundaries set towards key activities funded from other projects.

A project is always rated as inefficient if it is evaluated as ineffective.

## Overview of the Extended Sample of Audited Projects at the MoLSA

Table 5: Extended sample projects at the MoLSA

Project registration number	Applicant/beneficiary	Project title	EU resources (CZK)	State budget resources (CZK)
CZ.03.1.48/0.0/0.0/17_075/0009119	Aperkom, z.ú. "in liquidation"	Support and employment	2,227,128.55	393,022.70
CZ.03.1.48/0.0/0.0/15_040/0002306	Aperkom, z.ú. "in liquidation"	Employment in Vrbensko region	4,260,938.42	751,930.33
CZ.03.1.48/0.0/0.0/15_040/0002263	LIGA o.p.s.	Job opportunity in Bruntál II	4,473,099.48	789,370.52
CZ.03.1.48/0.0/0.0/17_075/0009112	LIGA o.p.s.	Job opportunities in Bruntál III	1,606,991.93	283,586.82
CZ.03.1.48/0.0/0.0/16_068/0007075	DŮM ROMSKÉ KULTURY o.p.s.	Proper preparation for employment	4,195,793.36	740,434.14
CZ.03.1.48/0.0/0.0/18_090/0012472	DŮM ROMSKÉ KULTURY o.p.s.	Opportunities for positive attitudes	7,391,069.18	1,304,306.35
CZ.03.1.48/0.0/0.0/16_053/0003937	Tenisový klub JIRKOV, z.s.	We want to work	3,721,983.57	656,820.64
CZ.03.1.48/0.0/0.0/16_053/0003900	KRUH pomoci, o.p.s.	I can do it	4,534,938.97	800,283.37
CZ.03.1.48/0.0/0.0/16_068/0006975	Hospodářská a sociální rada Chomutovska, z.s.	We go to work	4,165,070.19	735,012.41
CZ.03.1.48/0.0/0.0/16_068/0007146	PROGRES Šumperk, z.s.	PROGRES – An opportunity for young people with disabilities	66,111.93	11,666.82
CZ.03.1.48/0.0/0.0/16_068/0007153	Společnost Mana, o.p.s.	DAIDALOS (work activation and employment programme for persons with serious mental conditions in the Olomouc region)	2,051,946.55	362,108.24
CZ.03.1.48/0.0/0.0/16_068/0007135	Meridiem o.p.s.	Employment support for people aged 50+ in the field of social services	384,968.17	67,935.58
CZ.03.1.48/0.0/0.0/16_068/0007048	Rekvalifikační a informační centrum s.r.o.	Jointly	1,687,156.49	0
CZ.03.1.48/0.0/0.0/16_068/0007084	MAS Horní Pomoraví o.p.s.	Transitional employment of the long-term unemployed	3,578,701.99	631,535.66

Project registration number	Applicant/beneficiary	Project title	EU resources (CZK)	State budget resources (CZK)
		in the Hanušovice region		
CZ.03.1.48/0.0/0.0/17_075/0009155	MOST KE VZDĚLÁNÍ – BRIDGE TO EDUCATION, z.s.	Employability and employment of low-qualified people in Varnsdorf	4,514,916.30	796,749.95
CZ.03.1.48/0.0/0.0/17_075/0009250	Centrum pro komunitní práci východní Morava	Through Mosty (lit.: bridges) to work also in Hranice (lit.: on the border)	3,494,066.71	616,600.03
<b>Total</b>			<b>52,354,881.79</b>	<b>8,941,363.56</b>

**Source:** Prepared by the SAO according to information on the website [www.esfcr.cz](http://www.esfcr.cz) and MS2014+ data obtained on 3 April 2024.