



EUROPEAN COMMISSION
Employment, Social Affairs and Inclusion DG

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**Subject: FINAL REPORT - ESF Audit Mission on Operational Programme
Prague Adaptability 2007CZ052PO001 carried out between 27
February – 15 March 2013**

**Ref: A-Rep number [2013-1578] (to be used in every correspondence relating
this audit)**

Dear Mr Štraser,

Please find enclosed English version of the final report following the above mentioned mission containing your comments made within the timeframe of the contradictory procedure as well as their analysis by the European Commission.

I would like to bring to your attention that the Commission's position is now finalised and that we will monitor the implementation of all recommendations. This report is also forwarded to the Court of Auditors.

All correspondence related to this audit report should be addressed to me with a copy to Mr A. Cecilio, Head of the geographical unit concerned.

Should you require any further information, please do not hesitate to contact the auditor in charge of the mission.

Yours sincerely,

Francisco MERCHAN CANTOS

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Encl.: 1. Protection of Personal data by DG Employment Policy Audit Units at the European Commission.
2. Draft report – English version.

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ANNEX: Protection of Personal data by DG Employment Policy Audit Units at the European Commission.

The main purpose of the audit on organisations or bodies carried out in the public interest by DG Employment is to provide assurance on the regularity and legality of Community co-financing, as well as to assure the adequacy of management and control systems in place.

However, information collected during an audit may sometimes also contain personal data relating to an identified or identifiable natural person (data subject)¹ and such information may be stored and processed by the Directorate General for Employment.

In this respect, we would like to draw your attention to: "*Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data*" which sets out the key issues involved as well as individual rights as data subject.

The data subject may, upon request, obtain the communication of his personal data and rectify any inaccurate or incomplete personal data. As regards the processing of such data, the data subject has the right of recourse at any time to the European Data protection Supervisor.

¹ "personal data" shall mean any information relating to an identified or identifiable natural person hereinafter referred to as "data subject"; an identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identification number or to one or more factors specific to his or her physical, physiological, mental, economic, cultural or social identity



EUROPEAN COMMISSION
Employment, Social Affairs and Inclusion DG

Audit, Control
ESF II Audit

Limited¹

**Final Audit of operations report for
2007CZ52PO001 - OP Prague - Adaptability
A-Rep N° 2013-1578²**

Authorities subject to audit: Managing Authority, 8 projects on the spot and 8 projects (desk review)

Country: Czech Republic

Region: Czech Republic

Period subject to audit: 1st of January 2007 – 31st of December 2012

Dates of the audit field work: 27th of February 2013 – 1st of March 2013 and 11th of March 2013 – 15th March 2013

Auditors: Jiří Polášek and Tomáš Hrubý

Report written on: 16th of January 2014

Signature

Head of Unit

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² This number should be mentioned in all correspondence relating to this audit

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1. EXECUTIVE SUMMARY

1.1. Introduction

In accordance with its work plan for 2013 and in the context of compliance with Council Regulation (EC) No 1083/2006, Council Regulation (EC) No 1081/2006 and Commission Regulation (EC) No 1828/2006, Unit H/3, DG EMPL³ conducted an system audit on the Operational Programme Prague - Adaptability, CCI No 2007CZ52PO001 (hereafter "OP PA"). Between 27th of February 2013 and 15th of March 2013 (including an on-site audit on beneficiaries premises from 11th of March to 14th of March 2013), the ESF auditors examined the design, efficiency and effectiveness of the management and control systems existing during the period from 1st of January 2007 to 31st of December 2012 in OP PA and implemented by the Managing Authority – City of Prague (hereafter "MA").

1.2. Common authorities subject to audit

The following auditee, which was the subject of this audit, has responsibilities and/or functions common to other Structural Funds or the Cohesion Fund:

Authority	Responsibility/Function	Funds
City of Prague	MA	OP Prague - Competitiveness
Ministry of Finance	Audit authority (hereafter "AA")	ESF/ERDF/CF/EFF

1.3. Findings

1.3.1. Management control⁴

The management control findings are summarised below:

Finding n°	Management control issue	Reply MA/AA	Conclusion EC auditors
1	KR 2 – Adequate procedures for the selection of operations	Disagreed	Partially closed
2	KR 3 – Adequate information and an adequate strategy to provide guidance to beneficiaries	Disagreed	Partially closed
3	KR 4 – Adequate management verifications	Disagreed	Open
4	KR 5 – Adequate audit trail	Disagreed	Open
5	KR 14 – Adequate audits of operations	Disagreed	Open

³ DG Employment, Social Affairs and Inclusion, Directorate H: Audit, Control, Unit H/3: ESF II Audit

⁴ Control system tested against designed control model (Guidance note on the evaluation of management and control systems)

1.3.2. Financial findings

The financial findings are summarised as follows:

Finding n°	Findings	Amount considered ineligible (in €)	Comments MA	Conclusions EC auditors
6	Ineligible expenditures and public procurement issues	€6,227.56	Partially accepted	Open
7	Ineligible expenditures and public procurement issues	€ 9,182.83	Partially accepted	Open
8	Ineligible expenditures, ineligible target group and public procurement issues	€61,504.36	Partially accepted	Open
9	Ineligible expenditures, lack of audit trail and public procurement issues	€34,571.33	Partially accepted	Open
10	Ineligible expenditures	€2,207.86	Partially accepted	Partially closed
11	Ineligible expenditures and public procurement issues	€15,208.62	Partially accepted	Open
12	Ineligible expenditures	€2,111.38	Disagreed	Open
13	Lack of audit trail	€17,313.74	Disagreed	Open
14	Lack of audit trail and public procurement issues	€ 1,729.76	Disagreed	Open
15	Efficiency of the project and value for money	€ 11,772.67	Disagreed	Open
16	Public procurement issues	€5,688.00	Agreed	Open

1.3.3. Other compliance findings

The other compliance findings are summarised as follows:

Finding n°	Findings concerning specific matters	Reply MA	Conclusion EC auditors
17	Non-compliance with the national labour law	Agreed	Closed

2. OPINION

Based on the audit results, the audit team expresses an opinion on the management and control systems (hereafter MCS) in place. The audit opinion is:

Qualified, with significant observations

The ESF auditors assessed the systems in place based on the review of the selected projects in accordance with the audit scope and objectives set out in sections 3.2 and 3.3 of this audit report.

In our opinion, based on the audit methodology (section 3.2.3 and 3.3.3) and the work performed (section 4), we have reasonable assurance that the MCS in place on 31st of December 2012 are functioning effectively and are in compliance with the applicable regulations Council Regulation (EC) No 1086/2006, Council Regulation (EC) No 1081/2006 and the Commission Regulation (EC) No 1828/2006 except for the following deficiencies which affect key elements of the system:

- Key requirement 2: Adequate procedures for the selection of operations
- Key requirement 3: Adequate information and an adequate strategy to provide guidance to beneficiaries
- Key requirement 4: Adequate management verifications
- Key requirement 5: Adequate audit trail
- Key requirement 14: Adequate audits of operations

The level of assurance obtained from the effectiveness of the systems can be classified as:

Category 3 - Works partially, substantial improvements are needed⁵

After the end of the audit field work, the Commission prepared the draft audit report and provided it to the Member State's authorities for contradictory procedure. The Member State's authorities sent a reaction (see *Comments from the responsible body (auditee)*). It must be stated that the Czech authorities did not accept the key audit findings related to the selection of operations, the management verifications, the maintenance of an adequate audit trail and the audit of operations. The Commission analysed the evidence provided (see *Analysis of the reply by the Commission*) and based on this analysis the audit team has formed its final opinion on the management and control systems (MCS) in place.

⁵ Works partially; substantial improvements are needed. Deficiencies were found that have led or may lead to irregularities. The impact on the effective functioning of the key requirements/authorities/system is significant. Recommendations and/or an action plan have been put in place. The Member State/The European Commission may decide to take corrective action (e.g. interruption or suspension of payments) in order to mitigate the risk of improper use of EU funds.

Therefore the Czech authorities are requested to implement the systemic measures to improve the functioning of the management and control system for the OP PA as well as the actions taken to correct the individual irregularities. Moreover, the Czech authorities are requested to apply financial corrections to compensate the financial risk linked to the systemic deficiencies.

Moreover, due to the seriousness and the frequency of the findings the Commission requires audit evidence that the systemic measures to improve the functioning of the management and control system are implemented and are effective in preventing, detecting and correcting ineligible expenditure.

The assessment, per key requirement, is as follows:

MA	Works well	Works, but some improvements needed	Works partially, substantive improvements are needed	Essentially does not work
KR 1: Clear definition. allocation and separation of functions between and within the managing authority/intermediate bodies	Out of scope			
KR 2: Adequate procedures for the selection of operations			x	
KR 3: Adequate information and adequate strategy to provide guidance to beneficiaries		x		
KR 4: Adequate management verifications			x	
KR 5: Adequate audit trail		x		
KR 6: Reliable accounting, monitoring and financial reporting system exist and in computerised form	Out of scope			
KR 7: Necessary preventive and corrective action where systemic errors are detected by the Audit Authority	Out of scope			
AA	Works well	Works, but some improvements needed	Works partially, substantive improvements are needed	Essentially does not work
KR 12: Clear definition. allocation and separation of functions	Out of scope			
KR 13: Adequate systems audits	Out of scope			
KR 14: Adequate audits of operations			x	
KR 15: Adequate annual control report and audit opinion	Out of scope			

This audit represents the assessment and evaluation of the design of the OP PA's MCS at a specific point in time. Hence, this systems audit does not provide assurance for future periods in view of risks such as the weakening of the internal controls resulting from changes in conditions, or possible deterioration of the degree of compliance with legal requirements or procedures.

3. THE ENGAGEMENT CONTEXT

3.1. Legal Basis

The legal base for the audit is Articles 72(2) and 73(2) & (3) of Council Regulation (EC) No 1083/2006.

Article 72(2) *"Without prejudice to audits carried out by Member States. Commission officials or authorised Commission representatives may carry out on-the-spot audits to verify the effective functioning of the management and control systems, which may include audits on operations included in operational programmes".*

Article 73(2) *"In determining its own audit strategy, the Commission shall identify those operational programmes for which the opinion on the compliance of systems under Article 71(2) is without reservations, or where reservations have been withdrawn following corrective measures, where the audit strategy of the audit authority is satisfactory and where reasonable assurance has been obtained that the management and control systems function effectively on the basis of the results of audits by the Commission and the Member State".*

Article 73(3) *"For those programmes, the Commission may conclude that it can rely principally on the opinion referred to in Article 62(1)(d)(ii) with regard to the effective functioning of the systems and that it will carry out its own on-the-spot audits only if there is evidence to suggest shortcomings in the system affecting expenditure certified to the Commission in a year for which an opinion under Article 62(1)(d)(ii) has been provided which contains no reservation in respect of such shortcomings. Where the Commission reaches such a conclusion, it shall inform the Member State concerned accordingly. Where there is evidence to suggest shortcomings, it may require the Member State to carry out audits in accordance with Article 72(3) or it may carry out its own audits under Article 72(2)".*

3.2. Audit scope

This audit covered the expenditure declared to the Commission until 31st of December 2012.

The selection of projects was made out of all projects subject to the Annual control report (hereafter "ACR") 2012. The audit of these projects also covered expenditures declared to the Commission until 31st of December 2012. The audit team reviewed 16 projects, i.e. 8 projects on the spot and 8 projects as desk review.

It needs to be mentioned that based on the analysis of the ACR 2012 and Audit Opinion it was identified that the AA did not cover the 3rd stratum of operations (representing 85% of the population value). Therefore, the selection of the Commission's audit sample was also on operations from the 3rd stratum from which 12 out of 16 projects have been selected (for details refer to the tables below). The remaining 4 projects were selected in order to re-perform the audit of the AA work, as these projects were audited under ACR 2012. For details refer to the section 3.4.

3.3. Audit objectives

The audit objectives were to:

- Determine the degree of effectiveness of the MCS relevant to the MA's activities;
- Identify weaknesses in the MCS where a control or a series of controls did not reasonably prevent or detect risks that could have had an adverse impact on the MCS' objectives of providing reasonable assurance that:
 - a) The declarations of expenditure for the programme are reliable;
 - b) The objectives have been achieved; and
 - c) The European and national legislations are in compliance.
- Assess the adequacy of the internal controls in place on the auditee's activities; and
- Review whether the relationship between the OP PA's objectives and the internal controls implemented by the auditee ensure that the risks associated with the delivery of the OP PA's objectives, the policies and the achievement of its goals are effectively mitigated, focusing, inter alia, on the reasonable prevention, detection and correction of errors, irregularities and presumptive fraud.

3.4. Audit methodology

The audit was conducted in accordance with the general and specific standards for the professional practice of auditing, the "*Structural Funds Audit Manual, and the European Social Fund Audit Manual*". The audit team examined and evaluated, on a test basis, evidence relating to the design and operating effectiveness of the MCS of OP PA against the criteria established in the "*Guidance note on a common methodology for the assessment of MCS in the Member States (2007-2013 programming period)*" and other policies, manuals, procedures, directives and guidelines related to OP PA's execution or implementation.

A letter, announcing this audit, was sent to the Member State on 18th of February 2013.

The audit was planned in conformity with the audit planning requirements identified in the "*Structural Funds Audit Manual and the European Social Fund Audit Manual*". A risk analysis was applied to identify the high-risk areas. On the basis of this risk analysis, of the analysis of the system descriptions and of other relevant information, an agenda was drawn up and sent to the Member State.

The selection of projects was made out of all projects under ACR 2012. The audit of these projects also covered expenditures declared to the Commission until 31st of December 2012.

On the spot visits:

Project number	Beneficiary	Total expenditures declared (in €) ⁶
CZ.2.17/1.1.00/30209	MITAS a.s.	234,927.36
CZ.2.17/3.1.00/32162	Gymnázium Jiřího Gutha-Jarkovského	254,720.51
CZ.2.17/2.1.00/30216*	APERIO - Společnost pro zdravé rodičovství	271,096.99
CZ.2.17/1.1.00/31963*	Sconto Nábytek, k.s.	189,963.50
CZ.2.17/2.1.00/32172*	MĚSTSKÁ ČÁST PRAHA 11	191,951.85
CZ.2.17/3.1.00/32599*	Vysoká škola regionálního rozvoje, s.r.o.	71,601.30
CZ.2.17/1.1.00/33258*	CASABLANCA INT s.r.o.	33,104.87
CZ.2.17/1.1.00/33198*	LOGIK, s.r.o.	111,393.21
Total		1,358,759.58

Projects for desk review:

Project number	Beneficiary	Total expenditures declared (in €) ⁶
CZ.2.17/1.1.00/31869	UNITED PARCEL SERVICE CZECH REPUBLIC, s.r.o.	307,522.62
CZ.2.17/3.1.00/31322	Ústav pro jazyk český AV ČR, v.v.i.	296,464.74
CZ.2.17/1.1.00/32643*	ZEPRIS s.r.o.	87,548.21
CZ.2.17/2.1.00/31551*	Centrum Paraple, o.p.s.	188,611.93
CZ.2.17/1.1.00/32171*	OTTO BLANC Impulzy	80,302.36
CZ.2.17/2.1.00/31674*	Evropský kariérní institut - EKI	109,939.55
CZ.2.17/1.1.00/32185*	Nadace rozvoje občanské společnosti	101,382.02
CZ.2.17/1.1.00/32352*	MARIMEX CZ, s.r.o.	62,561.69
Total		1,234,333.10

Note: * Projects selected from 3rd stratum.

The value of the aforesaid sample amounts to a total of €2,593,092.69 of certified expenditure which represents 4.12% of the total expenditures (€63,007,198.76) declared to the Commission between 1st of September 2007 and 31st of December 2012.

⁶ The value of the sample was obtained by converting figures in CZK at the rate of 25 CZK/€ while the total expenditure is exact figure in € as the payment requests are in this currency

4. DETAILED FINDINGS AND RECOMMENDATIONS

4.1. Management and control findings

Finding n°: 1	Key requirement 2: Adequate procedures for the selection of operations
	Objective: Assess whether there is an adequate appraisal and approval of projects
Responsible body: MA	Volume of funding affected by the finding: N/A

Description of the finding:

In the view of the audit team, the selection procedure is not adequate due to the following shortcomings:

1. The appropriateness of the grant application and/or budget is not correctly evaluated (refer to findings No 8, 12 and 15); and
2. When the opinions of the experts are not taken into account there is no appropriate justification for the non-acceptance of these experts' evaluation (refer to finding No 10).

Risks: The process of selection is not adequate and transparent; this may lead to the approval of projects which are not in line with the criteria established for the call for proposal.

Recommendation:

1. The MA is requested to introduce the appropriate evaluation of the application and/or budget and/or activities to ensure that all ineligible expenditures and duplicity of expenditures will be identified before the approval of the project.
2. The MA is requested to ensure that in case of a disagreement with the experts' opinion, the Evaluation/Selection committee shall provide an adequate justification of the reasons.

Deadline for implementation of recommendation: within one month at the latest after receipt of the final report	Nature of the recommendation: High ⁷
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Comments from the responsible body (auditee):

Not accepted

Ad 1) Project applications under the OP PA are evaluated in a three-stage system (formal evaluation, expert evaluation, selection committee). The expert evaluation is based on criteria approved by the Joint Monitoring Committee of the OP PA and OP Prague Competitiveness under Resolution No 3 of 5th of December 2007. In addition to other project aspects, the expert evaluation assesses – with an overall 20% weighting – criterion E 'Project effectiveness', specifically the sub-criterion E1 'Budget' (an 8% weight), evaluating whether the budget structure is detailed and logical and whether budget items

⁷ See annex 1

offer efficient cohesion with key activities, and sub-criterion E2 'Budget economy' (a 12% weight), evaluating whether the project budget is efficient and economical relative to the activities planned and whether it is consistent with the expected outputs of key activities.

Project application and project budget appropriateness assessments, depending on the results of the expert assessment, are also another important aspect considered at selection committee meetings. Selection committees quite often state (as evidenced by committee meeting minutes), for example, that the project implementation team, as proposed in the project application, is overstated when the project activities are taken into account. In these cases, they recommend approving project aid on condition that the implementation team's involvement is restricted (note: the selection committee's recommendations refer to specific project positions and manpower). Similarly, selection committees also discuss the need for technical equipment specified in the project application as necessary to carry out project activities. Recommendations to authorise aid for a project on condition that the implementation team is changed or that the scope of planned purchases of goods or services is changed show that the appropriateness of the project application and the budget of planned costs is carefully considered at selection committee meetings, as selection committee members come from different backgrounds related to the target groups under the OP PA and are highly experienced.

Since the start of the programming period, the MA of the OP PA has published and applied 'Normal Wages/Salaries' and 'Normal Facility and Equipment Prices', two documents used as basic cost-effectiveness gauges. These documents, available on the website of the OP PA, are regularly updated by the MA, usually when a new call for proposals is published. During the selection process, they are readily accessible to all stakeholders. In particular, expert evaluators are informed of them during training and in the Expert Assessment Guide.

Action was also taken to clarify efficiency and economy in the OP rules when Version 1.9 of the OP PA Project Guide was released on 1 July 2012. The more detailed rules on substantive eligibility were intended to factor in the workloads of project implementation team members when assessing the eligibility of the procurement cost of facilities and equipment used by these workers. More information can be found in section 8.2 of the OP PA Project Guide (Version 1.9).

Notwithstanding the above, the MA is keen to point out (because this is connected with the mentioned Finding 8) that the fact that only part-time hours are worked on project activities does not in itself establish the eligibility rule that facilities and equipment required for the project by a worker can be financed by the OP PA only up to an amount consistent with the worker's working hours. This would be contrary to the promotion of flexible forms of work organization. The MA believes that flexibility (the efficient use of human resources within the project) is in keeping with the mission intended for aid provided by the European Social Fund.

The assessment of the validity and need for the purposes of project implementation is important; this naturally includes the economy and efficiency of spending, which in this case was fulfilled in the MA's opinion. The MA also considers it important that the regulations governing the Structural Funds do not indicate that, under a project, it is necessary to fund only an aliquot part of expenditure on facilities and equipment which, although used exclusively for the project, is linked to work carried out by a part-time worker.

The MA, on the basis of the audit results and the Commission's request, took the measure above, but individual cases breaching this rule retroactively were addressed, with the approval of the Commission's audit team, by individual corrections to individual projects.

The audit team would like to see arrangements in place for evaluations of project applications and projects to include an assessment of cost-effectiveness from the perspective of duplicate expenditure. The MA covers this by preparing underlying documentation for the selection committee, which is the only body able to view project applications in the broader context of a call, all submitted applications and existing operations (projects previously implemented or in progress). The selection committee, by reference to the underlying documentation and other available information, decides whether to adopt a proposed solution in the form of a resolution or whether to pass another resolution, which must be duly justified. The functionality of this system is illustrated, for example, by selection committee meeting minutes on Project CZ.2.17/3.1.00/31038, in which the selection committee, on the MA's recommendation, reduced the budget by omitting facilities and equipment acquired in a previous Objective 3 single programming document project which had been implemented by the same organisation, on Project CZ.2.17/3.1.00/31196, which the selection committee disqualified because of the vague definition of key activities and probable duplication in relation to other Objective 3 single programming document projects implemented by the same beneficiary, and on Projects CZ.2.17/3.1.00/33341, 33342 and 33343, in which the selection committee seeks clarification of duplicate spending under these and other projects submitted by the same beneficiary and orders the MA to adjust the project budget for any duplicate spending identified.

The MA puts forward, as a secondary argument indicating that project applications and their budgets have been properly assessed, a statistical overview of adjustments made to project application budgets during the application assessment process, based on evaluations by expert evaluators, assessments by MA staff of normal prices and wages and the conditions laid down by OP PA rules and the rules of the specific call for proposals, and selection committee recommendations.

The table shows trends in project budget savings made between the submission of project applications by applicants ('requested') and the final signing of the grant agreement ('approved') once all comments raised by authorised persons during the approval process had been incorporated. Two trends are particularly evident from these figures. First, the most disciplined applicants are those under Priority Axis 2 (Labour market entry aid), where, despite the application of the same criteria and rules, the smallest savings are made in the long run. This suggests that these applicants most respect the requirements of budget economy and efficiency. Secondly, due to a general increase in the 'lack of economy' of project applications, as noted by the MA during the third call for proposals, appropriate measures were efficiently implemented in the process of assessing project applications and budgets, resulting in a higher savings rate in that call. This trend continued during the fourth call, as of which, further to the Commission's 2011 audit opinion, the rule of the eligibility of spending on implementation team facilities and equipment with due consideration for the hours worked by the persons in question was applied across the board. Starting with the fifth call, the impacts of the information campaign (especially seminars for applicants and beneficiaries) began to be felt. In this regard, applicants began to be more knowledgeable and disciplined, and this has been reflected in a slight decline in the average saving rate between the application and the final budget under the contract.

Table: Overview of the applications approved under OP PA (in mil CZK)

		PO1	PO2	PO3	Total
1st call	Requested	442,7	215,1	311,7	969,5
	Approved	368,7	192,8	275,6	837,1
	Savings (in %)	16,7%	10,4%	11,6%	13,7%
2nd call	Requested	353,2	168,5	248,1	769,8
	Approved	308,6	160,3	222,3	691,2
	Savings (in %)	12,6%	4,9%	10,4%	10,2%
3rd call	Requested	371,5	-	170,2	541,7
	Approved	288,3	-	151,7	440
	Savings (in %)	22,4%	-	10,9%	18,8%
4th call	Requested	171,3	114,4	149,4	435,1
	Approved	131,1	94,1	102,5	327,7
	Savings (in %)	23,5%	17,7%	31,4%	24,7%
5th call	Requested	-	314,8	-	314,8
	Approved	-	278,7	-	278,7
	Savings (in %)	-	11,5%	-	11,5%
6th call	Requested	60,8	102,8	176,3	339,9
	Approved	41,7	87,3	140,4	269,4
	Savings (in %)	31,4%	15,1%	20,4%	20,7%

The MA dwells on the referenced findings 12 and 15 in more depth in its response to those individual findings, but here it adopts the following position on the way cost-effectiveness is determined in general.

Assuming that the ideal conditions for operations are out of reach, cost-effectiveness can best be assessed by means of 'second best cost'. Therefore, if a specific objective is set that is to be achieved (a project objective, key activities, etc.), it is necessary to consider how much it would cost to follow another path leading to the same objective if the chosen path is not taken, taking into account the fact that ideal conditions for the pursuit of objectives do not always exist. The cornerstones of an objective assessment of economy are therefore:

- A comparison of comparable objectives/outputs, i.e. with reference to finding 15, project outputs can be compared with available commercial opportunities only if the available commercial opportunities are consistent with the objectives and outputs of all project activities, not just certain parts of such activities or partial project output.
- Consideration for the actual situation, i.e. with reference to finding 6, in particular taking into account the fact that the initial conditions are not ideal in practice and, in contrast to model situations, it is necessary to factor in aspects such as acts of God, employee incapacity, negative or positive market developments, etc.

For these reasons, the MA would like to point out that assessments of the effectiveness of certain expenditure may be highly subjective, personal and disparate, especially with regard to the limited amount of information available at the time of assessment, regardless of whether project applications are being assessed, administrative checks (monitoring report checks) are being conducted, or on-the-spot checks or the follow-up audits of 'higher' inspection bodies are being carried out.

The fact that the MA genuinely assesses the cost-effectiveness of submitted project applications is borne out not only by the above description of workflow, but also by cases where projects have been rejected or certain costs have been removed from projects because they are neither economical nor efficient. Statistically, this is expressed by the above table.

Specifically, we might mention the conclusions reached by the selection committee after assessing project applications CZ.2.17/3.1.00/31457 and CZ.2.17/3.1.00/32190. Here, the committee is quite forthright in stating that there is no guarantee of cost-effectiveness or economy. Clearly, then, the wasteful spending cited by the Commission's audit team in findings 12 and 15 can merely be attributed to divergent, subjective assessments of such expenditure by the audit team, the MA's staff and selection committee members. In other words, this is not a systemic error by the MA.

Ad 2) The MA has already taken action to meet this requirement. A new version (number 1.5) of Workflow E ('Project selection') has been in force since 1 July 2012. According to that workflow, project managers, in cooperation with programme managers, work on application recommendations stemming from an expert assessment and draw on their own knowledge (experience of the implementation of other projects by the applicant, continuity with/duplication of other applicants' projects, negative experience of an applicant in the implementation of other projects, etc.) to formulate proposals on the suitability/unsuitability of applications for funding. These proposals are presented to the selection committee for each project which has qualified as part of the set of applications for discussion by the selection committee. These proposals for the selection committee, especially if they are inconsistent with the findings of the expert assessment, must be justified and the reasons underpinning proposals must be clearly specified. The application of this procedure will be examined by the AA during a system audit.

The selection committee scrutinises all applications that have qualified for the set of applications meriting discussion. Among other things, it decides on any conditions to be imposed on project implementation (e.g. restrictions on or the modification of the key activities proposed in the project application, adjustments to the project budget, etc.) and, in all cases, it is required to justify its decision, especially if this is in conflict with the outcome of the expert assessment of the project. The reasons underlying the selection committee recommendation are subsequently included in the minutes.

In the period prior to 1 July 2012, before the workflow for selection committee meetings had been supplemented so explicitly, the MA followed the same substantive course, but the procedural aspect was simpler. MA staff, duly trained in this area and having gained experience in particular during the previous OP for the Objective 3 single programming document, referenced expert opinions and all information known to them at the time the supporting documentation for the selection committee was being prepared in order to draw up recommendations for the committee. Expert evaluators, in their assessment of a project application, are always limited to the information contained in the project application and lack the broader context of the other applications submitted, which are available to and may be used only by MA staff and by the selection committee. Where the recommendations put forward in expert evaluators' expert opinions differed from each other, these recommendations of the expert evaluators were appraised by MA staff in a broader context. In supporting documentation for the selection committee, they then recommended compromise solutions that best reflected the market situation, experience of other projects, etc. (see the examples mentioned in paragraph 1 of the response to this finding). In its deliberations and decisions, the selection committee (i.e. members of the professional community appointed for this purpose) drew on the supporting documentation prepared by MA staff, as well as on its own experience and all available information. If, in its decision, it concurred with the supporting documentation that had been prepared, it did not substantiate its decision and simply tacitly adopted the reasoning set out in the supporting documentation produced for its meetings.

The reasons discussed in response to finding 10 testify to the way specifically this process progressed.

In light of the foregoing, and bearing in mind the action already taken, the MA requests a change in the resulting evaluation KP2 to '*Works, but some improvements needed*' and proposes the closure of this finding in the report.

Analysis of the reply by the Commission:

Ad 1) The Commission is aware that there are procedures, processes and limits already defined for the selection of operations (and evaluation of the grant application and/or budget) in place; however their implementation was not always effective, which is represented by findings identified by the audit and described in the report. As regards the argument on a need to have flexibility on the working equipment, which should not be linked to the working arrangements (part-time work), the Commission can only stress that flexibility cannot have a priority over efficiency and effectiveness. The MA is requested to ensure a proper implementation of the procedures. Therefore, this recommendation remains **open**.

Ad 2) The Commission takes into account the fact that the corrective action has been already implemented. Therefore, the recommendation No 2 is **closed**.

Finding n°: 2	Key requirement 3: Adequate information and an adequate strategy to provide guidance to beneficiaries
	Objective: Assess whether there is an adequate information and an adequate strategy to provide guidance to beneficiaries
Responsible body: MA	Volume of funding affected by the finding: € N/A

Description of the finding:

The audit team identified that guidance provided to the beneficiaries is not adequate due to the following shortcomings:

1. Inadequate guidance concerning the proportionality of the expenditures declared in case of purchase of goods. The audit team identified several instances where the total value of the goods was claimed and/or declared to the Commission even though the utilization of such goods for the project was not 100% (refer to findings No 8, 9 and 11); and
2. Inadequate guidance concerning the public procurement rules. The audit team identified several instances of public procurement in which the award criteria were not set adequately and/or qualification criteria were set specifically and restrictively (refer to findings No 7, 8, 9 and 16).

Risks: There is a risk of ineligible expenditures being declared to the Commission. This, in turn, may lead to financial corrections for the Member State.

Recommendation:

1. The MA is requested to provide guidance to the beneficiaries concerning claiming of the proportionality of expenditures in case of purchase of goods.
2. The MA is requested to improve communication concerning public procurement to strengthen sound financial management principles in the award and qualification criteria defined to applicants and beneficiaries.

Deadline for implementation of recommendation: within one month at the latest after receipt of the final report	Nature of the recommendation: High ⁸
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Comments from the responsible body (auditee):

Not accepted

Ad 1) The MA, notwithstanding the reservations it mentions in response to finding 1, has taken action by revising the OP PA Project Guide to version 1.9 on 1 July 2012. The more detailed rules on substantive eligibility were intended to factor in the workloads of project implementation team members when assessing the eligibility of the procurement cost of facilities and equipment used by these workers. More information can be found in section 8.2 of the OP PA Project Guide (Version 1.9). This change was notified to beneficiaries on the website of the OP PA, which featured an article entitled 'New

⁸ See annex 1

Version of the Project Guide (applicable with effect from 1 July 2012)'. That article, in addition to providing a link to the new version of the Project Guide, sums up the key changes and refers to the fact, as mentioned above, that the working hours of implementation team members will be taken into account when assessing how economical purchases of facilities and equipment are. The final version of this article was posted on the website of the OP PA on 29 June 2012, since when statistics show that it has been viewed 30 393 times. Furthermore, since 1 July 2012 this situation has been conveyed in seminars and workshops when presenting the eligibility of expenditure, and is incorporated into individual consultations with applicants prior to the submission of project applications and, subsequently, in the finalisation of the budgets of selected projects.

Ad 2) The MA believes that the assessment of whether or not these are discriminatory criteria is often very subjective. Assuming that there are grounds to set a qualification criterion or to set the subject-matter of the contract, this cannot constitute unequivocal discrimination. It is merely the personal opinion of those assessing these criteria whether, at that moment in time, they are leaning towards a more stringent or looser view of the case. The most common arguments that discrimination exists include inadequate requirements such as the 'excessively high' turnover requirements, the 'excessively high' guarantee requirements and the requirement of 'excessively long' experience or market operations on the part of suppliers. However, **there is no** clear criterion at European level to define what is required and what can be considered 'excessive'. Therefore, although the MA assesses individual criteria in the tender documents (we submit emails with beneficiaries/contracting), it is possible and likely that it will arrive at individual conclusions differing from those of the inspection body. The MA believes that, in the absence of clear-cut rules, holding different views on certain individual cases should not result in findings of a systemic nature.

The MA, based on its own experience of higher error rates among beneficiaries in public procurement matters, expanded the original scheme of seminars for beneficiaries on the topic of 'Launching project implementation' to include a new, separate, seminar on 'Tendering procedure'. Since the end of 2010, there have been thirteen of these seminars. Others have been and are being continually planned especially for beneficiaries under the sixth call of the OP PA. In addition to these special seminars, applicants and beneficiaries under the OP PA are kept informed of contractor selection issues at seminars whenever a call is published. At these seminars, an emphasis is placed on making sure that the project implementation team is aware of the obligation to hold tendering procedure, i.e. not only of the binding nature of the Public Procurement Act, but also of the existence of mandatory rules on the selection of contractors for smaller-scale contracts established at Project Guide level.

In addition, the MA arranges for ongoing consultations with beneficiaries on tendering procedure prior to the publication of tender documents on the website of the OP PA.

The MA is also aware of the relatively high error rate among beneficiaries in tendering procedure, and has not slackened its activities in this regard. However, the final wording of the tender documents and subsequent steps taken by contracting authorities in the implementation of the tendering procedure are always in the competence and responsibility of the project implementation team. Considering the definition of the legal personality of beneficiaries and the obligations imposed on them by law, this cannot be otherwise. For this reason, the MA and its staff are limited to consultancy and advisory opinions in relation to tendering procedure. Responsibility for errors in the implementation of tendering procedure under the rules of the OP PA and the law is always firmly in the hands of the grant beneficiary.

Aware of the risks arising from discriminatory conduct, with effect from 1 November 2013 the MA will amend the operating manual and project guide by explicitly drawing attention to discriminatory eligibility qualifications, such as excessively high demands on turnover, guarantees, security or insurance relative to the size of the contract, and the excessive duration imposed on market presence, SF experience, the demand for terms and conditions that should apply to the winning contractor and not to everyone when they are simply placing a bid, etc.

In view of the above and the steps already taken, the MA requests that this finding be removed from the report.

Analysis of the reply by the Commission:

Ad 1) The Commission takes into account the fact that the corrective action has been already implemented. The MA shall treat as ineligible also instances described in the finding No 11. The recommendation No 1 is **closed**.

Ad 2) The Commission cannot accept a general acceptance of any assessment of criteria to be subjective; the criteria can and should be set to minimise subjectivity and to guarantee transparency and equality of treatment. The MA is obliged to ensure that beneficiaries are informed of their entitlements and responsibilities regarding the provision of funding and that an appropriate level of guidance is provided concerning these entitlements and responsibilities. The Commission takes into account actions already provided by the MA (seminars, consultant services, etc.), however from the findings identified by the auditors it shows that these actions were not sufficient. Therefore, the MA shall take other actions in providing guidance to beneficiaries in the area of the public procurements. The recommendation No 2 is **open**.

Finding n°: 3	Key requirement 4: Adequate management verifications
	Objective: Assess whether there are adequate management verifications
Responsible body: MA	Volume of funding affected by the finding: € N/A

Description of the finding:

During the on-the-spot and desk reviews of selected projects, the audit team identified several weaknesses in the implementation of the projects despite the fact that these projects had been reviewed by the MA. The main findings are related to:

1. The ineligibility of expenditures and/or expenditures where it is questionable whether these expenditures are linked to the activities accepted by the MA and/or where the sound financial management principles were not followed (refer to findings No 6, 7, 8, 9, 10, 11, 12 and 15);
2. Several breaches in the public procurement not identified by the MA during the administrative control and/or on the spot checks (refer to findings No 6, 7, 8, 9, 11, 14 and 16); and
3. The efficiency of the purchases is not verified by the MA in the cases when the declared expenditures correspond with the budget amounts approved. This was confirmed by the representatives of the MA during the on-the-spot checks.

Risks: The non-respect of the actual incurred cost principle or the non-compliance with the public procurement procedures may lead to an ineligible expenditure being declared to the Commission. This, in turn, may lead to financial corrections for the Member State.

The above risk is even strengthened by the fact that no second level verifications of those expenditures are performed.

Recommendation:

1. The MA is requested to improve the administrative and the on-the-spot checks to ensure that the expenditure declared is legal, regular and eligible as per the Commission Regulation (EC) No 1828/2006, article 13 (2).
2. The MA is requested to carefully review all expenditures declared to the Commission.

Deadline for implementation of recommendation: within one month at the latest after receipt of the final report	Nature of the recommendation: High ⁹
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⁹ See annex 1

Comments from the responsible body (auditee):

The MA acknowledges the individual errors identified, but disagrees with the audit team's overall conclusion in view of the current state of control mechanisms for the following reasons.

The eligibility of certain expenditure identified in the Commission's audit findings is defended by the MA below. Therefore, the MA disagrees with these Commission positions. Assessments of the degree of fulfilment of general terms such as economy, efficiency and non-discrimination are often very individual matters, and since it is not within the power of any authority to anticipate the opinions of other institutions, with the exception of those that have already been communicated, we ascribe some of the findings to the different interpretations of the level of compliance/non-compliance with the general the rules and terms above.

The MA undertakes to accept the Commission's interpretation in this area and to implement this interpretation in its other inspection activities in the future. The opinions voiced in the past have been incorporated in this way and are now actively applied.

Regarding the actual inspection of procurement matters, the MA also states that there has been a continuous improvement in control mechanisms, e.g. all European Social Fund managing authorities are coordinated in relation to checklists. The most common findings of the audit team in procurement matters are the allegedly discriminatory and non-transparent process. With effect from 1 July 2012, the MA revised the checklist for checks on tendering procedures. Now it includes clear check questions designed to reveal discriminatory and non-transparent conduct (Annex I to Workflow I Inspections, version 1.4). Subsequently, other managing authorities of European Social Fund programmes were coordinated and the checklist for procurement was further modified to align it even more closely with the conditions of the amended Public Procurement Act (137/2006). It also gave more guidance for those conducting inspections. This new checklist was implemented in Workflow I Inspections, version 1.5, with effect from 1 October 2012. However, it should be noted that proper inspections of tendering procurement were also conducted before that date. As already mentioned, several of the Commission audit team's findings are based solely on a different interpretation of unquantifiable 'excessive demands' that cannot be predetermined within the scope of eligibility requirements. In its response to finding 2, the MA states and proves that, despite the differing subjective opinions on specific cases, there is no systemic error here because, generally, the appropriateness of criteria in tendering procedure have always been assessed from the outset of the OP.

The Commission's reservations concerning the assessment of the efficiency of expenditure approved in project budgets are not entirely justified in the MA's view. The MA checks the economy and efficiency of all expenditure during the administrative check, i.e. the check on monitoring reports, and this has been the procedure applicable since the beginning of the OP.

Individual expenditures are assessed in particular with regard to the document 'Normal Facilities and Equipment Prices', bearing in mind the comparable market prices known to the MA. Unit prices of expenditure approved in project budgets are, if anything, indicative. If the facility and equipment prices or service prices, etc., change, particularly with regard to market developments between the submission of applications or the signing of signatures and the moment when expenditure is incurred, the MA takes account of these changes with an emphasis on the efficiency and economy of spending. In no documents are beneficiaries guaranteed the right to purchase equipment or services at prices specified in the project budget. On the contrary, they are required to respect normal prices in place at that time and that place.

In practice, this can be demonstrated, for example, by the fact that rules on the purchase of facilities and equipment (see above) are refined (made more stringent) as needed. These rules were publicly presented to beneficiaries in the Project Guide version 1.9, effective as of 1 July 2012, on the website of the OP PA, when it featured the articles 'New Version of the Project Guide (applicable with effect from 1 July 2012)' and 'Eligible Expenditure' (updated on 29 June 2012). Further evidence can also be seen in the fact that the aforementioned 'Normal Facility and Equipment Prices' is periodically updated. At any given time, these changes are valid for all beneficiaries, without exception, regardless of the approved project budget.

Even if facilities, equipment, services or labour costs are not indicated in those documents, the MA does not provide any slack in its inspections. Here, the economy and efficiency of expenditure is assessed literally on a case-by-case basis, the beneficiary is given the opportunity to defend the expenditure concerned, and, if the justification is insufficient, the beneficiary is informed that the expenditure is ineligible, accompanied by the MA's opinion. An example of this is project CZ.2.17/1.1.00/31620, where expenditure on the creation of training materials was approved in the budget. In the second monitoring report, the beneficiary submitted, for reimbursement, invoices for the training materials produced, which were considered too expensive, as their actual value was inconsistent with the amount invoiced. This expenditure was not approved in full for reasons of poor economy and inefficiency. Analogous procedure was followed in project CZ.2.17/3.1.00/31302, where, despite the agreement on the working hours of the financial manager (50% of full time), the eligible labour expenditure reported by the financial manager was continuously reduced for the beneficiary even though it was unable to prove the efficiency and effectiveness of the costs. Two illustrative cases of the procedure followed by the MA in assessing the efficiency and economy of expenditure, despite the approved budgetary framework of the project, were submitted.

Beneficiaries are generally aware that the prices of individual purchases must correspond with prices normal at the time and place, and that a reference to the approved project budget is not sufficient. Naturally, individual errors by beneficiaries and their misinterpretation of the rules despite all the information they receive from the MA through different information channels are not inconceivable. As documented by the above-mentioned project CZ.2.17/3.1.00/31302, sometimes such procedure is followed by a beneficiary completely, and quite unaccountably, intentionally.

The MA refers to its comments in response to finding 1, where cost-effectiveness and the assessment thereof are also addressed.

In conclusion, the MA draws attention to the error rate of projects under the OP PA as declared in the audits of the AA. The annual inspection report for 2010 inspected 100% of certified expenditure and the error rate was revealed by the AA to be 1.46%. The annual inspection report for 2011 presents a simple error rate of 0.05% and a weighted error rate of 0.06%. The annual inspection report for 2012 reveals a simple error rate of 3.41% and a weighted error rate 4.71%, although it should be noted that such a high error rate was achieved mainly by incorporating the contested inspection of project CZ.2.17/1.1.00/31169 (beneficiary: ČD Cargo a.s.). For this project, the AA concluded that aid granted under the de minimis rule should be granted in the de minimis scheme for the road transport sector, and did not satisfy itself with the evidence and arguments provided by the grant beneficiary. Including the certified expenditure of this project in the error rate in full (100%) resulted in a major distortion of statistics, even though this was clearly 'out-of-the-way observation' and was evaluated by the MA as an 'exceptional error'. If this project had been excluded from the resulting statistics, the simple error rate in the annual audit report for 2012 would have been 2.48%.

The error rate determined by the Commission audit in 2011 was very low, i.e. 0.16%.¹⁰ In light of the foregoing, showing that a control system is up and running in all respects, and based on the measures already taken, the MA requests a change to the final evaluation of KP4 to the level of '*Works, but some improvements needed*' and proposes that this finding be closed in the report.

Analysis of the reply by the Commission:

The Commission analysed the information provided by the MA. However, due to the nature of the findings and their frequency (findings identified in 10 out of 16 projects) the Commission reiterates the position on systemic problem in the KR No 4.

The Commission gives a positive assessment of the actions already implemented by the MA (check-lists, setting of limits for purchases, etc.), however from the findings identified by the auditors it shows that these actions are still not sufficient.

It needs to be mentioned that the projected error rate reported in the ACR 2012 by the AA was 4.71% and the Commission considers this error rate as underestimated (for details refer to the Finding No 5). The argumentation of the MA, that the error identified by the AA in the project No CZ.2.17/1.1.00/31169 is anomalous is not supported by any justification. It was not explained why similar errors cannot appear elsewhere in the remaining population. Therefore, this argument cannot be accepted.

Taking into account all aforesaid facts, the recommendation as specified above remains **open**.

¹⁰ Certified expenditure of EUR 2 118 314.76 was checked. However, because one of the inspected projects was removed from programme financing before the end of the Commission's audit, the volume of the checked projects was adjusted to EUR 2 102 436.76. The funds affected by the error were quantified by the Commission at EUR 3 278.30.

Finding n°: 4	Key requirement 5: Adequate audit trail
	Objective: Assess whether there is an adequate audit trail
Responsible body: MA and IBs	Volume of funding affected by the finding: € N/A

Description of the finding:

During the on-the-spot and desk-reviews of selected projects, the audit team identified that for some projects time reporting was not reliable and/or that audit trail was not complete. This issue was also confirmed by the beneficiaries (refer to findings No 9, 13 and 14).

Risks: There is no evidence that the expenditure declared by the beneficiaries corresponds to the actual costs and therefore, there is a risk that ineligible expenditures are charged to the ESF.

Recommendation:

The MA is requested to improve communication concerning audit trail and the retaining of supporting documents to applicants and beneficiaries according to the article 15 of the Regulation No 1828/2006.

Deadline for implementation of recommendation: within one month at the latest after receipt of the final report	Nature of the recommendation: High ¹¹
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Comments from the responsible body (auditee):

The MA acknowledges the individual errors identified, but disagrees with the finding for the following reasons.

The MA responds to the specific cases referenced – findings 9, 13 and 14 – below.

With regard to the individual findings referenced, the MA notes that the beneficiary, according to the instructions in the project guide, is required to maintain an audit trail of the work carried out during project implementation in the form of timesheets (section 8.6.1.2, since version 1.0 of the OP PA Project Guide). In addition, beneficiaries are required to submit timesheets as an attachment to monitoring reports for inspection. In the monitoring report, beneficiaries sign a solemn declaration (straightaway in point 1) that:

- all information submitted in the present monitoring report and its annexes is true and complete, and I am aware of the possible consequences and penalties that result from providing false or incomplete information;*

Based on this, we can deduce that the beneficiaries are sufficiently informed of the obligation to maintain a proper audit trail of work done, and they confirm this themselves by a solemn declaration in each monitoring report submitted.

Furthermore, in the revised Project Guide of 1 July 2012 (version 1.9), the MA went on to emphasise that *'The number of hours indicated in the timesheet must reflect the actual hours worked by the worker on the project, which are inherently included among costs. This fact is confirmed by the worker and supervisor by their signature on the timesheet.'* (section 8.6.1 of the OP PA Project Guide, with effect as of version 1.9).

¹¹ See annex 1

The compliance of the timesheets of individual project workers, i.e. the mutual compatibility of the activities declared, is normally examined during administrative checks of monitoring reports, not only by comparing individual timesheets, but also, naturally, by comparing them with the description of all key activities carried out in the reporting period, and by comparing them with other relevant documents, especially accounting documents, project publicity, etc. This guarantees a high probability of detection of any irregularities in the reported activities.

The duty to maintain an audit trail on the selection of a contractor is communicated to beneficiaries in the Project Guide, as also noted by the Commission audit team itself in its report. Beneficiaries are also informed of this duty at all seminars relating to the submission of applications and the actual implementation of the project, and, in particular, at seminars dealing separately with procurement (refer to the reply to the finding No 2, point 2).

During a project inspection (administrative checks and on-the-spot checks), the MA evaluates the information provided by beneficiaries in the monitoring report, as well as the information gleaned from the documents submitted and from the project application, and from project budget. If, on the basis of this information, the MA arrives at the clear conclusion that the incriminated case does not involve 'analogous and inter-related performance' (Section 13(8) of Act No 137/2006 on public procurement), it considers such already submitted information to be a sufficient audit trail. In case of doubt, beneficiaries are asked to complement the audit trail with justification for and the defence of the procedure they have followed – see, for example financial point 3, of project CZ.2.17/3.1.00/31430, or financial point 4 of project CZ.2.17/1.1.00/32253.

For all of these cases, the lack of an audit trail related to the selection of the contractor (here the audit team refers to the rules under the project guide, section 9.2, and the lack of a written record on the tender), however, the same opinion of the MA applies: because these cases do not concern analogous and inter-related performance, the MA does not believe that tendering procedure should be initiated under the procurement rules for contracts with an estimated volume in excess of CZK 400,000 without VAT.

In view of the above and the steps already taken, the MA requests that this finding be removed from the report.

Analysis of the reply by the Commission:

The audit team analysed the reaction of the MS and acknowledges that beneficiaries are informed about the audit trail requirements via guidance and seminars. Also the audit team accepted the explanation for discrepancies in the project timesheets (Finding No 9). Nevertheless, as it was confirmed in other cases, there was no adequate audit trail. Moreover, the reaction of the MA on specific cases and issues provides the evidence that, in purchases below the guidance threshold, CZK 200,000 or CZK 400,000 (depends on the version of the Project guide), there is a different understanding of the requirement on the audit trail between the MA and EC auditors. The project guide (all versions) states in the section 9 that the beneficiary is obliged to proceed with regard to the principles of efficiency, transparency and equal treatment. But in the absence of evidence to show how the supplier was selected or how the price was set-up, all three principles noted above are not verifiable. Therefore the audit team maintains its assessment of this key requirement at category 2. In addition the MA is requested to ensure that budget-driven expenditure claims are avoided or detected and corrected.

Finding n°: 5	Key requirement 14: Adequate audits of operations
	Objective: Assess whether there are adequate audits of operations
Responsible body: AA and DAB	Volume of funding affected by the finding: € N/A

Description of the finding:

During the on-the-spot reviews of the beneficiaries, the audit team identified several weaknesses in the implementation of projects although these projects were reviewed by the AA and/or DAB. The main findings are related to:

- The ineligible expenditures or expenditures where it is questionable whether these expenditures are linked to the activities (refer to findings No 6, 7 and 11);
- Several breaches in the public procurements not identified by the AA during audits of operations (refer to findings No 6, 7 and 11);

Risks: The AA's inability to detect ineligible expenditure leads to a risk that the error rate and the O.P. risk level is understated and that ineligible expenditure may be certified to the Commission. This inability also risks undermining the MCS as an important source of information, i.e. the AA's findings are insufficient to allow the MCS to evolve and to become more robust.

Recommendation:

The AA is requested to improve the on-the-spot verifications to ensure that the expenditure declared is legal, regular and eligible as per the Commission Regulation (EC) No 1828/2006, article 13 (2).

Deadline for implementation of recommendation: within one month at the latest after receipt of the final report	Nature of the recommendation: High ¹²
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Comments from the responsible body (auditee):

The AA acknowledges that some minor deficiencies identified by Commission auditors should have been detected in the initial audit carried out by the DAB (the cancellation fee – finding 6, finding 7), but, regarding the other minor deficiencies, DAB auditors assessed each case on the basis of related circumstances and came to a different conclusion (audit judgment) from that of the Commission auditors; this cannot be considered an 'inability to detect ineligible expenditure', but only a divergent professional audit judgment (discriminatory eligibility requirements – findings 6 and 8, the material and temporal need to purchase a laptop– finding 8).

The AA further notes that, when describing the findings, the Commission auditors did not evaluate the nature and scope of the audits carried out (the period audited and the resources audited with respect to the sampling of operations and the reference certification period); as regards public contracts (tendering procedure) in particular, to make findings it is necessary for the audited (reimbursed) expenditures to be linked to the corresponding contract (tendering procedure) and to determine whether the contract should be audited.

¹² See annex 1

On this basis, the AA disagrees with the conclusion and the evaluated risk referred to in the context of the finding, i.e. that 'the AA's inability to detect ineligible expenditure has given rise to the risk that error rates are underestimated...', and with the KP 14 evaluation of '*Works partially, substantial improvement is needed*'.

Sub-finding 1 – 'ineligible expenditure or expenditure where it is not clear whether it is related to the said activities (see findings 6, 7 and 11)': the AA fully agrees with the related deficiencies in findings 6 (cancellation fee – CZK 2,310) and 7 (excessive guarantee – CZK 113,500), but disagrees with the deficiencies listed under finding 11. A laptop for an assistant spending only 30% of his working time on the project when the laptop is fully funded by project resources could not have been identified by the audit because this item was funded in the previous period, i.e. it does not belong to the audited expenditure. The finding of ineligible expenditure related to the purchase of a laptop on 7 October 2010 for an internal trainer spending 100% of his working time on the project, considering the project completion date, is opposed by the AA because the audit showed that this laptop was necessary for project implementation – the worker spends all his working time on the project and he works full-time (not part-time). The time aspect was evaluated from the perspective of whether the project was being implemented at the time. In past or current auditing practices, no ineligibility of expenditure related to the time aspect of the acquisition of supplies, with regard to the completion of the project, is directly observed, but in all cases the necessity, economy, efficiency and effectiveness of expenditure (supplies) are evaluated. This strict and new procedure has not been applied by Commission auditors or labelled as risky in past audits of European Social Fund programmes. Based on the above, we request the deletion of the reference to finding 11 from the description of this finding.

Sub-finding 2 'several cases of a breach of public procurement procedure, which were not identified by the AA in the audit of operations (see findings 6, 7 and 11)': the AA agrees with the related deficiencies in finding 7, but disagrees with the deficiencies listed under findings 6 and 11:

- finding 6

The 'MBA training' tendering procedure was not audited because this procedure was not linked to any of the expenditure audited. From this perspective, the said finding cannot have been made (disproportionate eligibility requirement).

The eligibility requirement that 'a tenderer must have been active on the market for at least nine years' in the tendering procedure 'Language training' was not evaluated as discriminatory by the auditors on the basis of an assessment of all links to the contract and the actual implementation of the selection process. The contracting authority's requirement that tenderers must have been active on the market for nine years, with no linkage to specific teachers, was adequate to demonstrate a long-term market presence, and thus the experience necessary for implementation. The requirement of a nine-year presence may seem excessive, but the large number of the bids submitted indicates that this criterion cannot be considered discriminatory or restrictive of competition. After considering all contexts, the DAB auditors concluded that the eligibility requirements were consistent with the nature and scope. Since exact parameters and limits for the determination of eligibility requirements are not established, a divergent audit opinion (view) cannot be regarded as an error or deficiency. From this perspective, we seek a re-evaluation of the impact. In this context, it should be noted that the contract was performed outside the scope of the law and directive.

The eligibility requirement that 'a tenderer must have been active on the market for at least five years' in the tendering procedure 'General training' was not evaluated as discriminatory by the auditors on the basis of an assessment of all links to the contract and the actual implementation of the selection process. The contracting authority's requirement that tenderers must have been active on the market for five years, with no linkage to specific teachers, was adequate, in view of the requirement to demonstrate a long-term market presence, and thus the experience necessary for implementation. After considering all contexts, the DAB auditors concluded that the eligibility requirements were consistent with the nature and scope. Since exact parameters and limits for the determination of eligibility requirements are not established, a divergent audit opinion (view) cannot be regarded as an error or deficiency. From this perspective, we seek a re-evaluation of the impact. In this context, it should be noted that the contract was performed outside the scope of the law and directive.

- Finding 11

The eligibility requirement of the 'provision of at least 400 training days a year' in the selection procedure was not evaluated as discriminatory by auditors on the basis of their assessment of all links to the contract and the actual implementation of the selection process. The contracting authority's requirement that teachers have a minimum of three years' experience of soft skills and of working at an international company, without linkage to any particular training course or the beneficiary, was adequate – for soft-skills lecturing it is essential to have practice and experience. Experience in an international company is necessary due to the nature of the beneficiary. The requirement for 400 training days per year without limitation is certainly more serious; in this context, this requirement needs to be evaluated not only to the extent of the anticipated training, but also in view of the overall fulfilment of this requirement by tenderers on the market. 400 training days is equal to two year-long courses (i.e. 2 x 200 training days), or the implementation of 20 months' training per year or 80 weeks' training per year, which is not a disproportionate requirement. Rather it demonstrates the ability to implement continuous training activities in the market. After considering all contexts, the DAB auditors concluded that the eligibility requirements were consistent with the nature and scope. Since exact parameters and limits for the determination of eligibility requirements are not established, a divergent audit opinion (view) cannot be regarded as an error or deficiency. From this perspective, we seek a re-evaluation of the impact. In this context, it should be noted that the contract was performed outside the scope of the law and directive.

In 2012, the AA conducted 12 audits of operations in accordance with the plan. These were subsequently complemented in 2013, at the request of the European Commission, by a further 38 extraordinary audits. Of the above 12 audits, four were targeted by the audit mission and in three findings were identified that were not described in the DAB audit report.

To obtain an overall view, the AA (to minimise the risks arising from the preliminary findings of the Commission audit) conducted a subsequent verification of the results of the remaining eight audits carried out by the DAB in 2012. This involved completely new audits by other AA staff who were not part of the original audit team, i.e. they were conducted by a completely different level department from that which performed the

2012 audits.

On this basis, no new facts or differences from the original audit were identified in three out of the eight¹³ audits. On the other hand, in three audits the AA identified additional ineligible payroll expenditure beyond the DAB's initial audit findings, as well as the provision illegal and inefficient financial performance to a project partner on the basis of customer-contractor relations in one audit. Newly identified deficiencies in the selection process and unauthorised VAT financing were identified in only one audit.

Furthermore, the AA, in this context and in accordance with the recommendations of the Commission auditors, draws attention to the clear changes in procedures within the AA, particularly in connection with the centralisation of audit work under the Ministry of Finance. In particular, it is necessary to strengthen the functional and organisational independence of those performing audits, review the methodology, apply new control and audit procedures and strengthen the coordination and quality control of individual audit outcomes, not only within individual programmes, but also between programmes financed by the European Social Fund. The recommendation was implemented in early 2013 (regardless of the text of the finding that was sent) and has been manifested in the course of audit work (the additional 38 audits and eight repeated audits). The above-mentioned 38 extraordinary audits identified cases where eligibility requirements had been set in a discriminatory manner and tendering procedure practices had been infringed (e.g. the 10 years' experience required for individual teachers was identified, in the circumstances, as discriminatory and restrictive).

The existence of the certain risk mentioned by the Commission auditors materialised. The AA will fully quantify the financial impact and the final error rate for 2012 in the 2013 annual inspection report (in a section on the re-evaluation of error rates in previous years).

In light of the above, the AA (adoption of measures) requests a change in the evaluation of KP 14 to '*Works partially, substantial improvement is needed*', not only in view of the above comments, but especially due to the measures already taken and the specific outputs, including a modification of the nature of the recommendation from 'high' to 'medium'. At the same time, considering the measures adopted and described, we request that the recommendation be considered closed.

Analysis of the reply by the Commission:

The Commission accepts the argumentation of the AA that the deficiency in the finding No 6 concerning public procurement for MBA trainings could not be identified.

Concerning other findings that are subject to the objection by this authority, please refer to the particular findings.

The Commission cannot accept the argumentation of the AA concerning the argument of professional judgement. The fact that the work of the AA (or Delegated Audit Body (DAB)) was until end of 2012 inadequate, is supported also by the information that in 5 out of 8 audits performed by the DAB additional ineligible expenditures were identified by the Commission audit team. This means that the projected error rate 4.71% reported in the ACR 2012 is underestimated.

¹³ At present, six audits of operations have been completed and two audits are at the stage of the draft report on the audit of operations, which are provided to the auditee for an opinion.

The Commission gives a positive assessment of the changes performed in the AA as from 2013 described in the reply. However, as the assessment and evaluation of the design of the OP PA's MCS is given at a specific point in time (until 31st of December 2012), additional actions implemented in 2013 cannot be taken into account.

Therefore, recommendation No 1 is **open**.

4.2. Financial findings

4.2.1. Project CZ.2.17/1.1.00/30209 Rozvoj systému dalšího profesního vzdělávání ve společnosti MITAS a. s.

Finding n°: 6	Beneficiary: MITAS, a.s.
	Project number: CZ.2.17/1.1.00/30209
Total amount claimed: €235,595.11	Amount audited: €110,759.11
ESF Funding: 51%	Ineligible expenditure: €6,227.56
National match funding: 9%	Non-quantifiable error(s): -
Other: 40% private funding	

Description of the finding:

1. Ineligible costs: cancellation fees

The Beneficiary claimed the cancellation fees for the English classes (supplier Caledonian school - P.Y.S. a.s.) which were to take place in January 2011.

The expenditure for the cancellation fees were not necessary for the Project and as such are ineligible according to the chapter 8.2 of the *Project Guideline for the OP PA* and Article 56.4 of *Council Regulation (EC) No 1083/2006 of 11th of July 2006*.

The ineligible cost within the sample verified, which covers the classes scheduled for January 2011, amounts to CZK 2,310.00 (€92.40).

Moreover, based on the information provided by the Beneficiary, we have concluded that the issue is of a systemic nature since the cancellation fees were not monitored by the Beneficiary and not deducted from the Project costs.

2. Public procurement: discriminatory qualification criteria

As per chapter VII (5) of the Grant agreement, the Beneficiary is obliged to select the suppliers in compliance with the *Project Guideline for the OP PA*. According to chapter 9.2.1 of the aforesaid Guideline, the Beneficiary is obliged to respect the principle of non-discrimination.

The tender documentation for the following tenders:

- MBA trainings (estimated value CZK 800,000),
- Language trainings (estimated value CZK 720,000),
- General trainings (estimated value CZK 2,153,130),

contained a qualification prerequisite that was set discriminatorily and consequently could limit the participation in the tender. Specifically, the Beneficiary required in the tender documentation that the economic operators had to operate on the market for a minimum of respectively 10, 9 or 5 years.

In our opinion, there is no reason justifying to require such a long history of the economic operators for the aforesaid tenders. Other economic operators that were able to provide requested trainings, but were not established as per the tender documentation, were therefore discriminated.

It is necessary to mention, that the project was audited by the Delegated Audit Body (hereafter "DAB") (audit No 321/12/OPPA) and by the MA (control No 75/30209/1/2010) and the deficiencies listed above were not highlighted either in the audit report or the control protocol.

Recommendation:

1. The MA is required to apply a financial correction to the amount of CZK 2,310 (€92.40) related to the ineligible expenditures identified in the sample checked. Similar instances of ineligible expenditures included in the total amount claimed and certified for the Project should be identified, quantified and corrected. Accordingly, the indirect costs need to be decreased.
2. The MA is recommended to apply a financial correction in accordance with the *Guidelines for determining financial corrections to be made to expenditures co-financed by the Structural Funds or the Cohesion Fund for non-compliance with the rules on public procurement - COCOF 07/0037/03-EN* (hereafter "*Guidelines for determining financial corrections*"). In this case, in accordance with table 2, point 23 of the aforesaid Guidelines, the correction should amount to 10 % of the contract value, after the deduction of the ineligible costs identified (see recommendation 1 above), that was or will be declared by the Beneficiary. If applicable, the related indirect costs need to be decreased accordingly.

Within a sample of the contracts' related expenditures verified by the audit team i.e.:

- CZK 46,000.00 (€1,840.00) – MBA trainings,
- CZK 34,319.00 (€1,372.76) – Languages trainings,
- CZK 73,060.00 (€2,922.40) – General trainings,

the total correction should be CZK 153,379.00 (€6,135.16).

The recommendation described above is applicable to the whole contracted amount that was or will be declared for the projects. Accordingly, the indirect costs need to be decreased.

Deadline for implementation of recommendation: Within two months at the latest after receipt of the final report	Importance of the recommendation: Medium ¹⁴
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Comments from the responsible body (auditee):

Ad 1) The MA acknowledges that the above costs are not essential and hence eligible, and will take steps to recover the funds (address the irregularity). It does not believe, however, that this situation can be generalised. It takes the view that, in exceptional cases, lesson cancellation fees could be considered eligible – see the final comments in response to finding 3, in particular with regard to the fact that, in cases where the only other alternative open to the beneficiary is to order the relevant services from a contractor who does not charge these fees, and therefore is most likely, in fact, to have already included them in the total price performance (i.e. the total price of the contract has been increased to factor in these hidden fees).

The MA will conduct an on-the-spot check to examine similar ineligible expenditure outside the Commission audit team's check sample. The MA proposes labelling all lesson cancellation fees as ineligible expenditure, except in cases where the beneficiary evidences, with valid documents, that all students cancelled their attendance of the course because of incapacity on health grounds.

Ad 2) With reference to the comments on finding 2 and the opinion contained therein, the MA argues that the eligibility qualifications specified by the beneficiary cannot be clearly identified as discriminatory. Due to the high quality of education required and the

¹⁴ See annex 1

potential risks arising from the improper selection of a contractor, which may have a direct impact on the financial situation of the beneficiary (due to unsuccessful contractual performance and the resulting ineligibility of expenditure), the requirement of the contractor's long-term experience and stability seems reasonable to the MA. This is particularly true of the postgraduate training (MBA Training) and language courses, where a high turnover of lecturers of varying quality is typical for 'young' entities with low administrative capacity. Strict criteria for the use of public funds, especially funds from the EU SF, deny beneficiaries of projects under the OP PA contractual elasticity and flexibility in the pursuit of contractual targets over time which they would have if the contract were not funded by the OP. Therefore, it is understandable that they have to place a greater emphasis on choosing a reliable business partner, proven over time, where the greater stability of financial and human resources significantly mitigates the risk that the contract will not be performed in a due and timely manner.

The Commission audit team's opinion is not based on any particular document from which it is clear that the required eligibility criteria are unreasonable. In contrast, the delegated audit body which inspected the tendering procedure clearly came to a similar conclusion on the basis of the same experience and knowledge of the environment, because it did not find the eligibility criteria to be illegal and discriminatory.

For these reasons, the MA proposes that this part of the finding be omitted from the audit report.

Analysis of the reply by the Commission:

Ad 1) The Commission accepts the action proposed by the MA. The recommendation No 1 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Ad 2) The Commission accepts that there is no provision which stipulates when the requirement to operate on the market is inadequate or inappropriate. However, the selection criteria shall correspond to the type, extent and complexity of the subject-matter of the public contract. The Commission cannot accept that for example for language training only the economic operator with experience of 9 years on the market is qualified to provide required services. It needs to be mentioned that company TUTOR was rejected from the tender due to the fact that it was operating on the market only 8 years and 8 months and for MBS trainings (10 year on the market required) only 1 offer has been submitted. The national authorities and beneficiary have not provided any clarification why such a company could not be able to provide language trainings. There are other mechanisms available to the contracting authority to ensure that qualified and experienced companies will be selected (e.g. to request principal deliveries, list of teachers).

Finally, the Commission is concerned with the fact, that the MA and the AA still consider aforesaid selection criteria as appropriate and adequate. Therefore, both authorities are requested to provide the Commission with the list of public procurements reviewed in which similar selection criteria were used and accepted by the MA and/or the AA.

Based on the aforesaid, the recommendation No 2 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission and the list of public procurements with similar selection criteria used. In addition, the MA is requested to provide details for the calculation of this correction.

4.2.2. *Project CZ.2.17/3.1.00/32162 Jazykové souvislosti angličtiny a němčiny*

Finding n°: 7	Beneficiary: Gymnázium Jiřího Gutha-Jarkovského
	Project number: CZ.2.17/3.1.00/32162
Total amount claimed: €254,720.51	Amount audited: €184,451.21
ESF Funding: 85%	Ineligible expenditure: € 9,182.83
National match funding: 15%	Non-quantifiable error(s): -
Other: -	

Description of the finding:

1. Ineligible costs: prolonged guarantee for IT equipment

The Beneficiary purchased 43 laptops with a prolonged guarantee of 3 years. Taking into account that the Project duration was 20 months, we are of the opinion that the 2 years standard guarantee was sufficient for the lifetime of the Project. Therefore, the expenditures related to the prolonged guarantee were not necessary for the Project purposes and as such they are not eligible according to chapter 8.2 of the *Project Guideline for the OP PA* and Article 56.4 of *Council Regulation (EC) No 1083/2006 of 11th of July 2006*.

The expenditures which are considered as ineligible amount to CZK 113,520.00 (CZK 2,200 per laptop * 43 laptops * 20 % VAT), which is €4,540.80.

2. Public Procurement: purchase of the ICT

The tender documentation for the procurement of the IT equipment (estimated value CZK 1,252,540.00) contained a qualification prerequisite that was set discriminatorily and consequently could limit the participation in the tender.

We have identified that the technical specifications related to the laptops contained a requirement for the minimum frequency of the processor (min. 2 core processors 64bit, 2.3 GHz). Such a requirement is not considered as an objective indicator of the PCs' performance based on the Decision of the Office for the Protection of Competition (ÚOHS) no. R154/2007.

As per the chapter VII (5) of the Grant Agreement the Beneficiary is obliged to select the suppliers in compliance with the *Project Guideline for the OP PA*. According to the chapter 9.2.1 of the aforesaid Guideline, the Beneficiary is obliged to respect the principle of non-discrimination.

Finally, the audit team noticed that the award criteria were stipulated in a way to select the most economically advantageous offer. However, the price only had a weight of 20% what is not, according to the audit team, in line with the sound financial management principles.

It is necessary to mention, that the project was audited by the DAB (audit No 311/12/OPPA) and by the MA (control No 83/32162/3/2011) and the deficiencies listed above were not highlighted either in the audit report or the control protocol.

Recommendation:

1. The MA is required to apply a financial correction to the amount of CZK 113,520.00 (€4,540.80) related to the ineligible expenditures. Accordingly, the indirect costs need to be decreased.

2. The MA is recommended to apply a financial correction in accordance with the *Guidelines for determining financial corrections*. In this case, in accordance with table 2, point 23 of the aforesaid Guidelines, the correction should amount to 10 % of the contract value declared and subject to our verifications (CZK 1,274,028.00 incl. VAT, i.e. €50,961.12), after deduction of the ineligible costs identified (see recommendation 1 above), i.e. CZK 116,050.80 (€4,642.03).

If applicable, the related indirect costs need to be decreased accordingly. The recommendation described above is applicable to the whole contracted amount that was or will be declared for the projects

Deadline for implementation of recommendation: Within two months at the latest after receipt of the final report	Importance of the recommendation: Medium ¹⁵
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Comments from the responsible body (auditee):

Ad 1) The MA concurs with the findings of the audit team and will start addressing the irregularities with the beneficiary. The amount of ineligible costs is CZK 131,683.20 (CZK 2,200 per laptop, 43 laptops, 20% VAT, 16% indirect costs).

Ad 2) Firstly, the MA only clarifies that the audit team evidently believes that the subject-matter of the contract was set in a discriminatory way – not the eligibility criteria.

The audit team believes that the determination of the subject-matter of the contract, one of the technical parameters of which is ‘at least a 64-bit dual core processor, 2.30 GHz’, is discriminatory and points to Finding of the Office for the Protection of Competition (ÚOHS) No R154/2007 to back this up. The MA believes that this finding of the Office does not concern the same matter and that it describes a very different situation, and because no other circumstances suggest that this is a discriminatory parameter, it proposes that this part of the finding be omitted from the final report.

Decision of the Office for the Protection of Competition (ÚOHS) No R154/2007 notes the following: ‘..., that the contracting authority in the technical specification of tender documentation specified the subject-matter of the contract by specific technical specification, i.e. frequency of the processor as follows „2x quad-core processor, 2,33 GHz frequency“. At the same time, however, the documentation did not show that the contracting authority allows using of other technically and qualitatively similar solutions for the contract. So there was doubt whether the contracting authority did not violate the law by the fact that technical conditions of the tender documents specify the subject-matter of the contract by specific technical specification requirements that apply to particular person as characteristic without allowing other technically and qualitatively similar solutions”. However, the technical specifications in the tendering procedure held under project CZ.2.17/3.1.00/32162 are different. In the terms of reference, the contracting authority specified that it required ‘at least a 64-bit dual core processor, 2.30 GHz’. Therefore, potential contractors could offer to provide a processor with this specification or a different, better specification. In this case, the authority did not specify only one type of processor, thus allowing for solutions similar in quality in technology. Therefore, the circumstances described by the Office in its decision do not apply here. These are not precise technical specifications that appear to be distinctive for a particular entity, because the requirement permits the supply of all variants of processors that are

¹⁵ See annex 1

64-bit dual core, 2.3 GHz or better.

It is also necessary to take into account the fact that Decision of the Office for the Protection of Competition (ÚOSH) No R154/2007 is from 2007, and quad-core processors, with a frequency of 2.33 GHz, were required here – at that time, this was an advanced solution, which other manufacturers could not attain, at least not with the same technological solution. Specifically, the Office's Decision No R154/2007 states the following: *“Due to technical specifications laid down in the technical documentation the contracting authority guaranteed a competitive advantage to one manufacturer of processors, what can be supported by the offers submitted by the bidders who offered the same type of the processor the the same manufacturer”*.

In contrast, the tendering procedure in question, held within the scope of project CZ.2.17/3.1.00/32162, was announced in 2010, and the contracting authority required at least dual-core processors, 64-bit, 2.30 GHz. Compared to the case addressed in the Office's finding, then, the contracting authority – three years later – was seeking a processor with a nominally lower configuration, which, considering the speed of technological progress in ICT, shifts the required ICT equipment to the category of a standard PC. At the time the tendering procedure within the scope of project CZ.2.17/3.1.00/32162 was announced, the desired processor configuration was common and there was a wide range of manufacturers on the market who were able to supply a processor fully compliant with the tender documents, including the manufacturers Intel and AMD, as mentioned by the Office, who have the highest share of the processor market. Unlike the situation in the Office's decision, then, it would be wrong to suggest that a competitive advantage had been secured for any single manufacturer of processors.

The Office decision referenced by the audit team notes that it is impossible to demand one clock frequency value because this is discriminatory and does not actually define the performance of the computer sought. Leaving aside the fact, already mentioned, that the beneficiary did not demand one processor frequency value, but also allowed for the participation of qualitatively better processors, it should be noted that the measurement of the performance of processors in the form of MIPS units, as mentioned by the Office, is only included in the decision as an expert argument regarding the measurement of processor performance and, in practice, is far more problematic than a specification of minimum requirements in GHz. As the vast majority of software vendors do not indicate minimum requirements for the running of software in MIPS, and the vast majority of manufacturers and distributors do not specify the power of the processors they sell in MIPS, the specification of this technically sole acceptable alternative for the determination of the minimum processor power would ultimately be much more discriminatory than the method used by the beneficiary for project implementation.

Here, the MA also notes that it is common practice among software manufacturers to determine the minimum hardware requirements, in the form of a minimum configuration, in the manner used by the beneficiary in the tender documents, i.e. by naming the compatible processors of the largest manufacturers in the market (AMD, Intel) followed by the phrase 'or better'. The Office's decision does not dispute this fact, and only refers to comparative tests on the websites of specialised servers, without further investigating the test parameters and software requirements, which also differ in number of cores and frequency. The Office is therefore acting with no apparent ties to the described subject-matter of the dispute, and as a response to the objection of the administrative appeal in paragraph 10 of the decision, where it is accused of raising arguments without a scientific basis.

Above and beyond what is mentioned above, it should be noted that the determination of computer performance in the tender documents is necessary because otherwise there is no guarantee that the computer will serve its purpose and, therefore, that it will be an economical and effective expenditure. There are only two viable possibilities of determining computer performance:¹⁶

a) the determination of a minimum clock frequency and core structure, e.g. the mentioned dual-core processor, 64-bit, 2.3 GHz, which roughly indicates the performance of the processor and the computer, and is usually cited by the manufacturer as the minimum required software;

b) the determination of the minimum required specific processor, e.g. Intel® Pentium® 4 or an AMD Athlon® 64 processor, or a specific computer (usually used with the Mac platform) – this option is unacceptable because it refers directly to specific brands of specific manufacturers and makes no objective mention of the actual performance of the processor and the computer.

There are another two theoretical ways of determining computer performance – the use of other units (MIPS, as mentioned by the Office), or the use of comparative tests – benchmarks. The determination of minimum requirements in this way would, however, render the tendering procedure non-transparent because, as noted above, a precisely accurate and objective method for measuring PC performance in MIPS units is not used by either software or hardware manufacturers. Likewise, software manufacturers do not use minimum requirements according to the results of benchmark tests and hardware manufacturers, with a very few exceptions, do not state how their products have performed in benchmark tests noted. The contracting authority would therefore not be able to set the correct value required in that it would be unable to verify whether the goods offered meet this requirement. The contracting authority is unable to properly assess the bids submitted, or to evaluate the bids. If the Office's unfortunate verdict were to be applied universally, it would be impossible to purchase any computer, which is clearly in contradiction of the Commission's efforts to promote innovation and competitiveness.

Moreover, it should also be noted that the Office itself has issued a newer opinion in which it admits that the use of benchmarks is in fact unrealistic and is linked to specific problems which do not guarantee objectivity either. Conversely, it admits that specifying processor performance, for example, by number of cores and in GHz may sometimes be inaccurate, but is also the best possible way. At the same time, it admits that if there is no restriction of competition (e.g. due to excessive demands inconsistent with the market situation), no discriminatory conduct exists.

In view of the fact that, in the referenced Office decision, the Office challenges the determination of processor performance in the form of a single frequency value without no possibility of an alternative solution, and as the tender documents of the beneficiary implementing project CZ.2.17/3.1.00/32162 are not so restrictive, and given the fact that, due to the overall standard of technical solution required, with regard to the time of publication of the tender documents, there was no threat to public competition, and for the objective reasons that led the contracting authority to establish minimum requirements in the way it did, and not apply any other non-transparent manner which is

¹⁶ See, for example, requirements set for the application Adobe Photoshop <http://helpx.adobe.com/x-productkb/policy-pricing/system-requirements-photoshop.html>

not actually used by anybody in the market, the MA believes that the subject-matter of the contract has not been set in a discriminatory manner and that the precedent Decision of the Office for the Protection of Competition (ÚOHS) No R154/2007 does not apply. For this reason, the MA proposes omitting this part of the finding from the draft audit report.

Analysis of the reply by the Commission:

Ad 1) The recommendation No 1 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Ad 2) Firstly, the Commission has to clarify, that the issue highlighted by the audit team was not connected with the exact or minimum requirement of the processor but with comparison of incomparable solutions. As it is mentioned in the finding, the frequency of the processor is not considered as an objective indicator of the PCs' performance as different manufacturers indicate the frequency of processors in different ways. For example Intel processor specified as Xeon with 3.4 GHz processor does not meet performance of AMD processor named Opteron 250, whose frequency is only 2.4 GHz. Therefore, specification of the processor using even sentence "minimum" could be discriminatory.

Concerning the letter from the ÚOHS, the Commission analysed the information provided. Firstly, it needs to be noted that this is neither an official decision nor a guidance of the ÚOHS. Secondly, arguments specified in the last paragraph of the letter cannot be accepted as being in a clear contradiction with the decision of ÚOHS No R154/2007. The letter ignores the above-mentioned fact that frequency of the processors is indicated by both major manufacturers in a different way due to their different architecture - so a processor with lower frequency is able to have similar or even higher performance. Thirdly, the letter uses a standpoint of one of two main manufacturers to strengthen its arguments. This standpoint is, however, biased as that manufacturer has a clear advantage over his competitor if only a minimum frequency would be used in technical specifications. In addition, a general argument about high costs of using objective benchmarks is not strong either; comparisons to be found on internet (taking into account different use) are free of charge and by far more objective than asking only for a minimum frequency.

The Commission can accept using frequency of the processor in the technical specification of the tender provided that this minimum quality criterion is set in a way that allows the acceptance of reasonable equivalent products (i.e. competing processors with a different architecture that may reach similar performance levels with lower frequency levels shall not be discriminated).

However, specific cases, where it can be demonstrated that only products of a single manufacturer (or group of manufacturers) may comply with required frequency level and that competing products with a different architecture may reach similar performance levels with lower frequency levels, indicate that the technical specifications were drafted in a discriminatory manner.

Based on the aforesaid, the recommendation No 2 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Note: Instead of the "*qualification prerequisite*", the correct term "*technical specification*" has been used in the finding No 2.

4.2.3. *Project CZ.2.17/1.1.00/33198 Další profesní vzdělávání zaměstnanců firmy LOGIK spol. s r.o.*

Finding n°: 8	Beneficiary: LOGIK, s.r.o.
	Project number: CZ.2.17/1.1.00/33198
Total amount claimed: €111,413.84 ESF Funding: 85% National match funding: 15% Other: -	Amount audited: €111,393.21 Ineligible expenditure: €61,504.36 Non-quantifiable error(s):

Description of the finding:

1. Ineligible personnel costs: hourly rate for the Project Manager

The Beneficiary claimed for the Project Manager a higher hourly rate than for his other activities in the organization.

The Project Manager gross salary in the organization was CZK 30,000.00. He was spending 30 % of his time on the Project activities each month. The claimed amount should be then CZK 9,000.00 (30,000.00 * 30 %) per month, whereas the Beneficiary was claiming CZK 10,200.00 per month. Such an approach is not in accordance with chapter 8.2 of the *Project Guideline for the OP PA* as all the expenditures should follow the rules of efficiency and Article 56.4 of *Council Regulation (EC) No 1083/2006 of 11th of July 2006*.

We recalculated the eligible costs (covered by the monitoring reports 1 – 3) respectively. The overall amount by which the costs claimed were overstated is CZK 26,779.23 (€1,071.17).

2. Ineligible costs: laptop purchase

The Beneficiary claimed the total price of a laptop purchased for the Project Manager to an amount of CZK 14,990.00. The Project Manager spent only 30 % of his working time on the Project and so only the proportion of the cost should be considered eligible for the ESF co-financing. Such approach is in accordance with chapter 8.2 of the *Project Guideline for OP PA* as all the expenditures should follow the rules of efficiency.

We recalculated the eligible costs respectively. The overall amount by which the costs claimed were overstated is CZK 10,493.00 (€419.72).

3.1 Public Procurement: discriminatory qualification criteria

The tender documentation for the procurement of trainings for employees of the Beneficiary (estimated value CZK 3.8 mil) contained a qualification prerequisite that was set discriminatorily and consequently could limit the participation in the tender.

The tender documentation required a professional risk insurance contract, a subject of which consists in a general liability for damages with a minimum coverage of CZK 20 mil. The audit team cannot accept this requirement in a tender for training services as adequate and justified. The value required by the Beneficiary is considered excessively high taking into account the estimated value of the tender (CZK 3.8 mil). Moreover, the requirement to have the insurance at the phase of submitting the offers is considered to be an inadequate administrative burden as such an insurance payment will go in vain if the operator is not selected. Therefore, the requirement for the insurance should be an obligatory part of the contract and thus, shall be applied only to the supplier who won the tender.

As per chapter VII (5) of the Grant Agreement the Beneficiary is obliged to select the suppliers in compliance with the *Project Guideline for the OP PA*. According to chapter 9.2.1 of the aforesaid Guideline, the Beneficiary is obliged to respect the principle of non-discrimination.

3.2 Public Procurement: non-transparent selection of trainings supplier

With reference to the procurement of trainings, described also under point 3.1 above, an evaluation of the criterion No 2 *Quality of the lecture team* was not performed transparently. As per the tender documentation, the following should be evaluated within this criterion: the expertise of the lecture team, the experience with the target group and substitutability of the lectures. However, as per the minutes from the evaluation of the tenders, it is evident that a number of MBA titles and a number of lectures were also assessed.

Further, we have identified discrepancies between an offer and the evaluation report; no lecturers having only secondary education were included in the offer of one of the economic operators (placed second, even though he offered a lower price), whilst, the evaluation report states that such a lecturer was proposed by this operator.

As per chapter VII (5) of the Grant Agreement, the Beneficiary is obliged to select the suppliers in compliance with the *Project Guideline for the OP PA*. According to chapter 9.2.1 of the aforesaid Guideline, the Beneficiary is obliged to respect the principle of transparency.

3.3 Public Procurement: award criteria not in line with the sound financial management principles

Finally, the audit team noticed that the award criteria were stipulated in a way to select the most economically advantageous offer. However, the price has weight only 20% what is not, according to the audit team, in line with the sound financial management principles.

4. Ineligible target group

We identified a number of instances where a training participant has not complied with the criteria of the applicable Call for proposal (3rd call, dated 21st of April 2010) i.e. some of the trainees were not employees of the Beneficiary or the self-employed personnel with a long-term cooperation¹⁷ with the Beneficiary.

Based on the information provided on our request by the Beneficiary, five of the trainees (Dimitrová Stanislava, Drdla Petr, Košťálová Lucie, Kozel Miroslav and Nývltová Vladimíra) did not fulfil such conditions. See the detailed table below for the impact on particular trainings.

¹⁷ The long-term cooperation is detailed in the above mentioned Call as a cooperation that started at least six months before the final date of submission of the application forms (30/06/2010) i.e. before 01/01/2010.

Training	Eligible trainees	Ineligible trainees	Total costs (CZK) after application of 25% correction (*1)	Ineligible expenditures
Dynamic manager	3	1	1,023,750	255,937.50
Growth against the market	7	2	216,000	-
Project management	4	-	139,500	-
Marketing in the 21 st Century	4	1	198,000	39,600.00
Increasing of the productivity	3	2	147,000	58,800.00
HR Management	1	-	337,500	-
Stress Management	11	3	96,000	20,571.00
Soft skills	4	2	252,000	84,000.00
Company culture	30	5	195,750	27,964.00
Motivation of the team	16	2	126,000	14,000.00
Conflicts solving	12	1	126,000	9,692.00
Total			2,857,500	510,564.50

*1 – correction based of the findings 3.1., 3.2 and 3.3 as described above

The audit calculated the ineligible expenditures only for the trainings that were attended by the ineligible target group.

5. Ineligible expenditures: excessive duration of the trainings

Finally, the following trainings performed to the employees of the Beneficiary with the extensive duration were identified:

- Dynamic manager: 39 days
- Growth against the market: 9 days
- Project management: 6 days
- HR management: 15 days

It is necessary to mention, that the project was audited by the MA (control No 229/33198/1/2012) and the deficiencies listed above were not highlighted the control protocol.

Recommendation:

1. The MA is required to apply a financial correction to the amount of CZK 26,779.23 (€1,071.17) related to the ineligible expenditures.
2. The MA is required to apply a financial correction to the amount of CZK 10,493.00 (€419.72) related to the ineligible expenditures.
3. The MA is recommended to apply a financial correction in accordance with the *Guidelines for determining financial corrections*. In this case, in accordance with table 2, point 21 of the Guidelines, the correction should amount to 25 % of the contract value that was or will be declared by the Beneficiary.

Within the sample of the contract related expenditures verified by the audit team i.e. CZK 3,810,000.00 (€152,400.00), the correction should be CZK 952,500.00 (€39,590.89). The recommendation described above is applicable to the whole contracted amount that was or will be declared for the projects.

4. The MA is requested to apply a financial correction to the amount of CZK 510,564.50 (€20,422.58) due to the ineligible target group that attended the trainings.
5. The MA is requested to compare the duration of the aforesaid trainings with the duration of similar trainings organised in the OP PA and/or in the market and, if extensive duration of trainings would be confirmed, to propose a financial correction that will be applied to all projects.

Deadline for implementation of recommendation: Within two months at the latest after receipt of the final report	Importance of the recommendation: Medium ¹⁸
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Comments from the responsible body (auditee):

Ad 1) The MA agrees with the audit team. It will check all relevant expenditure, including outside the check sample, and will start to address irregularities. Ineligible expenditure will be quantified, including indirect costs.

Ad 2) The MA agrees with the audit team's finding, subject to the reservation raised in the response to finding 1. The MA will start to address irregularities. Ineligible expenditure will be quantified, including indirect costs.

Ad 3) The MA does not agree with the audit team's opinion regarding the discriminatory eligibility criterion. The setting of the selection criterion of 'the insurance of business risks to the amount of CZK 20 million in indemnification' is defended by the beneficiary as justified due to the fact that the Czech market has many purpose-built companies that enter tenders with a view to collecting funds despite rendering services of questionable quality or rendering incomplete services. For this reason, the beneficiary considered and still considers the amount of insurance, with an indemnification limit of CZK 20 million, to be a sign of the stability and professionalism of a potential contractor. Given that the cost of services sought in the tendering procedure constitutes a major part of the project cost (approximately CZK 3.8 million out of a total CZK 4.2 million), and any threat to performance would endanger project implementation and thus the eligibility of expenditure, which would ultimately result in a potential significant financial loss to the beneficiary, the beneficiary has chosen this measure and the MA has no reason to disagree with the beneficiary's standpoint.

The MA would also like to point out that all tenderers complied with this condition, which clearly indicates their responsible approach to their business and the fact that the measure was not discriminatory. In addition, the beneficiary, in its own words, verified the financial costs of securing liability insurance at this amount, which comes to about CZK 2,500 per year of insurance, i.e. approximately EUR 100, and this insurance can be negotiated and taken out in a matter of a few hours, so any contractor who accedes to the required scope of services seriously and has sufficient administrative capacity to implement such a large contract should be able to meet this condition without any difficulty.

The audit team also notes the non-transparent evaluation of a bid because, under the criterion 'quality teaching team', the number of MBA degrees and the number of lecturers was also evaluated. However, the record of the evaluation of the bids makes no mention of this fact – nor is a specific number of points awarded for a specific number of MBA degrees. Furthermore, there is no specific number of points awarded for a specific

¹⁸ See annex 1

number of lectors in the teaching team. For this reason, the MA believes that the claim of non-transparent evaluation is unreasonable.

The evaluation parameters under this criterion should be the expertise of lectors, the length of their tutoring experience, their experience of the target group, and the substitutability of lectors.

The record of the evaluation of bids literally states that, in this criteria, in the bid of a higher-scoring contractor the tenderer ‘... submitted the CVs of 18 lectors, all holding a master’s degree (of which four also have an MBA).’ In contrast, in a lower-scoring bid there were ‘... 12 lectors... Only one MBA, plus not all of them have a master’s degree...’. Furthermore, in a better rated bid the ‘... substitutability of lectors is described in the table (page 27), each course can be taken by 3 to 10 lectors.’ In the lesser bid, the evaluation committee was unable to find this information. In light of the foregoing, it is clear that the evaluation committee did not score only the number of MBA degrees, but also, within the parameter of the ‘professionalism of lectors’ also compared the declared education of lectors in the submitted bids (MBA, degrees, secondary-school education) and the ‘substitutability’ parameter was evaluated not only on the basis of the number of lectors, but also with regard to the more detailed information in one of the bids, supported by a supplementary survey. Moreover, the evaluation committee drew up a relatively detailed and comprehensible record on the evaluation of bids under the criterion of ‘quality of the teaching team’, in which it addressed all the parameters defined under this criterion. For this reason, the MA believes that the evaluation was transparent and does not deviate from the conditions specified in the tender documents.

On the basis of these facts, the MA proposes that this part of the finding be omitted from the audit report.

Ad 4) The audit team notes that five of the aforementioned persons do not meet target group eligibility requirements laid down in the text of the call. The MA responds by stating the text of the call:

‘The target group of the self-employed may be included only if they carry out work for the beneficiary or any partner on the basis of long-term cooperation, i.e. a period of at least six months before the deadline for the submission of project applications (*30 June 2010*).’

This indicates, as the audit team correctly states, that the relevant date is 1st of January 2010. The beneficiary evidenced, with copies of invoices that four of the five people concerned had actually collaborated with the beneficiary’s organisation before that decisive date. See Annex 4 to this document. Specifically, the beneficiary provides the following information on the named persons:

- ‘Stanislava Dimitrová – self-employed, collaborated with the company since 2011, was not originally anticipated in the project, replaced a colleague during the project
- Petr Drdla – self-employed, meets the definition of the target group, we demonstrate this with scans of contractor invoices from the end of 2009
- Lucie Košťálová – self-employed, meets the definition of the target group, we demonstrate this with scans of contractor invoices from the beginning of 2010 (the invoicing period is actually 2009)
- Miroslav Kozel – self-employed, meets the definition of the target group, we demonstrate this with scans of invoices from 2008
- Vladimíra Nývltová – self-employed, meets the definition of the target group, we demonstrate this with scans of invoices from the end of 2009’

On this basis, the MA proposes quantifying the amount of ineligible costs by reference to the participation of the sole person who does not meet the definition of the target group, namely Ms Dimitrová.

Ad 5) The audit team addressed the efficiency and economy of expenditure on training sessions in relation to the length of training. The efficiency and economy of the training provided was evaluated early, at the stage of the expert judgment. The evaluators were generally positive about the courses, they specifically highlighted the comprehensive nature of the solution and project efficiency in terms of the cost allocation to specific training and the associated paperwork. They were slightly perturbed by the restriction of training solely to soft skills, and recommended expanding the teaching to include other vocational training:

‘The proposed form of the project implementation encompasses all key activities, I rate particularly positively the separation of project management from other activities, which allows for project administration to be kept separate from the actual beneficial part – the organised training. I also evaluate in a positive light the comprehensiveness of the entire programme and the way the individual sessions follow up on each other for the target group... The project has a very balanced cost structure – personnel costs devoted to project management account for only 13.4% of the total budget, with the actual training activities constituting 86.1% of the budget. The costs of the various types of training days are reasonable considering the type of training. The project can be viewed as more efficient than the norm.’

and

‘... As the project aims to create a system of lifelong learning for all workers (not only managers, but also printers, graphic designers, maintenance, etc.), it would be logical to include vocational/specific training in this system.’

In the preparation of documents for the selection committee, the MA assessed the project in the wider context of projects under the OP PA and made a qualified recommendation to the committee. It alerted the committee to the disproportionately positive report (1) and the more realistic opinion (2), where the evaluator points out significant shortcomings, but unfortunately also gives a relatively high rating (‘technically well written – evidently a reputable consulting firm...’), yet in part E2 notes that it will be difficult to determine efficiency because it only encompasses general soft skills for management and does not respond to the training of other positions within the organisation,...). On the basis of these opinions and the assessment of the project application in the broader context, MA staff recommended that the selection committee, among other things, reduce training expenditure. This was accepted by the selection committee – see the minutes of the selection committee meeting:

‘In section 4 (Services), a reduction in the cost of courses which, in focus and scope, do not match the target group or the type of company (its professional specialisation), but are intended more for the management of large companies dealing with marketing, consulting, business activities, etc., specifically, the following items will be reduced: 04.02 Growth versus the market will be halved (by CZK 288,000.00); 04.05 Productivity improvement programme will be halved (by CZK 196,000.00); 04.07 Stress management will be halved (by CZK 128,000.00); and 04.08 Soft skills will be halved (by CZK 336,000.00) – a total reduction in section 4 by CZK 948,000.00;’

The MA, based on an audit team requirement, has verified the content of the courses at the beneficiary to reassess whether they genuinely contain additional lessons compared to other similar courses. The beneficiary itself provided the following information on the courses:

Dynamic Manager – 39-day course, designed as a modular course of advanced management skills, a kind of alternative to a bachelor's degree, or an MBA form of study. It took place as three-day thematic seminars. The whole course took place over a period of 15 months and offered participants, from the ranks of managers, a comprehensive

range of information on corporate governance and corporate finance. As each theme, broadly conceived in content, was discussed only for three days, we do not believe that the course was excessively long. It should be viewed as a set of smaller courses, not just as one course.

Growth versus the market – 9-day intensive course which took place in July 2011. Nine participants from the ranks of account managers and sales representatives were explained the processes of product placement and management thereof, the monitoring of efficiency in winning contracts, methods of penetrating new markets, new market strategies, etc.

Project Management – 6-day seminar for five members of staff (production technologists), covering: project planning, project management tools, timelines, Gantt charts, the critical path method, practical focus for use in printing

Human Resources Management – a course aimed at developing managerial skills to manage work teams, held from February to September 2012.

The beneficiary also provided a more detailed description of each course, broken down into modules.

The MA verified that these courses, except one, are still commercially available today to a similar extent, and therefore, with regard to the market effects on the cost-effectiveness of suppliers and customers of such courses, we can assume that the time range of the courses was not and is not artificially inflated.¹⁹ The only course where we failed to verify this situation today was 'Growth versus the market.' The MA is confident that, considering the format of the training courses, the range of subject matter and the target audience, the scope of the courses is not unreasonable and therefore suggests that this part of the finding be omitted from the audit report.

Analysis of the reply by the Commission:

Ad 1) The recommendation No 1 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Ad 2) The recommendation No 2 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Ad 3) The Commission cannot accept the argumentation of the MA. There are other mechanisms available to the contracting authority to ensure that qualified and experienced companies will be selected (e.g. to request principal deliveries, references).

Moreover, the argumentation of the MA is contradictory, i.e. the contracting authority set such a requirement to ensure that special purpose company will not participate in the tender and on the other hand, the MA says that costs for such insurance are only

¹⁹ See, for example, company offers on the websites at:

<http://www.zdrav.cz/modules.php?op=modload&name=News&file=article&sid=7571>

<http://www.cmc.cz/cz/nase-nabidka/verejne-kurzy/dynamicky-manazer/>

<http://www.cegos.cz/katalog-kurzu/projektove-rizeni.html>

<http://www.conceptica.cz/PM-Academy/obsah-a-struktura/>

<http://www.dtoc.cz/kurz-bez-termínu/1731-manazer-lidských-zdrojů-2014-msmt-cr-akreditovaný-rekvalifikační-kurz-.html>

<http://www.i2000.cz/rizeni-lidských-zdrojů.htm>

<http://www.cegos.cz/katalog-kurzu/rizeni-lidských-zdrojů/hr-manazer-akademie-pro-personální-manazery.html>

<http://www.otc-olomouc.cz/kurz-rizeni-lidských-zdrojů-olomouc.php>

approximately €100 and the insurance can be purchased in several hours.

Further, the fact that all economic operators which submitted the offer also fulfilled requirement for the insurance does not prove that this requirement was not discriminatory. There could be other economic operators which have not submitted the offer due to this requirement.

Concerning the evaluation of the offers submitted, the Commission reiterates its position that the evaluation was not performed transparently. As it is mentioned above, following sub-criteria shall be evaluated: the expertise of the lecturers, duration of the lecture practice, the experience with the target group and substitutability of the lecturers. However, during the evaluation other information was evaluated (what was also confirmed by the MA), i.e. the number of lecturers, the education of the lecturers (instead of the expertise). Moreover, in case of the second offer the substitutability of the lecturers is purely connected only with the number of lecturers. Argumentation of the MA that in the offer information about sustainability was not mentioned is not supported by the evaluation report; therefore it is not clear what the evidence for this conclusion is. Finally, the fact that evaluation of the offer was not correct was not commented by the MA.

Based on the aforesaid, the recommendation No 3 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Ad 4) The Commission analysed additional documents provided by the MA and accepts that Mr Drdla, Ms Kostalova, Mr Kozel and Ms Nyvltova are part of the eligible target group in accordance to the Call for proposal. On the other hand, the Commission is concerned with the information provided by the beneficiary that Mr Braidl was reported to cooperate with the company from 1998 and Mr Havel from 1993; however the beneficiary was established only in 1999. Therefore, the MA is requested to review all persons in the target group and confirm to the Commission that the whole target group (except Ms Dimitrova) is eligible.

The recommendation No 4 remains **open** until the analysis is provided to the Commission and corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Ad 5) The Commission cannot accept the argumentation of the MA. Firstly, the argumentation of the MA with the conclusions of the individual evaluators shows that selection of operations needs to be substantially strengthened (even some expenditures were reduced). Moreover, it is not clear why the MA supports the argumentation with an evaluation of the individual expert which was further considered by the MA as inadequately positive.

Concerning particular trainings mentioned in the finding, the Commission is surprised why the MA has not used references to the trainings organized and financed from the OP PA, but uses references to the generally available trainings on internet.

- Dynamic manager (39 days) – from the references provided by the MA it is evident that training has the same design as the training offered by the company CMC Graduate School of Business. Therefore, the Commission accepts that duration of this training was not excessive. However, the Commission is concerned that the same training is offered by the company CMC Graduate School of Business for CZK 143,700²⁰ whilst the beneficiary paid in total

²⁰ http://www.cmc.cz/soubory_texty/7_2.pdf

CZK 1,365,000 for 4 persons what gives you CZK 341,250 (i.e. 2.3 times more expensive). Therefore, the Commission considers as market price only CZK 574,800 (4 x 143,700) from which 25% correction for public procurement breaches shall be applied.

- Project management (6 days) – from the references provided by the MA^{21,22} as well as from the market survey performed by the audit team²³, the Commission considers as eligible only 2 days duration of this training. The Commission has taken into account the fact, that certified project management training PRINCE2® has duration of 3 days only²⁴.
- HR Management (15 days) – The Commission cannot accept the references provided by the MA as these training are certified requalification trainings. However, based on market survey performed by the audit team²⁵, the Commission considers as eligible 9 days of duration of this training (as not all sub-trainings were accepted). The Commission is concerned that 11 days training offered by the company Gradue – CEGOS that even overlaps with the scope of the trainings designed for beneficiary costs CZK 39,930²¹ whilst the beneficiary paid in total CZK 540,000 for 3 persons what gives you CZK 180,000 (i.e. 4.5 times more expensive). Therefore, the Commission considers as market price only CZK 119,790 (3 x 39,930) from which 25% correction for public procurement breaches shall be applied.
- Growth against the market (9 days) - based on market survey performed by the audit team²⁶, the Commission considers as eligible 6 days of duration of this training.

The recommendation No 5 remains **open** until corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

²¹ <http://www.cegos.cz/katalog-kurzu/projektove-rizeni/projektove-rizeni-i-nastroje-a-metody-planovani-projektu.html>

²² <http://www.cegos.cz/katalog-kurzu/projektove-rizeni/zaklady-projektoveho-rizeni.html>

²³ <http://www.gopas.cz/Kurzy/Katalog-kurzu/Manazerske-dovednosti/Projektove-rizeni/Prakticke-rizeni-projektu-MITPR.aspx?subpage=description>

²⁴ <http://www.solitproject.cz/kurz-prince2.html>

²⁵ <http://www.cegos.cz/katalog-kurzu/rizeni-lidskych-zdroju/hr-manazer-akademie-pro-personalni-manazery.html>

²⁶ http://www.prahafondy.eu/files/zadavaci-rizeni/1259_Vyberove_rizeni_nad_2mil.12.4.2012_FINAL_VERZE_UVEREJNENI.pdf

4.2.4. *Project CZ.2.17/1.1.00/31963 Nastavení a zavedení cíleného a systematického vzdělávání jako nástroje pro zvyšování motivace a adaptability zaměstnanců společnosti SCONTO Nábytek k. s.*

Finding n°: 9	Beneficiary: Sconto Nábytek, k.s.
	Project number: CZ.2.17/1.1.00/31963
Total amount claimed: €189,987.94	Amount audited: €147,555.64
ESF Funding: 85%	Ineligible expenditure: €34,571.33 (CZK 864,283.26)
National match funding: 15%	Non-quantifiable error(s): none
Other: -	

Description of the finding:

1. Ineligible costs: discrepancies in the Project timesheets

Some timesheets of the individual staff members working on the Project reported activities did not reconcile with the timesheets of other Project members. The activities reported in two timesheets of the Project consultant could not have been correct in comparison with the timesheets of other Project members i.e:

- The Project consultant reported 10 hours of consultations with the Project internal lecturer on 19/05/2009 and 21/05/2009, where the Project internal lecturer reported other or no Project activities in his timesheet in these particular days.
- The Project consultant reported 4 hours of coaching with the Project internal lecturer on 11/12/2009, where the Project internal lecturer reported no Project activities in his timesheet in this particular day.

Such an approach is not in accordance with the eligibility criteria of chapter 8 of the *Project Guidelines for the OP PA* as the expenditures have to be identifiable and provable.

The costs related to the working hours of the Project consultant for which our cross check analysis uncovered the inconsistencies amount to CZK 2,529.26 (10 hours in May / 48 hours in total for May * CZK 8,999 + 4 hours in December / 55 hours in total in December * CZK 8,999).

2. Ineligible costs: excessive salary for the Project Manager

The full time gross salary of CZK 45,900.00 for the Project Manager exceeded the rate recommended for the position of a project manager i.e. CZK 45,560.00 as defined by the MA in document *Usual salary rates in 2010/2011 for the OP PA projects* dated 5th of May 2009. The difference is CZK 340.00 a month for full time.

This difference was caused by a formulation in the employment contract of the Project Manager which allowed him to receive higher gross salary in case his obligatory payments for social and health insurance reach the legal limit during a year. This overrun occurred only for a limited period within the Project implementation (6 months).

As the Project Manager was employed for 20 % of his working time for the Project, the financial impact for the 3 months covered by our sample is CZK 204.00 (CZK 340.00 x 20 % x 3 months).

3. Lack of audit trail: selection of supplier

According to the Project Guideline for Beneficiaries, section 9.2 "Mandatory procedures for supplier selection", the beneficiary shall proceed with regard to the principles of efficiency, transparency and equal treatment and for supplies above CZK 200,000 (since

1st of January 2009 it is CZK 400,000), the contracting authority is obliged to tender, which consists in addressing at least three potential contractors and publication of tender documentation on www.oppa.cz.

All steps associated with the tender must be recorded in writing and must be available at the contracting authority.

The Beneficiary was not able to provide any justification or supporting documents related to the selection of the contracted entities for the purchases of a) an assessment centre (i.e. CZK 61,700.00, supplier: Direrova); b) a system of measurement of employees (CZK 277,000.00, supplier: Advice); c) the Development centre and analysis of internal clima (CZK 170,000.00, supplier: Slapak); d) HR SW – LMS (CZK 59,500.00, supplier: Beeonline).

Therefore, the audit team has to conclude that these purchases are not in compliance with the above mentioned Project Guideline for Beneficiaries as well as with general principles of transparency.

4. Ineligible costs: purchase of HR SW - LMS

On 16th of March 2011, the beneficiary purchased the SW "Learning Management System" for CZK 59 500. During the on the spot visit, the project manager showed the system to the audit team and it was identified that the SW was not in use. Moreover, the project ended only 1.5 months after the purchase of the SW (April 2011). Therefore, the audit team considers the purchase of the LMS as ineligible.

5. Public Procurement: non-transparent selection of trainings supplier

The tender documentation for the procurement of trainings for employees of the Beneficiary (estimated value CZK 2.3 mil) contained selection criteria which were, during the course of the evaluation, modified as followed:

- a) The beneficiary used technical qualification criteria (quality of the team, references) as award criteria which breached Art. 50 of the Act 137/2006, para 4 valid at the time of the tender (later on confirmed by the jurisprudence of the Office for the Protection of Competition (ÚOHS), as confirmed by the amendment of the Act entering into force from 1 April 2012 when the above-mentioned paragraph was transformed into paragraph 5). The beneficiary could have set a minimum level of tenderers' qualification to be reached. As for the award criteria, they have to refer to the quality of the offers, not of the tenderer.

Moreover, if the above issue would not exist, it should be noted that the beneficiary evaluated the offers in a discriminatory way as described in points b), c) and d) below.

- b) An evaluation of the criterion No 2 Quality of the implementation (lecture) team was not performed transparently. As per the tender documentation, the quality of the team shall be assessed. However, as per the minutes from the evaluation of the tenders, it is evident that the quantitative criteria were assessed such as: the number of lectors, the period of experience and the proportion of university degrees in the lecture team.
- c) An evaluation of the criterion No 3 Quality and range of the service was not performed transparently. In the minutes from the evaluation of the tenders, it is evident that the beneficiary allocated the maximum points for the criteria 3.2 to offers with "above standard benefits" which, in the view of the audit team, is not a clear and transparent assessment criteria.

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- d) An evaluation of the criterion No 4 References was not performed transparently and discriminatory criteria were used. In the minutes from the evaluation of the tenders, it is evident that the beneficiary allocated 0 points to potential suppliers without experience with ESF projects, 3 points were allocated to potential suppliers with an experience with, at least, one ESF project and 6 points to the potential supplier with an experience with two or more ESF projects. Moreover, the number of participants mentioned in the references was assessed as well.

As the subject of the tender was soft skills training (management skills, sales skills, presentations, etc.), there is moreover no reason why companies with an experience with ESF project were ranked better than companies without such an experience. In addition, these specific criteria (ESF experience and number of participants) were not described in the tender notice and there is a risk that the potential suppliers did not provide this information although they might fulfil it.

In addition, the audit team identified that the evaluation was not carried out properly, because in some cases, the points were not distributed correctly. For example, the company Centrum Andragogiky s.r.o provides two references proving an experience with EU and ESF project. Nevertheless, the company got zero points. Moreover, the company received 4 points for a project with more than 100 participants, but such information was not provided in any document in the file. In another case, the offer from the company Interquality s.r.o. received 2 points for an experience with training for at least 70 people. Nevertheless, the provided documents showed that Interquality s.r.o. should receive 4 points because in more than two trainings, the number of trainees was above 100 people. In another case, the company RPIC_VIP, s.r.o. received zero point for their ESF references and the number of participants although in their documents, there are more than two links to an ESF project, respectively references with more than 100 participants. In another case, the offer from the company Skills s.r.o. (finally selected as supplier) received 4 points for the number of participants although in accordance with the offer, only one reference complies with the requirement "more than 100 participants". Moreover, in the assessment of the Skills s.r.o. offer, it is stated that *"The content is relevant and for Sconto Nabytek s.r.o. and it is tailored. Materials are processed well and simple way"*. Nevertheless, other companies, although their description of the content were very similar to Skills s.r.o. received significantly worse assessments and less points.

The PPA in §6 of the PPA stipulates that the contracting authority is obliged *"to comply with the principles of transparency, equal treatment and non-discrimination"*. Also as per chapter VII (5) of the Grant Agreement, the Beneficiary is obliged to select suppliers in compliance with the *Project Guideline for the OP PA*. According to chapter 9.2.1 of the aforesaid Guideline, the Beneficiary is obliged to respect the principle of transparency and equal treatment which, according to the opinion of the audit team, were breached.

Recommendation:

1. The MA is required to apply a financial correction in the amount of CZK 2,529.26 (€101.17) related to the ineligible expenditures.
Similar instances of ineligible expenditures included in the total amount claimed and certified for the Project should be identified, quantified and corrected.
2. The MA is required to apply a financial correction in the amount of CZK 204.00 (€8.16) related to the ineligible expenditures.

Similar instances of ineligible expenditures included in the total amount claimed and certified for the Project should be identified, quantified and corrected.

3. The audit team considers that on the findings identified and due to its frequency and importance (total lack of audit trail), the MA is required to apply a flat rate correction in accordance with *the Guidelines for determining financial corrections*. In this case, in accordance with table 2, point 21 of the Guidelines, the correction should amount to 25 % of the contract value that was or will be declared by the Beneficiary.

Within the sample of the contract related expenditures verified by the audit team i.e. CZK 568,200.00 (€22,728), the correction should be CZK 142,050.00 (€5,682.00). The recommendation described above is applicable to the whole contracted amount that was or will be declared for the project.

4. The MA is required to apply a financial correction in the amount of CZK 59,500.00 (€2,380.00) related to the ineligible expenditures.

5. The MA is required to apply a financial correction for the amount already declared to the Commission in accordance with the Guidelines for determining financial corrections. In this case, in accordance with table 2, point 21 of the Guidelines, the correction should amount to 25 % of the contract value that was or will be declared by the Beneficiary.

Within the sample of the contract related expenditures verified by the audit team i.e. CZK 2,699,500 (€107,980), the correction should be CZK 674,875.00 (€26,995.00). The recommendation described above is applicable to the whole contracted amount that was or will be declared for the project.

Note: The financial correction shall also be proportionally applied to the indirect cost.

Deadline for implementation of recommendation: Within two months at the latest after receipt of the final report	Importance of the recommendation: Medium ²⁷
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Comments from the responsible body (auditee):

Ad 1) The MA disagrees in part with the conclusions of the Commission audit team. On 11th of December 2009, the project consultant reported the activity 'Internal lector coaching' in his timesheet. This was an activity where the project training consultant was in the position of coach (a member of the project implementation team) and the internal lecturer was in the position of the project target group. The obligation to keep proper timesheets applies to implementation team members, not to the target audience. The internal lecturer who was the target group at that time, therefore, in accordance with the relevant rules, did not specify the relevant hours as work activity; the omission of this coaching in the internal lector's timesheet is fully in accordance with the rules of the OP PA.

On 21st of May 2009, a consultation, evidenced by the project consultant, took place in the form of preview participation (the monitoring of lecturing) in the Sales Skills I course. The output was passed back to the lector; unfortunately this was not mentioned specifically in the internal lector's timesheet.

The beneficiary failed to explain satisfactorily the discrepancy in the project consultant's timesheet of 19th of May 2009. The MA therefore proposes a financial correction corresponding to the erroneous inclusion of five working hours on 19th of May 2009 in eligible project costs. The gross wage of the project consultant in May 2009 was CZK 6,716, statutory deductions amounted to CZK 2,283 and total staff costs amounted to CZK 8,999. The number of eligible hours associated with the project was 48.

²⁷ See annex 1

Ineligible direct costs amount to $5/48 \times \text{CZK } 8,999$, i.e. CZK 938, indirect costs of CZK 75; the financial correction will total CZK 1,013.

Ad 2) The MA agrees with the audit team's findings. The project manager's wage in excess of the normal rate is ineligible expenditure. The MA will run a check to examine all certified expenditure and will start addressing the irregularities with the beneficiary to the extent of the relevant findings.

Ad 3) The audit team concluded that these supplies were not in accordance with the rules of the OP PA Project Guide or with the general principles of transparency. However, it fails to state the basis for this conclusion. The purchases made – Assessment Centre, Establishment of a Worker Measurement System, Development Centre and Analysis of Indoor Climate and HR SW – Educational System Management Method – are related to implementation (their link is the project's implementation), but they do not constitute analogous performance. In other words, the condition laid down by Act No 137/2006 on public procurement has not been met, nor has the same condition – incorporated into the OP PA Project Guide from that law – establishing the obligation to implement tendering procedure been fulfilled.

The MA believes that the beneficiary breached no rules by not implementing tendering procedure.

Ad 4) The MA concurs with the finding made by the Commission audit team. If the beneficiary failed to evidence the use of the purchased software in the project, despite the statement of reasons provided to the MA for the purchase, this expenditure does not meet the requirement of substantive eligibility.

The MA has not verified this fact because an on-the-spot check was conducted in the previous stage of project implementation. The MA will start addressing the irregularities with the beneficiary.

Ad 5) The MA cannot agree with all of the findings made by the audit team. The MA would like to counter the claim that the evaluation of criterion 2 (see b) was non-transparent, which the audit team evidently (in this point see b) bases solely on the presence of the quantitative measures referred to in the record of the assessment and evaluation of bids, which the evaluation committee published there, perhaps rather unfortunately, but evidently only for supplementary purposes. In the tender documents, the beneficiary stated that the following would be evaluated:

As to 2) the quality of the implementation team – 30% weight

(relevant experience, substitutability and the qualifications of lecturers will be evaluated)

The record of the assessment and evaluation of the bids clearly shows that the parameters defined above were monitored (albeit in quantitative terms) and, for each bid, a verbal appraisal was subsequently drawn up, where the evaluation committee justified its evaluation. The MA believes that this procedure is sufficiently transparent.

The MA accepts the other comments made by the audit team in paragraph 5 c) and, generally, at the end of section 5); the evaluation of extra benefits not required in the tender documents truly is non-transparent, and it should also be admitted that the overall evaluation process is flawed and confusing in places.

In view of the arguments above, the MA proposes omitting point 5 b) from this finding. The MA agrees with the amount of the proposed financial corrections, i.e. 25% of the contract value. Based on a check, it will verify the total amount of funds concerned and will start addressing the irregularities with the beneficiary.

Analysis of the reply by the Commission:

Ad 1) The EC auditors accept the explanation provided by the MA. The recommendation No 1 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Ad 2) The position of the MA is accepted. The recommendation No 2 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Ad 3) First it must be stated that the finding was not targeting the splitting of purchase but the fact that the beneficiary was not able to provide any evidence that the purchases of the services and goods mentioned were efficient, transparent and that equal treatment principles were followed. There was no evidence to show how the suppliers were selected (e.g. market research) and/or the criteria for assessment. Therefore the audit team upholds its position and the MA is required to apply a flat rate correction. The suggested correction 25% is used with analogy with *the Guidelines for determining financial corrections*. In this case, in accordance with table 2, point 21 of the Guidelines, the correction should amount to 25 % of the contract value that was or will be declared by the Beneficiary. The recommendation No 3 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Ad 4) The position of the MA is accepted. The recommendation No 4 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Ad 5) The position of the MA is accepted. The recommendation No 5 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

4.2.5. *Project CZ.2.17/1.1.00/32171 Nový přístup ke vzdělávání OSVČ a zaměstnanců mikropodniků*

Finding n°: 10	Beneficiary: OTTO BLANC Impulzy
	Project number: CZ.2.17/1.1.00/32171
Total amount claimed: €80,302.36 ESF Funding: 76.5% National match funding: 13.5% Other: 10% private funding	Amount audited: €33,618.85 Ineligible expenditure: €2,207.86 Non-quantifiable error(s):

Description of the finding:

1.1 Ineligible costs: purchase of the ICT

The Evaluation Committee requested the Beneficiary to clarify the reasons of the purchasing of various ICT equipment for the target group trainings (portable data projector, laptop, SW, etc.) as the training rooms were also budgeted in the Project and it was expected that the aforesaid equipment shall be included in the costs for the training rooms.

The clarification provided by the Beneficiary stated that they are looking for an untraditional, inspiring and slightly provoking environment and not for standard training rooms as 2 out of 4 trainings were creative. However, we have noticed that the training rooms used were venues in hotels or other training centres. Therefore, the clarification of the Beneficiary cannot be accepted and such an approach is not in accordance with chapter 8.2 of the *Project Guideline for OP PA* as all the expenditures should follow the rules of efficiency.

The expenditures considered ineligible amount to CZK 41,094.60 which is €1,643.78.

1.2 Ineligible costs: additional purchase of the ICT

Additional ICT equipment (camera, battery for the camera, voice recorder) purchased in February and March 2011 was not originally planned for the Project. However, as there were some funds not spent by the Beneficiary, the MA accepted the aforesaid additional purchases to record particular trainings. The audit team consider these expenditures not necessary for the Project at that stage and therefore not in accordance with chapter 8.2 of the *Project Guideline for OP PA*.

The expenditures considered ineligible amount to CZK 11,979.00 which is €479.16.

2. Evaluation of an individual expert not taken into account

The audit team noticed an individual expert proposed during the evaluation of the project application to reduce the workload of the Project Manager taking into account the total costs to train only 1 person in the Project. However, the opinion of this expert was not taken into account by the Evaluation Committee and there was no appropriate justification for it.

Recommendation:

1. The MA is required to apply a financial correction to the amount of CZK 55,196.54 (41,094.60 + 11,979.00) (€2,207.86) related to the ineligible expenditures. Accordingly, the indirect costs need to be decreased.

2. Refer to the Finding No 1.

Deadline for implementation of recommendation: Within two months at the latest after receipt of the final report	Importance of the recommendation: Medium ²⁸
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Comments from the responsible body (auditee):

Ad 1) The documents evidenced in the monitoring report and the additional information also provided therein show that, from the outset, the beneficiary genuinely tried to hold training in 'creative' premises where the presence of conference equipment could not be expected.

In the lists of costs in the individual monitoring reports, the beneficiary declared the following costs:

Ref	Description of the expenditure	Value in the document in CZK incl. VAT	Value of the direct expenditure	Payment date	Date of the expenditure
MZ1					
3.1.1.	notebook pro cílovou skupinu	42 941,00	16 758,00	2.4.2010	2.4.2010
3.1.3.	přenosný dataprojektor	42 921,00	10 059,60	2.4.2010	2.4.2010
3.1.5.	promítací plátno	2 528,00	2 528,00	1.4.2010	1.4.2010
3.2.1.	kancelářský SW MS Office 2007	5 249,00	5 249,00	12.4.2010	12.4.2010
3.2.1.	kancelářský SW MS Office 2007	42 941,00	5 577,60	2.4.2010	2.4.2010
4.2.	nájem školících zařízení- AA Galerie Praha 1	8 799,60	8 799,60	22.4.2010	30.4.2010
4.2.	nájem školícího zařízení-hotel Pachtův palác	4 000,00	4 000,00	20.5.2010	19.5.2010
4.2.	nájem školícího zařízení-Klub Lávká, Praha 1	5 300,00	4 000,00	18.6.2010	25.5.2010
4.2.	nájem školícího zařízení -hotel Leonardo, Praha1	8 000,00	8 000,00	29.7.2010	29.7.2010
MZ2					
4.2.	nájem školících zařízení - hotel Leonardo	10 210,00	8 000,00	3.11.2011	19.10.2010
4.2.	nájem školících zařízení - hotel Leonardo	5 560,00	4 000,00	18.11.2011	10.11.2010
4.2.	nájem školících zařízení - hotel Leonardo	5 560,00	4 000,00	18.11.2011	17.11.2010
4.2.	nájem školících zařízení - hotel Casa Marcello	10 470,00	8 000,00	21.12.2011	14.12.2010
4.2.	nájem školících zařízení - HUB Praha	3 900,00	3 900,00	4.2.2011	11.1.2011
4.2.	nájem školících zařízení - Grand Majestic Plaza	6 300,00	5 000,00	26.1.2011	17.1.2011
MZ3					
3.1.8.	kamera Samsung HMX-H204 RP	6 999,00	6 999,00	23.2.2011	23.2.2011
3.1.8.	baterie-akumulátor pro kameru Samsung	1 390,00	1 390,00	17.3.2011	16.3.2011

²⁸ See annex 1

3.1.9.	diktafon Olympus	3 590,00	3 590,00	3.3.2011	3.3.2011
4.2.	nájem školících zařízení - HUB Praha	3 900,00	3 900,00	4.2.2011	2.2.2011
4.2.	nájem školících zařízení - hotel Majestic Plaza	5 910,00	5 000,00	24.3.2011	21.3.2011
4.2.	nájem školících zařízení - hotel Majestic Plaza	6 820,00	5 000,00	24.3.2011	22.3.2011
4.2.	nájem školících zařízení - hotel Leonardo	5 170,00	4 000,00	22.7.+27.7.2011	30.4.2011
4.2.	nájem školících zařízení - hotel Kampa	4 000,00	4 000,00	20.4.2011	19.4.2011
4.2.	nájem školících zařízení hotel Albatros	5 000,00	5 000,00	7.6.2011	10.5.2011
4.2.	nájem školících zařízení hotel Albatros	5 000,00	5 000,00	7.6.2011	18.5.2011
4.2.	nájem školících zařízení -hotel Royal Esprit	10 000,00	10 000,00	20.6.2011	14.6.2011
MZ4					
4.2.	nájem školících zařízení -hotel Grand Majestic	10 000,00	10 000,00	29.9.2011	26.9.2011
4.2.	nájem školících zařízení hotel Albatros	6 040,00	5 000,00	27.10.2011	18.10.2011
4.2.	nájem školících zařízení - hotel Albatros	5 780,00	5 000,00	27.10.2011	11.10.2011
4.2.	nájem školících zařízení hotel Leonardo	5 780,00	5 000,00	21.11.2011	8.11.2011
4.2.	nájem školících zařízení hotel Leonardo	5 780,00	5 000,00	29.11.2011	15.11.2011
4.2.	nájem školících zařízení hotel Alchymist	5 390,00	5 000,00	2.1.2012	13.12.2011
4.2.	nájem školících zařízení hotel Riverside	6 170,00	5 000,00	26.1.2012	6.12.2011
MZ5					
4.2.	nájem školících zařízení -hotel Riverside	6 430,00	5 000,00	1.3.2012	1.3.2012
4.2.	nájem školících zařízení - hotel Albatros	6 430,00	5 000,00	1.3.2012	1.3.2012
4.2.	nájem školících zařízení hotel Leonardo	6 170,00	5 000,00	2.4.2012	2.4.2012
4.2.	nájem školících zařízení - hotel Albatros	6 560,00	5 000,00	30.3.2012	30.3.2012
4.2.	nájem školících zařízení hotel Alchymist	6 690,00	5 000,00	23.4.2012	23.4.2012
4.2.	nájem školících zařízení hotel Alchymist	6 300,00	5 000,00	17.4.2012	17.4.2012
4.2.	nájem školících zařízení hotel Freestyle	6 430,00	5 000,00	25.4.2012	25.4.2012
4.2.	nájem školících zařízení hotel Albatros	6 170,00	5 000,00	9.5.2012	9.5.2012

The above summary shows that two of the first seminars (out of 40) were held on premises in keeping with the statement of grounds provided (AA Galerie, Klub Lávka). Subsequently, the beneficiary, as described in Monitoring Report No 1, admitted that complications involving technology and other difficulties were so restrictive that it decided to stop hiring these specific premises and that it would seek out unusual but sufficiently equipped premises in the corresponding facilities.

In light of the above, the MA proposes a financial correction at a ratio of 38/40 of the price of all purchases of audio-visual technology used to organise seminars (i.e. including technical equipment purchased subsequently – for a summary, see the table), because costs at this amount are inefficient considering the premises used. The financial compensation will amount to CZK 57,386.02, i.e. including indirect costs, which are set at a rate of 18%, and after the deduction of expenditure borne by the beneficiary out of its own resources (10%).

Table: Overview of the audiovisual technics affected by the financial correction

Ref	Equipment	Value in CZK	Payment date	Date of the expenditure	Type of the document	Document No
3.1	Neodpisovaný hmotný majetek	48 458,20				
3.1.1.	Notebook pro cílovou skupinu	16 758,00	2.4.2010	2.4.2010	faktura	PF10003
3.1.3.	Přenosný dataprojektor	10 059,60	2.4.2010	2.4.2010	faktura	PF10003
3.1.4.	Digitální fotoaparát	6 500,00	6.4.2010	6.4.2010	pokladní d.	P20,19
3.1.5.	Promítací plátno	2 528,00	1.4.2010	1.4.2010	pokladní d.	P15
3.1.7.	Flash Disc SanDisk Cruzer	633,60	2.4.2010	2.4.2010	faktura	PF 10003
3.1.8.	kamera Samsung HMX-H204 RP	6 999,00	23.2.2011	23.2.2011	faktura	PF 11016
3.1.8.	baterie-akumulátor pro kameru Samsung	1 390,00	17.3.2011	16.3.2011	pokladní d.	B3
3.1.9.	diktafon Olympus	3 590,00	3.3.2011	3.3.2011	pokladní d.	P25
3.2	Neodpisovaný nehmotný majetek	5 577,60				
3.2.1.	Kancelářský SW MS Office	5 577,60	2.4.2010	2.4.2010	faktura	PF10003

Ad 2) The MA recognises that, during project selection, the opinion of one of the expert evaluators was not taken into account. However, the justification was archived electronically in a project folder and is as follows: the implementation team had a comprehensive working time of 120 hours per month. There were 100 supported people in the project. In comparison with similar projects under this call, this working time was lower than average. Additionally, supervisor's working time was shortened. Compared with projects under this call and this priority axis, the project's implementation team was smaller and the content of its work was consistent with project activities. This was an 'open' project, where the project's target group needs to be approached and won over during implementation, which is considerably more time-consuming than training in-house employees. Only one evaluator proposed a reduction in the working time of the project manager; in this light, experience of similar projects was taken into account and the working time was not reduced.

The selection committee, according to the workflow applicable at the time, does not justify ignoring the proposals of an evaluator. Supporting documents for the selection committee are drawn up by MA staff. If the proposal of one evaluator is not incorporated because it clashes with a proposal of another expert opinion, the statement of reasons for the selection committee is included in the supporting documents of the relevant member of staff of the MA (an electronic version is available, the Commission audit team evidently came to its conclusion only on the basis of the paper documentation).

The MA notes that this workflow has been modified in line with the requirements of the Commission audit team, and, with effect from 1 July 2012, according to the relevant workflow (PP E: Project Selection) the selection committee is required to duly justify any of its decisions which are contrary to an evaluation by an expert evaluator.

Analysis of the reply by the Commission:

Ad 1) The Commission accepts the action proposed by the MA. However, Klub Lávká is a standard venue for organizing different trainings and seminars. Therefore the ratio 39/40 shall be used for the calculation of ineligible expenditures. The recommendation No 1 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Ad 2) The Commission takes into account the fact that the corrective action has been already implemented. Therefore, the recommendation No 2 is **closed**.

4.2.6. *Project CZ.2.17/1.1.00/31869 Program OPPA - Záruka pro vytvoření systému trvalého vzdělávání zaměstnanců UPS*

Finding n°: 11	Beneficiary: United Parcel Service Czech Republic, s.r.o.
	Project number: CZ.2.17/1.1.00/31869
Total amount claimed: €307,522.62	Amount audited: €151,274.36
ESF Funding: 51%	Ineligible expenditure: €15,208.62
National match funding: 9%	Non-quantifiable error(s):
Other: 40% private funding	

Description of the finding:

1. Public procurement: discriminatory qualification criteria

The tender documentation for the tender on soft-skills trainings (estimated value CZK 4,000,000) contained a qualification prerequisite that was set discriminatorily and consequently could limit the participation in the tender. Specifically, the Beneficiary required in the tender documentation that the economic operators must have performed a minimum of 400 training days in a year (2007 and 2008). It needs to be mentioned, that the tender was divided into 3 lots, whereas the required number of training days for lot A – Management Academy was 56 days, lot B – Trainings for specialists, back-office and customers centre was 51 days and lot C – Trainings for messengers and warehouse staff was 20 days.

Further, we have noticed that the tender documentation required that each training shall be linked with a particular lecturer that had 3 year experience in the soft-skills area and was a lecturer from an international company.

In our opinion, such requirements are restrictive and/or excessively high. Other economic operators that were able to provide requested trainings, but were not able to prove aforesaid requirements, were therefore discriminated.

As per chapter VII (5) of the Grant agreement, the Beneficiary is obliged to select the suppliers in compliance with the *Project Guideline for the OP PA*. According to chapter 9.2.1 of the aforesaid Guideline, the Beneficiary is obliged to respect the principle of non-discrimination.

2. Ineligible costs: purchase of laptops

The Beneficiary claimed the total price of laptops purchased for the Assistant and Internal Lecturer to an amount of CZK 46,200.00. The Assistant spent only 30 % of his working time on the Project and the laptop for the Internal Lecturer was purchased on 7th of October 2010 whilst the Project was finalized on 31st of March 2011. Therefore, only the proportion of the cost should be considered eligible for the ESF co-financing. Such an approach is in accordance with chapter 8.2 of the *Project Guideline for OP PA* as all the expenditures should follow the rules of efficiency.

We recalculated the eligible costs, respectively $(\text{CZK } 21,689.00 \times 0.7 = \text{CZK } 15,182.30)$ and $\text{CZK } 24,511.00 / 24 \text{ months} \times 18 \text{ months} = \text{CZK } 18,383.25$. The overall amount by which the costs claimed were overstated is CZK 33,565.55 (€1,342.22).

It is necessary to mention, that the project was audited by the Delegated Audit Body (hereafter "DAB") (audit No 319/12/OPPA) and by the MA (controls No 19/31869/1/2009 and 262/31869/1/2012-EP) and the deficiencies listed above were not highlighted either in the audit report or in the control protocol.

Recommendation:

1. The MA is recommended to apply a financial correction in accordance with the *Guidelines for determining financial corrections*. In this case, in accordance with table 2, point 23 of the aforesaid Guidelines, the correction should amount to 10 % of the contract value that was or will be declared by the Beneficiary.

Within the sample of the contract related expenditures verified by the audit team i.e. CZK 3,466,600.00 (€138,664.00); the correction should be CZK 346,660.00 (€13,866.40). Accordingly, the indirect costs need to be decreased.

The recommendation described above is applicable to the whole contracted amount that was or will be declared for the projects

2. The MA is required to apply a financial correction in the amount of CZK 33,565.55 (€1,342.22) related to the ineligible expenditures. Accordingly, the indirect costs need to be decreased.

Deadline for implementation of recommendation: Within two months at the latest after receipt of the final report	Importance of the recommendation: Medium ²⁹
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Comments from the responsible body (auditee):

Ad 1) The MA disagrees with the Commission audit team regarding the discriminatory criteria. The MA refers to the related opinion provided in response to findings 2 and 6. In addition, the MA notes that the required number of 400 days of teaching per year corresponds to about two year-long courses (of four hours of pure time per week), which is quite feasible for a functioning organisation focusing systematically on education, and therefore this can hardly be discriminatory. Similarly, the requirement that at least one lector should have experience of the organisation and therefore, logically, corporate know-how extending beyond 'just' the Czech region itself is not discriminatory, but reflects the contracting's authority requirement of contractor experience and an understanding of the added value of such education, which is certainly in line with principles of cost-effectiveness and with innovation policy and increased market competitiveness on the basis of international exchanges of experience.

Ad 2) The MA agrees with the audit team's conclusions regarding ineligible expenditure for the purchase of a laptop for a project assistant, subject to the reservation in the MA's response to finding 1. An investigation into the irregularity will be launched with the beneficiary in this matter. The total financial correction will match direct costs of CZK 15,182.30 and indirect costs of EUR 1,062.76. The total ineligible costs are CZK 16,245.06.

The MA does not believe that buying a laptop for an internal lector is inefficient, and hence an ineligible cost, simply because it was purchased in the second half of project implementation. If we were to accept such a proposition, it is questionable whether all project expenditure should perhaps be incurred in the first month of project implementation, because otherwise expenditure would have to be reimbursed only in proportion to the number of months for which the equipment is used in the project, relative to the project duration. The MA believes that this requirement cannot be found in any provision of the OP PA Project Guide or any Commission regulation.

According to the project application, which in this respect was approved unchanged for a grant agreement, the laptop for the internal lector should have been purchased after the

²⁹ See annex 1

selection and training of the lector, so that he could use it for the training of other organization employees under Key Activity 9. The expenditure in this form, based on information available in the project application, was evaluated by expert evaluators, who did not challenge the effectiveness of this spending. The project implementer then selected and trained the internal lector and subsequently purchased the laptop required for his activities undertaken under Key Activity 9 entirely in accordance with the approved project application and the said key activity.

At the same time, the MA would like to note, in this regard, that checks on the efficiency of spending on facilities and equipment acquired at the end of project implementation generally take place, especially and always in cases where a purchase has not previously been declared and approved in the project application/grant agreement, or if such expenditure has been approved in the application, but should have been incurred much earlier according to the application. Because none of these situations applies in this case, there was no reason to refund costs only proportionately.

Analysis of the reply by the Commission:

Ad 1) The Commission cannot accept the argumentation of the MA. One of the most important principles in the public procurement is the principle of proportionality which means *inter alia* that criteria on financial and economic capacities and on technical abilities need to be proportionate to the subject-matter of the contract. In the audited public procurement the requirement for 400 training days in a year was requested while the contract was concluded for 56/51/20 days. The Commission considers this to be an example breaching the proportionality principle.

Further, the MA has not clarified why the potential economic operator without a lecturer lecturing in an international company shall not be considered as an experienced company to provide requested trainings. Therefore, the Commission reiterates its position that this requirement is restrictive and discriminative.

The recommendation No 1 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Ad 2) The Commission considers that declared expenditure has to be eligible what means *inter alia* that expenditure meets the conditions of efficiency (the relationship between the planned and the actual results of the activity considering public funds spent). It means that the amount claimed for the notebooks should be proportional to the actual work performed in relation with the project irrespectively whether the person works in the project on 0.3 FTE or last 6 months. Therefore, the Commission can consider eligible only the proportional expenditures for both laptops.

The fact that his issue was not identified during the selection of the project only supports the conclusion of the Commission that substantial improvements are needed for KR No 2.

The recommendation No 2 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

4.2.7. *Project CZ.2.17/1.1.00/32185 Realizace vzdělávacích modulů pro zaměstnance NROS ke zvýšení jejich profesní odbornosti, adaptability a konkurenceschopnosti na pracovním trhu*

Finding n°: 12	Beneficiary: Nadace rozvoje občanské společnosti	
	Project number: CZ.2.17/1.1.00/32185	
Total amount claimed: €101,382.02	Amount audited: €10,547.70	
ESF Funding: 80.75%	Ineligible expenditure: €2,111.38	
National match funding: 14.25%	Non-quantifiable error(s):	
Other: 5% private funding		

Description of the finding:

Ineligible costs: purchase of ICT

The audit team noticed that the Beneficiary planned, in the application, to purchase 2 computers and 1 laptop for the training on computers. In the application, 40 hours (i.e. 5 days) for the training on computers are planned. We cannot accept the purchase of 2 computers and 1 laptop for the training with duration of 40 hours. The audit team is concerned that these ineligible expenditures were not identified during the evaluation of the Project.

Moreover, the Beneficiary purchased in reality 2 computers, 2 laptops and other components. This approach is not in accordance with chapter 8.2 of the *Project Guideline for OP PA* as all the expenditures should follow the rules of efficiency.

The expenditures considered ineligible amount to CZK 52,784.50 which is €2,111.38.

Recommendation:

The MA is required to apply a financial correction in the amount of CZK 52,784.50 (€2,111.38) related to the ineligible expenditures. Accordingly, the indirect costs need to be decreased.

Deadline for implementation of recommendation: Within two months at the latest after receipt of the final report	Importance of the recommendation: Medium ³⁰
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Comments from the responsible body (auditee):

The MA disagrees with the Commission audit team's evaluation. The expert evaluators assessed the cost-effectiveness in a positive light, albeit with reservations, but none of the evaluators found the purchase of equipment to be ineffective. Specifically, regarding project economy, the evaluators stated the following:

- 1) The budget is logically linked to key activities and has been configured logically and clearly. In some respects it is slightly overvalued. I recommend reducing item 01.03.01 – 250 per hour, a total of 20,000; item 05.030.01 Security guard – reduce to 0.
- 2) The planned project expenditure, from a substantive standpoint, is consistent with each key activity, the items are divided in logical units and are appropriately itemised. The budget is specific and the evaluator finds it easy to navigate. I award top marks.

³⁰ See annex 1

Considering the activities mentioned, the project budget is effective, and the wages of staff and the office equipment budget are in the lower range of recommended prices under the OP PA. Likewise, the costs of business trips abroad are very effectively set out. According to the evaluator, the project is economical and he awards full marks in this criterion.

The purchase of equipment beyond the scope set out in the project application was sufficiently justified by the beneficiary in the Monitoring Report 1:

'In accordance with the information provided in the project launch report, in late May computer equipment was purchased, i.e. 2 PCs, 2 laptops and small peripherals (2 wireless mice, 2 laptop bags and an operating memory). The original budget projected the purchase of 2 PCs and 1 laptop. However, given the critical situation of the existing IT infrastructure used by the target group (see application), and considering that, after the project launch, one computer stopped working (burned hard disk), which we had not foreseen when drawing up the application, an extra laptop was purchased. The existing peripherals are inadequate or missing entirely, and therefore the aforementioned peripherals were also bought. The equipment will be used by the target group for the planned PC course, to be held on the premises of the Civil Society Development Foundation, and in other courses. The originally budgeted item 3.1 was thus increased from CZK 46,000 to CZK 52,784.50'

As it was clear from the information available at the time (especially the project budget and project application) that the beneficiary was holding a large number of courses:

Fundraising and PR I

Assertive communication

Time management

Teambuilding

Legislative for NGO

English for NGO

Training for PC

HR management and coaching

Financial management

Project management

Accounting

Fundraising and PR II

Certified internal auditor

Payroll accounting

Archiving

- and the use of computer technology for the routine administration and organisation of courses, as well as for the further processing of information obtained from these courses, is undeniable and, in modern society, taken for granted, in the assessment of these additional purchases the MA arrived at the clear conclusion that the expenditure was neither wasteful nor inefficient, especially when compared to the total expenditure on all of the mentioned technology, which was the only equipment to be purchased in the project (CZK 52,784.50) versus the total project cost of CZK 2,540,323.95.

For these reasons, the MA proposes that this finding be omitted from the audit report.

Analysis of the reply by the Commission:

The Commission cannot accept the argumentation of the MA. As stipulated in the Article 13 (1) of Regulation No 1828/2006, the MA *"shall ensure that beneficiaries are informed of the specific conditions concerning the products or services to be delivered under the operation, the financing plan, the time-limit for execution and the financial and other information to be kept and communicated"*. Moreover, the same paragraph stipulates that the MA *"shall satisfy itself that the beneficiary has the capacity to fulfil these conditions before the approval decision is taken"*. It is clear, that the MA needs to review the capacity of the applicant to evaluate whether the applicant can deliver products or services under the operation.

As it is explained in the reply of the MA and also in the monitoring report No 1, the beneficiary had serious problems with operational capacity (ICT infrastructure) during the launching of the project. Firstly, this supports the conclusion of the Commission that substantial improvements are needed for KR No 2. Secondly, the Commission cannot accept that basic internal capacity of the beneficiary which shall be fundamental requirement for selection of the operations will be financed from the ESF.

Therefore, the recommendation No 1 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

4.2.8. *Project CZ.2.17/2.1.00/32172 Komplexní podpora pro rodiče pečující o děti v předškolním věku při jejich návratu na trh práce*

Finding n°: 13	Beneficiary: MĚSTSKÁ ČÁST PRAHA 11	
	Project number: CZ.2.17/2.1.00/32172	
Total amount claimed: €191,951.85	Amount audited: €122,740.38	
ESF Funding: 85%	Ineligible expenditure: €17,313.74	
National match funding: 15%	Non-quantifiable error(s): none	
Other: -		

Description of the finding:

Lack of audit trail: selection of supplier

According to the *Project Guideline for the OP PA*, section 9.2 "*Mandatory procedures for supplier selection*", the beneficiary shall proceed with regard to the principles of efficiency, transparency and equal treatment and for supplies above CZK 200,000 (since 1st of January 2009 it is CZK 400,000), the contracting authority is obliged to tender, which consists in addressing at least three potential contractors and publication of tender documentation on www.oppa.cz.

All steps associated with the tender must be recorded in writing and must be available at the contracting authority.

The Beneficiary was not able to provide any justification or supporting documents related to the selection of the contracted entities for the purchases of a) a professional/job diagnostics (i.e. CZK 242,050.00 ≈ € 9,682.00, supplier: Goodlife s.r.o.) ; b) soft skills trainings (CZK 819,315.00 ≈ € 32,772.60 , supplier: AveBohemia s.r.o.); and c) ECDL courses (CZK 670,009.41 ≈ € 26,800.38 , supplier: Claritas o.p.s.);

Therefore, the audit team has to conclude that these purchases are not in compliance with the above mentioned Project Guideline for Beneficiaries as well as with the general principles of transparency.

Recommendation:

The audit team considers that on the findings identified and due to its frequency and importance (total lack of audit trail), the MA is required to apply a flat rate correction in accordance with *the Guidelines for determining financial corrections*. In this case, in accordance with table 2, point 21 of the Guidelines, the correction should amount to 25 % of the contract value that was or will be declared by the Beneficiary.

Within the sample of the contract related expenditures verified by the audit team i.e. CZK 1,731,374.41 (€69,254.98), the correction should be CZK 432,843.60 (€17,313.74). The recommendation described above is applicable to the whole contracted amount that was or will be declared for the project.

Note: The financial correction shall also be proportionally applied to the indirect cost.

Deadline for implementation of recommendation: Within two months at the latest after receipt of the final report	Importance of the recommendation: Medium ³¹
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³¹ See annex 1

Comments from the responsible body (auditee):

In this finding, the audit team refers to the rules for the selection of a contractor and the Project Guide requirement of written records documenting the progress of the tendering procedure. The MA is convinced that the grant beneficiary did not hold the tendering procedure in accordance with the rules, and therefore the absence of documents is justified.

The audit team mentions the supply of profession/job diagnostics, training in social skills (soft skills) and the delivery of ECDL courses. These services were purchased under the project on an ongoing basis in line with the interests of the target group. Under an agreement of 17 August 2010, concluded with GOODLIFE s.r.o., professional diagnostic services totalling CZK 242,050, inclusive of VAT, were purchased. Furthermore, on 27 July 2010, a contract was concluded with AVE BOHEMIA s.r.o. for the delivery of ECDL training (European Computer Driving Licence). These services were purchased in the total amount of CZK 432,684, inclusive of VAT. The last soft skills training contract was concluded on 16 September 2010 with CLARITAS o.p.s. In all, services were invoiced for CZK 310,009.41, exclusive of VAT. When deciding whether tendering procedure was to be held for the above supplies of services, the Project Guide was used. When the subject-matter of a contract is determined, according to the guide the estimated values of analogous, inter-related purchases of goods or services planned for procurement during project implementation must be aggregated. The beneficiary, when determining the amount of the contract, drew, inter alia, on available resources and the normal price for the estimated number of trainees.

The project also allocated funds for the purchase of equipment for newly established classes. According to the approved budget of the grant agreement, boards, carpets, chairs, desks, cabinets, shelves, containers, mobile cabinets and boxes for towels were to be purchased. During the project there was a minor change, and these purchases were not covered by the project, but by the budget of Prague 11 Municipal District. At the end of the project the target group continued to show a keen interest in the training provided under the project. Therefore, the beneficiary asked to transfer funds intended for nursery school equipment to the purchase of additional educational services. As, at the beginning, the beneficiary had not expected such financial savings or interest from the target group, and as purchases of additional services were not made until the subsequent accounting period, the purchase of additional courses was permitted under the rules of the OP PA.

We also note that, in the project, there was a total saving of 16% compared to the approved budget (a saving of CZK 923,043.70), despite the fact that the number of persons to be supported under the project exceeded the commitment by 57% (168 planned, 264 actually supported). It can therefore be concluded that the grant beneficiary acted economically during the project.

In conclusion, the MA merely draws attention to a technical error –the contractors were confused in the audit report. The soft-skill services were supplied not by AVE BOHEMIA s.r.o., but by CLARITAS o.p.s. AVE BOHEMIA s.r.o. supplied the ECDL courses.

Analysis of the reply by the Commission:

The audit team analysed the comments provided and identified some discrepancies in the amount spent for purchased services. E.g. for ECDL trainings the total amount declared to the project was CZK 819,315.00 (invoice reference: 43/ESF172/2011, 57/ESF172/2011, 72/ESF172/2011 and F-27/ESF172/2010). All these invoices were issued by AveBohemia, s.r.o. Moreover, the finding and recommendation relates to evidence that suppliers were selected transparently and efficiently as it is required in the *Project Guideline for the OP PA*, section 9.2 "Mandatory procedures for supplier

selection" specifically in section 9.2.1 where it is stated that *the contracting authority can select a supplier without public procedure process nevertheless, the principles of efficiency, transparency and equal treatment shall be followed.* The audit team was not provided with any supporting documents (transparency) proving how the suppliers were selected (efficiency).

Therefore the audit team upholds its position and the MA is required to apply a flat rate correction. The suggested correction of 25% is used with analogy with *the Guidelines for determining financial corrections.* In this case, in accordance with table 2, point 21 of the Guidelines, the correction should amount to 25 % of the contract value that was or will be declared by the Beneficiary.

The recommendation No 1 remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

Note: the audit team accepts the comment concerning the confusion in the names of the suppliers, the correct version is as follows:

..... the Beneficiary was not able to provide any justification or supporting documents related to the selection of the contracted entities for the purchases of a) a professional/job diagnostics (i.e. CZK 242,050.00 $\approx$ €9,682.00, supplier: Goodlife s.r.o.) ; b) ECDL courses (CZK 819,315.00 $\approx$ €32,772.60 , supplier: AveBohemia s.r.o.); and c) soft skills trainings (CZK 670,009.41 $\approx$ €26,800.38 , supplier: Claritas o.p.s.)

4.2.9. *Project CZ.2.17/3.1.00/32599 Inovace bakalářského studijního programu v kontextu Boloňského procesu s důrazem na výsledky učení*

Finding n°: 14	Beneficiary: Vysoká škola regionálního rozvoje, s.r.o.		
	Project number: CZ.2.17/3.1.00/32599		
Total amount claimed: €71,601.30	Amount audited:	€19,837.86	(CZK 495,946.45)
ESF Funding: 85%	Ineligible expenditure:	€ 1,729.76	
National match funding: 15%	Non-quantifiable error(s):	none	
Other: -			

Description of the finding:

Public Procurement: non-transparent selection of IT supplier and lack of audit trail

According to the *Project Guideline for the OP PA*, section 9.2 "*Mandatory procedures for supplier selection*", the beneficiary shall proceed with regard to the principles of efficiency, transparency and equal treatment and for supplies above CZK 200,000 (since 1st of January 2009 it is CZK 400,000), the contracting authority is obliged to tender, which consists in addressing at least three potential contractors and publication of tender documentation on www.oppa.cz.

All steps associated with the tender must be recorded in writing and must be available at the contracting authority.

The Beneficiary was not able to provide any justification or supporting documents related to the selection of the contracted entities for the purchase of IT equipment. Based on the evidence provided, there were three offers but there is no evidence when these offers were delivered and how and by whom they were evaluated. The selected supplier offered a price (with VAT) amounting to CZK 227,112.00 (€9,084.48) but the invoice to the beneficiary was for CZK 242,998 (€9,719.92) although there was no modification in the content of the supply.

Therefore, the audit team has to conclude that these purchases are not in compliance with the above mentioned Project Guideline for Beneficiaries as well as with general principles of transparency.

Nevertheless it must be stated that the Beneficiary declared to direct expenditures only CZK 213,578.20 and the remaining amount was covered by the indirect expenditures.

Recommendation:

The audit team considers that on the findings identified and due to its frequency and importance (lack of audit trail and non-transparent selection), the MA is required to apply a flat rate correction in accordance with *the Guidelines for determining financial corrections*. In this case, in accordance with table 2, point 21 of the Guidelines, the correction should amount to 25 % of the contract value that was or will be declared by the Beneficiary..

Within the sample of the contract related expenditures verified by the audit team i.e. CZK 227,112.00 (€9,084.48), the correction should be CZK 56,778.00 (€2,271.12). Nevertheless, as the Beneficiary declared only CZK 213,578.20, the financial correction should be the calculated correction (CZK 56,778.00) minus the difference between the invoiced amount (CZK 227,112.00) and the declared amount (CZK 213,578.20) so it results in CZK 43,244.20 (€1,729.77).

The recommendation described above is applicable to the whole contracted amount that was or will be declared for the project.

Note: The financial correction shall also be proportionally applied to the indirect cost.

Deadline for implementation of recommendation: Within two months at the latest after receipt of the final report	Importance of the recommendation: Medium ³²
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Comments from the responsible body (auditee):

In its finding, the audit team refers to the rules for contractor selection and the requirement of the project guide for written records documenting the progress of the tendering procedure. As the volume of the contract does not exceed CZK 400,000 without VAT, tendering procedure was not held in accordance with the rules laid down in the project guide. The beneficiary selected the contractor based on its own inquiry procedure, in which it prioritised the 'economic benefit' of the contract. It drew up a record of the selection, attached as Annex 7 to this document. The MA feels compelled to point out that economic benefit does not necessarily mean the lowest quote. Therefore, the fact that the person authorised to act on behalf of the company (the contracting authority, even though this was not tendering procedure in the true sense of the word) did not choose the cheapest bid, but, in selecting the contractor, respected the normal price, does not constitute a breach of rules laid down in the project guide in the MA's opinion. Nor is the fact that the beneficiary did not comply with the formalities required for the documents in tendering procedure under the rules of the OP PA a breach of the rules because, as already mentioned, this was not a case of tendering procedure in the true sense of the word, as the estimated contract price did not exceed CZK 400,000 without VAT. Therefore, the record of the inquiry procedure appears to provide a sufficient audit trail, from which it is clear

- what bids were assessed
- how and why the bids scored points
- which bid was recommended as the winner
- what the price of that bid was

The fact that the actual implementation deviated slightly from the bid is not regulated at all by the rules on contractor selection in this category, i.e. it is not prohibited. Because this is a contract below the threshold specified for tendering procedure under the rules of the OP PA, it can be assumed that the grant beneficiary will employ the greater flexibility of the rules laid down for this category, while maintaining the general principles of transparency and non-discrimination. Taking into account the fact that the amount established in the monitoring report and the amount sought for reimbursement did not exceed the amount originally offered, the MA sees no problem in the change of conditions for a contract on such a small scale.

Analysis of the reply by the Commission:

The audit team analysed the reply of the MA and supporting evidence and concluded that:

- a) there is no information nor proof when and how the offers were delivered although it was mentioned in the call for tender (see point 7.a);
 - b) the increase of the price between the offer and final invoice was not justified;
 - c) the awards criteria as described in the call for tender (see point 7.c) were not followed.
-

³² See annex 1

Moreover, the audit team fully disagrees with the MA statement that "*...The fact that the actual implementation deviated slightly from the bid is not regulated at all by the rules on contractor selection in this category, i.e. it is not prohibited. Because this is a contract below the threshold specified for tendering procedure under the rules of the OP PA, it can be assumed that the grant beneficiary will employ the greater flexibility of the rules laid down for this category, while maintaining the general principles of transparency and non-discrimination....*"

In case where some rules are not defined or regulated, it does not mean that the entity should behave inefficiently, non-transparently and non-economically. This MA's statement proves clearly that the audit team is correct in their assessment of the MCS as in Category 3 for KR 2 and KR 4.

Therefore the audit team upholds its position and the MA is required to apply a flat rate correction. The suggested correction of 25% is used with analogy with *the Guidelines for determining financial corrections* (. In this case, in accordance with table 2, point 21 of the Guidelines, the correction should amount to 25% of the contract value that was or will be declared by the Beneficiary.

The recommendation remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

4.2.10. *Project CZ.2.17/2.1.00/31674 Akreditovaný rekvalifikační kurz personalista/tka určený zejména pro osoby pečující o závislého člena rodiny a pro osoby znevýhodněné na trhu práce z důvodu věku*

Finding n°: 15	Beneficiary: Evropský kariérní institut – EKI
	Project number: CZ.2.17/2.1.00/31674
Total amount claimed: €109,939.55	Amount audited: €18,111.18 (CZK 452,779.41)
ESF Funding: 85%	Ineligible expenditure: € 11,772.67
National match funding: 15%	Non-quantifiable error(s): none
Other: -	

Description of the finding:

Efficiency of the project and value for money

The total budget of the project was CZK 2,749,882.63 (€109,995.31) for 70 participants which represent a cost CZK 39,284.04 (€1,571.36) per participant. Nevertheless, the same training offered by the beneficiary on normal business conditions costs CZK 13,500.00 (€540) per person via their web pages www.ekinstitut.cz. Therefore, the actual price of the training represents only 34.37% of the cost charged to the ESF project.

An example of the expenditures which might prove the cost ineffectiveness is the rent of the training room. The beneficiary pays monthly a rent amounting to CZK 9,802, while the training activities took max 60 hours per month or even zero hours during the summer break. Another question relates to the need of purchasing IT items although the beneficiary is, according to their description, a well-established and managed organisation.

Therefore, the audit team has to conclude that due to the above described facts, the project is very ineffective, expensive and that the value for money principle was not followed.

It must also be noted that the same beneficiary has another project (No. CZ.2.17/1.1.00/31606) where the same IT items are requested and where some of the project staff is working.

Recommendation:

The MA is required to apply a financial correction amounting to 65% of the total declared amount. In addition, the MA is also requested to assess the project No. CZ.2.17/1.1.00/31606 for its efficiency and value for money.

Deadline for implementation of recommendation: Within two months at the latest after receipt of the final report	Importance of the recommendation: Medium ³³
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Comments from the responsible body (auditee):

The MA disagrees with Commission audit team's finding for the reasons below. The audit team claims that the whole project is very inefficient and supports this claim by comparing the average amount of aid per person supported with the price of a commercially provided human resources course. However, this only accounts for one of the sub-activities of the project.

³³ See annex 1

Within the scope of the project, the target group was provided with training as part of the accredited course called 'Human Resource Officer'. However, beyond this course, the target group also benefited from one-on-one consultations with lectors (the possibility of up to two hours, three times a week), and assistance in finding employment. Individual incentive plans were also drawn up for participants (an occupational psychological profile of course graduates, including interview training, a skills test and consultation with a psychologist). As part of the consultation and the course, the target group members were able to try out work on a PC, study reference literature, and improve their presentation skills. Therefore, the target group did not attend standard commercial training, as referred to by the audit team in its comparison. To prepare clients better for entry into the labour market, the project included other individual activities (mentioned above) that logically increased the value of the aid granted. If such activities were included in a commercially marketed course, the price of that course would increase substantially. Individual work with the target group, where economies of scale are impossible, significantly increases the average amount of aid calculated simply by dividing the aid granted for the project by the number of persons supported.

The commercially offered course for CZK 13,500, mentioned by the audit team, includes training in the following areas:

- * orientation in employment legislation from the perspective of a human resources officer
- * managing an agenda of mandatory medical examinations for OHS and fire prevention at a company
- * use of computer technology
- * overseeing recruitment activities
- * the creation and use of staff appraisal and remuneration systems
- * organising the training of employees
- * the organisation of collective bargaining
- * the creation and management of documents in the field of human resources administration

Project participants were also provided with the following services:

- * one-on-one consultations with lectors
- * assistance in finding work
- * an individual incentive plan
- * job interview practise
- * consultation with a psychologist

Overall, the 'Human Resources Officer' retraining course was successfully completed by 73 people from the target group. 83 individual incentive plans were drawn up. 219 hours of individual consultations with course lectors and 118 hours of consultation with a psychologist were provided. All of these are 'costs' which, naturally, are not reflected in the price of a commercially offered course.

The MA would also like to point out here that project economy was, understandably, assessed at the project selection stage. The selection committee, based on the recommendations of the two evaluators, accepted the project on condition that project staff costs would be reduced. There was an overall reduction by approximately CZK 1 million.

In response to individual observations made by the Commission audit team, the MA also notes the following:

The total price of hiring training and consulting rooms was CZK 269,555.00 (27.5 months x CZK 9,802 per month). Training rooms hosted the Human Resources Officer retraining course and individual psychological and andragogy consultations.

One Human Resources Officer course, according to accreditation from the Ministry of Education, contained 120 lessons of instruction. Seven courses were held, running for a total of 840 lessons. The project also included consultations within Key Activities 2 (KA2) and 3 (KA3). According to the information available, consultations were roughly one hour in length. Total time:

- KA2 – 219 hours of consultations with course lectors (lector-psychologist, lector-psychologist, andragogy specialist)
- KA 3 – 118 hours of consultations with a psychologist (lector-psychologist, andragogy specialist)

The information provided indicates that the consultation room was not fully utilised. However, if we were to consider the commercial hire of training rooms, it should be noted that the price of room hire ranges from CZK 2,000 to CZK 4,000 per training day, which corresponds to a price of CZK 250 to CZK 500 per hour (e.g. for the offers investigated). If we consider the lower end of the hire price, we arrive at the following costs for room hire.

Human Resources Officer Course – 840 lessons, i.e. 105 training days x CZK 2,000 = CZK 210,000

Individual consultations – 337 hours x CZK 250 = CZK 84,250

Total costs = CZK 294,250

Overall, the hiring of rooms seems to be an effective solution.

Nevertheless, the MA admits that, as no training was provided in the summer months, and only consultations were held, room hire was inefficient in July and August. In this respect, it agrees somewhat with the Commission audit team's finding.

The audit team also mentions the inefficient purchase of computer equipment. The purchase of computer equipment was approved by expert evaluators and the selection committee, and therefore the cost of acquiring this technology was recognised as eligible by the MA during the project. The beneficiary bought the following equipment:

PC + monitor for the project manager	CZK 10,222.50
Normal printer for PC	CZK 5,400.00
Projector	CZK 11,729.00
Mobile telephone	CZK 4,353.00
PC + monitor for course participants	CZK 10,222.50
Operating system	CZK 7,878.00
MS Office package (3x)	CZK 8,311.00
Camera + tripod	CZK 11,411.00
PC + monitor for lectors	CZK 16,862.00
PC operating system for lectors	CZK 2,338.00

Total expenditure was CZK 88 727.

In view of the above, and with reference to finding 3, where the MA comments on the issue of undetected findings related to the efficiency and cost-effectiveness, the MA proposes waiving the financial correction of 65% of the granted aid, derived only by simply comparing a commercially offered course with the services provided to clients (the target group) within a much more comprehensive project implemented by the grant beneficiary. Further, the MA proposes responding to inefficient expenditure by imposing

a financial correction in the amount of

- 4 x CZK 9,802 = CZK 39,208.00 for rent invoiced in July and August 2009/2010
- CZK 88,727 for the purchase of computer equipment
- CZK 23,028.30 corresponding to part of the indirect costs

The MA will start addressing irregularities totalling CZK 150,963.30 with the beneficiary.

Analysis of the reply by the Commission:

The audit team analysed the reply of the MA and reassessed the efficiency of the project and its value for money. Based on the additional information provided, the eligible expenditures of the project should be calculated as follows:

1. Human Resource Officer course ≈ 73 person x CZK 13,500 =	CZK 985,500
2. one-to-one consultations with lectors ≈ 219 hours x CZK 250 =	CZK 54,750
3. consultation with a psychologist ≈ 118 hours x CZK 250 =	CZK 29,500
4. office rent for consultation $\approx (219+118)$ x CZK 250 =	CZK 84,250
5. an individual incentive plan ≈ 83 plans x 2 hours x CZK 250 =	CZK 41,500
6. training room rent for incentive plan activity ≈ 83 x 2 hours x 250 =	CZK 41,500
7. job interview practise ≈ 73 person x CZK 250 =	CZK 18,250
8. training room rent for job interview activity ≈ 73 person x CZK 250 =	CZK 18,250
9. indirect cost for activity 2.-8. $\approx$ CZK 288,000 x 18% =	CZK 51,840
Total =	CZK 1,325,340

The audit team takes note and agrees with the fact that IT equipment was not accepted as eligible by the national authorities.

Therefore the correction should be calculated as a difference between total declared expenditures CZK 2,748,488.64 and accepted expenditures CZK 1,325,340 as specified above = CZK 1,423,148.

The recommendation remains **open** until the corrected amount is deducted from the next payment application declared to the Commission.

4.2.11. Project CZ.2.17/1.1.00/32643 Rozvoj zaměstnanců společnosti Zepris s.r.o.

Finding n°: 16	Beneficiary: ZEPRIS s.r.o.		
	Project number: CZ.2.17/1.1.00/32643		
Total amount claimed: €87,548.21	Amount audited:	€	56,880.00
ESF Funding: 68%	(CZK1,422,000.00)		
National match funding: 12%	Ineligible expenditure: €5,688.00		
Other: 20%	Non-quantifiable error(s): none		

Description of the finding:

Public procurements on trainings of the employees

According to the *Project Guideline for the OP PA*, section 9.2 "Mandatory procedures for supplier selection", the beneficiary shall proceed with regard to the principles of efficiency, transparency and equal treatment

The audit team identified that the tender documentation for the procurement of trainings for employees of the beneficiary (estimated value CZK 4.26 mil) contained a qualification prerequisite that was set specifically and discriminatory, what limited the participation on the tender.

The tender documentation required min 1 realized contracts financed from the ESF. As the subject of the tender was soft skills training, there is no reason why only companies with experience with the ESF area could have participated in the tender.

Recommendation:

The MA is recommended to apply a financial correction for the amount already declared to the Commission in accordance with the *Guidelines for determining financial corrections*. In this case, in accordance with table 2, point 23 of the aforesaid Guidelines, the correction should amount to 10% of the total contract values declared.

The recommendation described above is applicable to the whole contracted amount that was or will be declared for the project.

Deadline for implementation of recommendation: Within two months at the latest after receipt of the final report	Importance of the recommendation: Medium ³⁴
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Comments from the responsible body (auditee):

The MA **accepts** the finding of the audit team and necessary actions will be taken.

Analysis of the reply by the Commission:

The position of the MA is accepted. The recommendation remains **open** until the corrected amount is deducted from the next payment application declared to the Commission. In addition, the MA is requested to provide details for the calculation of this correction.

³⁴ See annex 1

4.3. Other compliance findings

4.3.1. Non-compliance with the national labour law

Finding n°: 17	Beneficiary: APERIO - Společnost pro zdravé rodičovství
	Project number: CZ.2.17/2.1.00/30216
Responsible body: MA	Volume of funding affected by the finding: €4,481.60

Description of the finding:

The Project Manager (Petra Kubálková) and the Project Coordinator (Veronika Šindelářová) were at the same time performing the same functions (identical job descriptions) for two ESF co-financed projects i.e. for this project and for the project CZ.1.04/5.1.01/51.00027, based on two separate contracts signed for each employment relationship with the same employer. The related working hours reported from January to May 2011 exceeded the full employment time by 30 -57 %.

The Beneficiary's practice is not in accordance with par. 13 of *Act No. 262/2006 Coll. of the Labour Code* which states that an employee cannot have another working contract on activities of the same nature.

Recommendation:

The AA is requested to review all operations implemented by this beneficiary and verify that there are no duplicities on expenditures and activities. Further, the compliance with the Labour Code needs to be reviewed as well and relevant corrections applied.

Deadline for implementation of recommendation: 31 st July 2013	Importance of the recommendation: High ³⁵
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Comments from the responsible body (auditee):

The AA reviewed the positions and working time of Petra Kubálková and Veronika Šindelářová. The AA communicated with the relevant managing authorities for a project funded by the OP PA and the OP Human Resources and Employment.

Between January 2011 and May 2011 (concurrence of both projects):

Petra Kubálková was employed at APERIO for half the standard working time as a **data collection manager** (these labour costs were claimed as eligible costs within project CZ.1.04/5.1.01/51.00027 under the OP Human Resources and Employment). She also worked for 16 hours per week on the basis of an **agreement on the performance of work** as a **manager for cooperation with employer entities**, and for 12 hours a week on the basis of an **agreement on the performance of work** as a **manager of gender advisers** (OP PA).

Therefore, overall, Ms Kubálková was an employee and a worker with a working time of 1.2 compared to the standard. In her case, there was no breach of the Labour Code in force in the Czech Republic, as there was no breach of the principle that, in relation to an employee, other work must be of a different type. In addition, the Labour Code does not restrict the number of jobs a single employee can have within a given type of employment relationship. With Ms Kubálková there was no error because, at the time of project implementation, or at the time payroll costs were reimbursed, the OP PA Project Guide allowed payroll costs to be reported and claimed for up to 1.6 of the standard

³⁵ See annex 1

working time (this has since been changed).

In that period, Veronika Šindelářová was **contractually employed** with APERIO, with a working time of 0.8 x standard working hours, as the **coordinator of the project No CZ.1.04/5.1.01/51.00027** under the OP Human Resources and Employment, and was also **employed contractually** at half the standard working time as the **coordinator of the project CZ.2.17/2.1.00/30216** under the OP PA. Her total working time in this case was 1.3 compared to standard working hours.

With Ms Šindelářová, overall there was, again, no breach of the maximum working hours, since, at the time of the project, under the relevant project guides it was possible to claim and be reimbursed for payroll costs of up to 1.6 times the standard full-time level. For this employee, however, an error occurred in the creation of her employment (employment contracts were concluded for the same activity for the same employer – similar employment relationships).

The beneficiary was warned of this fact and was advised to change the employment contracts with the employee into a single contract with the position of coordinator for both projects, specifying the amount of the workload for each project separately. This fact and the legal impact were also consulted with the competent administrative authority (the District Labour Inspectorate). This institution was also inclined towards the opinion that there had not been a serious breach of legislation and that the correction of this situation was possible. In light of the above, no financial corrections were made.

Analysis of the reply by the Commission:

The Commission takes into account the information provided by the AA and accepts that that this finding does not have a financial impact. Therefore, the recommendation No 1 is **closed**.

Annex 1

High: The key controls in the management and control systems are absent or are not complied with on a regular basis. There is a fundamental weakness or deficiency in control which involves a substantial risk of error, irregularity or fraud. There is a substantial risk of failure to achieve those objectives of the management and control systems which concern the reliability of financial reporting for the programme, the effectiveness and efficiency of the operations and activities and compliance with national and community regulations. Such risks could have an adverse impact on the programme's financial report. Urgent remedial action should be taken. The recommendation should normally be implemented one month at the latest after receipt of the final report in the Member State's language.

Medium: There is a weakness or deficiency in control which, although not fundamental, exposes individual areas of the existing management and control systems to a less immediate level of risk of error, irregularity or fraud. Such a risk could have an impact on the effectiveness of the management and control systems and on its operational objectives and should be of concern to the auditee's management. Prompt remedial action should be taken.

Low: There is a weakness or deficiency in control which individually has no major impact but where improved controls would benefit the implementation of the programme and/or allow the auditee to achieve greater effectiveness and/or efficiency. There is a possibility of undesirable effects at the process level, which, combined with other weaknesses, could give cause for concern. Specific remedial action should be taken.

Annex 2

Summary table of financial findings per project

A	B	C	D	E	F	G	H=G/E	Results				
								I	J	K=J/E	L	
N°	Project number	Beneficiary	Ref. to the finding number in section 2.1 and 2.2	Amount declared certified to EC (after art. 13 + 16 Reg. 1828/2006) (€)	Amount checked by Audit Authority (€)	Ineligible expenditure after audit by Audit Authority (€)	Error Rate Audit Authority (%)	Amount checked during verification by EC (€)	Ineligible expenditure after verification by C (€)	Error rate (%)	ESF co-financing rate applicable to the axis (%)	Subsequent assessment per project
1	CZ.2.17/1.1.00/30209	MITAS, a.s.	4.2.1	235,595.11	190,165.53	14.63	0,01%	110,759.11	6,166.91	5.57%	51%	
2	CZ.2.17/3.1.00/32162	Gymnázium J. Gutha-Jarkovského	4.2.2	254,720.51	151,208.34	0.00	0,00%	184,451.21	9,182.83	4.98%	85%	
3	CZ.2.17/1.1.00/33198	LOGIK, s.r.o.	4.2.3	111,413.84	n/a	n/a	n/a	111,393.21	42,481.49	38.14%	85%	
4	CZ.2.17/1.1.00/31963	Sconto Nábytek, k.s.	4.2.4	189,987.94	n/a	n/a	n/a	147,555.64	34,510.68	23.38%	85%	
5	CZ.2.17/2.1.00/30216	APERIO – Společnost pro zdravé rodičovství	4.3.1	271,387.91	n/a	n/a	n/a	46,466.92	0	0.00%	85%	
6	CZ.2.17/2.1.00/32172	Městská část Praha 11	4.2.8	191,951.85	n/a	n/a	n/a	122,740.38	17,313.74	14.11%	85%	
7	CZ.2.17/3.1.00/32599	Vysoká škola regionálního rozvoje, s.r.o.	4.2.9	71,601.30	n/a	n/a	n/a	19,837.86	1,729.76	8.72%	85%	
8	CZ.2.17/1.1.00/33258	CASABLANCA INT, s.r.o.	N/A	33,104.87	n/a	n/a	n/a	24,132.00	0	0.00%	85%	
9	CZ.2.17/1.1.00/32171	OTTO BLANC Impulzy	4.2.5	80,302.36	n/a	n/a	n/a	33,618.85	2,355.85	7.01%	76.5%	
10	CZ.2.17/1.1.00/31869	UPS Czech Republic, s.r.o.	4.2.6	307,522.62	214,209.77	6,127.48	2.94%	151,274.36	15,208.62	10.05%	51%	
11	CZ.2.17/1.1.00/32185	NROS	4.2.7	101,382.02	n/a	n/a	n/a	10,547.70	2,111.38	20.02%	80.75%	
12	CZ.2.17/3.1.00/31322	Ústav pro jazyk český AV ČR, v.v.i.	N/A	296,464.74	167,487.52	0.00	0,00%	118,631.13	0	0.00%	85%	
13	CZ.2.17/2.1.00/31674	Evropský kariérní institut - EKI	4.2.10	109,939.55	n/a	n/a	n/a	9,377.97	51.78%	51.78%	85%	
14	CZ.2.17/1.1.00/32643	Zepris s.r.o.	4.2.11	87,548.21	n/a	n/a	n/a	56,880.00	5,688.00	10.00%	68%	
15	CZ.2.17/2.1.00/31551	Centrum Paraple, o.p.s.	N/A	188,611.93	n/a	n/a	n/a	31,416.00	0	0.00%	85%	
16	CZ.2.17/2.1.00/31551	MARIMEX, s.r.o.	N/A	62,561.69	n/a	n/a	n/a	21,400.00	0	0.00%	68%	
TOTAL								1,209,215.55	146,187.88	12.09%		

