



Have the Czech SAO's Audits Carried out in the Area of the State Budget Revenues Resulted in a Higher Number of Legislative Changes when Compared to the Audits in the Domain of the State Property Management?

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Abstract

The aim of this paper is to compare the results of 4 selected audit areas of the SAO, namely audits carried out in the domain of the state budget revenues, state property, state-owned enterprises and state funds. The hypothesis is that the findings of audits on the revenue side of the state budget have resulted in the largest number of legislative changes within the period under review. As part of the assessment of the development of the impact of the SAO activity measured by the number of government-imposed corrective measures, it was also found that the benefits of audit findings have increased and their usability has risen noticeably since 2005. By analysing the selected audit areas, the first established hypothesis was confirmed when it was found that the largest number of legislative changes was made in the area of the state budget revenues. In this domain, areas of system failures and implementations of the imposed recommendations were analysed additionally, with the aim to uncover the most problematic areas and to assess the overall implementation of the imposed recommendations. The hypothesis in this respect was that the recommended remedies were mostly met. Within the area of the state budget revenues, based on the publicly available information and the auditees' opinions it was found out that most of the recommendations were met. The second hypothesis was met, as well. The presented paper analyses both the government's resolutions, audit findings and conclusions, annual reports, EU reports, and selected views of the auditees. Within the audit areas, the number of submitted criminal notifications and notifications to the tax authority is also quantified. The usefulness of the results is based

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on the fact that the audits in the assessed areas were focused on the audit of legality with elements of the performance audit, though the best results in the domain of legality were brought by audits in the area of the state budget revenues. In this domain, it is therefore appropriate to focus more on the audit issues related to legality, as evidenced by the number of corrective measures in which the government has imposed a legislated solution to the given issue. Conversely, for audits of state assets (the remaining three groups), it would make more sense to strengthen the focus of these audits on the performance-related risks (the so-called 3E).

Keywords:

SAI, SAO, Audit action, Annual report.

1. Introduction

The SAO of the Czech Republic has operated in its current form already since 1993. Its main task is to carry out an audit of state assets and the state budget. Within the Constitution of the Czech Republic, the Fifth Chapter is devoted to the SAO's operation, listed next to the legislative, executive and judicial power. The SAO is sometimes also referred to as the so-called "fourth pillar of democracy", or as an additional power, i.e. the controlling one. Its status, competencies, organisational structure and other specifics are stipulated in the Act on the Supreme Audit Office No. 166/1993 Coll.

Audits carried out by the Supreme Audit Office of the Czech Republic verify whether the audited activities are in compliance with the existing legislation or with the regulation in force within the particular period under audit review. They further assess the formal and substantive correctness and assess whether the criteria relating to efficiency, effectiveness and economy are met. The SAO's audit may also cover any area specified by law, regardless of the level of secrecy to which the information is subjected. The result of each audit action is an audit report that contains a summary of the facts identified during the audit. Several major types of audits are distinguished, namely performance audits, legality audits, and financial audits. Performance audits are exclusively focused on evaluating the so-called 3E (effectiveness, efficiency, economy) of the audited area. Audits of legality assess compliance with the existing legal framework and look for potential regulatory deficiencies and gaps in the legal arrangement. Within these two types of audits, a legality audit also occurs with elements of the performance audit. Typically, this type of audit identifies the main risks of legislative under-regulation, but it also tries to evaluate the audited area from the perspective of 3E compliance. The last type of audit is the financial audit, which checks whether the given final account or relevant accounting records give a true and fair view of the actual state of affairs.

The main aim of the presented paper is to confirm or disprove two hypotheses. The first hypothesis is that over the period under review, audits in the domain of the

state budget revenues had more legislative impact than audits of the state property, state-owned enterprises and state funds. Comparability of these areas based on the above-mentioned criterion stems from the fact that these are audits of legality with elements of the performance audit. The legislative impact is subsequently measured by the number of new pieces of legislation, enacted based on the audit findings. The second hypothesis is that most of the recommended corrective measures were met by the auditees. Within the second hypothesis, apart from the publicly available sources specific opinions requested from the auditees will also be considered in order to better understand and define the areas in question, the reason being that the auditee's opinion is released only following the issuance of the audit reports.

The article is split into five chapters, i.e. Chapter 2 through 6. Chapter 2 deals with literature that has in some way addressed the assessment and evaluation of the impact of activities of the supreme audit institutions. Chapter 3 deals with the data used and the research method. The following Chapter 4 presents the results, both for the period from 1993 to the present and for audits in the selected areas within the surveyed five-year period. Chapter 5 introduces the discussion while combining the literature review mentioned in Chapter 2, which it compares with the situation of the Czech SAO. Finally Chapter 6 contains a summary of the most important findings.

1.1 System of publication of audit reports and co-operation/relationship of the Czech SAO with the Government of the Czech Republic and the Control Committee of the Chamber of Deputies

The specific time and factual definition of an audit activity in a given year is contained in the so-called plan of the audit activity. This plan is approved by the Council of the Office and submitted by the President of the SAO for information both to the Government and to the Chamber of Deputies and to the Senate. It is also published in the SAO Bulletin. This plan already includes a specific audit timetable, where both the related member of the Office who will conduct the audit action and the body that will subsequently approve the audit report are specified. Once the audit report is approved by the appropriate authority of the Office, it is published by the President of the SAO in the SAO Bulletin and sent to the Government, to the Chamber of Deputies and to the Senate. Upon request, the SAO is required to send these bodies all the supporting documents that have been used to produce the relevant audit report. The only exception relates to those documents which have been passed on to the law enforcement authorities; for these documents a disclosure can only take place after the consent of the competent authority.

Within the framework of the co-operation of the SAO, the Government, the Senate, the Chamber of Deputies and its bodies, the President of the SAO may attend the meetings of these bodies when the SAO audit reports are discussed. In this sense, the President is not a mere passive participant, but s/he has the right

to actively engage. If s/he in turn asks for a word at such a meeting, s/he must be granted it by the law. On the other hand, it is true that although the SAO President's participation in such meetings is not obligatory, if required by the above-mentioned authorities, s/he is legally obliged to participate in these meetings. The audit reports are continuously debated by the Government and at its discretion they are also discussed by the Control Committee of the Chamber of Deputies. These authorities in turn take note of the audit reports or impose specific corrective measures along with a set deadline for their completion.

2. Literature review

The role and impact of activities of the audit institutions has already been dealt with by several pieces of work (e.g. Pollitt and Summa 1997 or Pollitt et al. 1999 and Pollitt 2003), in the context of comparing several selected Supreme Audit Institutions (SAI). These pieces of work compared performance reporting as well as, for example, methods for assessing the financial impact of a public audit performed by the SAI on national budgets. Lonsdale (1997) identified several ways in which SAIs evaluate the value of their work, although the role and historical-institutional context of each SAI have a direct impact on how these institutions use these available methods. According to Lonsdale, these impact assessment methods are the following: changes made by the Government; financial savings; impact on the Parliament; media; independent impact assessment.

However, the quantification of these impacts is rather complex, and in general, assessments of foreign SAIs are diverse. The British SAI is considered as advanced in this respect by some studies (e.g. a comparative study by Oțetea et al. 2015 or Pollitt et al. 1999). Pollitt et al. (1999) states that the most common instrument for measuring impact, with the exception of financial benefits, appears to be the measurement of the proportion of recommendations adopted by the Parliament and the Government for legislative changes. The financial impact can be quantified by reducing expenditure or increasing collection of revenue, increasing efficiency and effectiveness, quantifying improvements in the quality of services provided by a public sector entity – a benefit for others (taxpayers).

In the same spirit as the previous ones, these studies (Pollitt and Summa 1997 and Lonsdale 1999, 2000) analyse what tools are used to measure SAIs' work. The results of SAIs' work were assessed on the basis of annual SAI reports. The use of annual reports beyond the above-mentioned studies is also found in Groenendijk (2004), which deals with the analysis of the European Court of Auditors, namely annual reports from 1996 to 2001 aiming to analyse how the European Court of Auditors assesses the performance of EU Member States regarding the management of EU finances. Another example is the study of González et al. (2008), which dis-

cusses how the SAIs measure the impact of their work. These studies justify the use of these documents as an experimental analytical tool.

SAIs are generally referred to as institutions that play a vital role in democratic systems, as they develop independent and effective public-sector scrutiny. The Lima Declaration on Audit Principles (1977), which is considered a cornerstone document summarising the principles of independent audit activities that individual SAIs manage, is essential in this regard. Public-sector audit should include monitoring of all aspects of government services, informing of the government and the general public through objective reports (INTOSAI). The main objective is to call for an independent government control, but it is equally important to measure the impact caused by SAIs' activities. However, based on the analysis of studies in some way dealing with the issue of the Czech SAO, it was found that there was no relevant study to deal with the activity or, respectively, the impact of the audit activity of the Czech SAO. Current studies are mostly limited to the description of competencies, powers or organisation of the Czech SAO. In this respect, it is an interesting paradox where the SAO assesses compliance with the so-called 3E (Economy, Efficiency, Effectiveness) in auditees, but so far no one has looked into the performance of the SAO itself.

The most useful for this study thus appears to be the study by González et al. (2008), which examines how to measure the impact of SAIs, as well as the procedures adopted to determine the impact of its activities. In this study, 10 European SAIs – members of INTOSAI and EUROSAI – and the European Court of Auditors were examined. The paper aimed to analyse the tools used by the SAIs to assess the impact of their activity and based on the analysis of selected annual reports, it arrives at individual findings. These findings show that SAI France closely monitors its recommendations, and it is able to come up with reliable conclusions on compliance by the auditees with recommendations in all areas. SAI France's annual report describes, among other things, the extent to which the recommendations have been taken into account, taking into account the changes made by the government to implement them, and pointing to the admission process and the associated problems. SAI Portugal adopts two tools to measure the impact of its activities, namely the follow-up recommendations, which are further broken down according to the different criteria and areas and the relationship with media. On the other hand, the annual report of neighbouring SAI Spain does not provide any information regarding the impact of the SAI's audit activity over there, and no explicit impact measurement of audit activity is present either in the annual report of the European Court of Auditors.

The annual report of SAI Netherlands emphasises monitoring the effectiveness of its activity, where impact assessment is not limited to just one procedure. The results must also be available externally, and it must also continue to measure the impact through recommendations. This SAI further developed an impact-as-

assessment handbook, which produced the first impact-assessment report, where most ministries and organisations responded quickly to the recommendations. There are various measurement tools, which include creating an impact-assessment system that tracks the follow-up recommendations, internal measures, website-visit information, or the number of the most requested news on websites. The annual report of SAI Germany indicates the usage of two methods of the impact measurement of activities, when the German SAI follows the recommendations taken and enacted, quantifies savings and revenue generated through the use of the proposed measures, and it is also involved in the budget negotiations.

In its annual report SAI Malta considers the views and comments from the Managing Authorities regarding their recommendations to be an impact assessment tool. The report therefore contains information on the measures already taken or to be taken to remedy the irregularities detected. The Polish SAI uses various instruments to measure the impact of its audit activity by applying a methodology to quantify the impact in monetary units – financial gains, financial discrepancies. Within the impact indicator this is an internal measurement – the number of seminars organised, the number of statements on the audit results submitted to the Polish Parliament, the number of press conferences, newspaper articles, TV programmes.

SAI Sweden, on the other hand, does not provide significant information on the impact of its activity, with the only reference being the audit of prison and probation services, recommendations adopted by the army. In its annual report, SAI Slovenia notes that most of the recommendations are being adopted by the auditees already during the audit itself, and as such only a few recommendations remain in the report. Follow-up recommendations are only used for major discrepancies arising from the use of public funds. The study is concluded by SAI United Kingdom, which divides audits into four groups, with recommendations for each group. There is also a financial impact report, though SAI United Kingdom points out that in some cases, the impact cannot be quantified.

In general, there are several models within the SAIs which also influence the impact assessment itself and the methods by which these impacts are measured/evaluated. According to the NAO study (2005), within the EU it is possible to distinguish a model with a judicial function (e.g. France), a collective model of non-judicial structures (e.g. Germany), an audit office headed by an independent auditor or a non-governmental President (e.g. the United Kingdom), and a model led by the President, where the SAI performs local, regional and central audits (e.g. Slovenia). The World Bank PremNote (2001) also states that most developing countries use one of three audit systems – Napoleonic, Westminster or board.

3. Data and methodology

Four audit domains were initially chosen for the comparison. These audit actions were selected on the basis of annual reports and subsequently verified in the register of audit actions. The audit area for the state funds includes SAO audits that focus on state assets and funds that are managed by the relevant state funds. Over the past five years this type of audit included both the State Fund for Cinematography and the State Fund for Transport Infrastructure, along with other selected funds. The audit area covering the state-owned enterprises includes SAO audits that focus on the government assets managed by state-owned enterprises. Over the past five years, this type of audit included the state-owned enterprises within the competence of the Ministry of Industry and Trade, the state-owned enterprise DIAM, Forests of the Czech Republic, Military Forests and Farms of the Czech Republic, the state-owned enterprise VOP CZ, Palivový kombinát Ústí, the state-owned enterprise Air Traffic Control of the Czech Republic and selected state-owned enterprises (river-basin managers) within the competence of the Ministry of Agriculture. The audit area that encompasses state assets includes the SAO audits that focus on state assets which the relevant state organisational units are competent to manage, the Office for the Protection of Competition, the Czech Trade Inspectorate, and many others. The audit area for the state budget revenues includes the SAO audits that focus on tax revenues, i.e. on both the direct and indirect taxes, including social security. These audits, however, generally do not focus on subsidies or on health insurance. The above areas are comparable since they do not cover the financial type audits and evaluate the given domain in particular from the accounting perspective. Audits within the above-mentioned areas are audits of legality with the performance audit's elements. This means that within the audited area, they aim at risks associated with the legality or, respectively, assess both the legality issues (whether compliance with law is maintained and whether there is no legislative gap or deficiency) and performance ("3E").

In case the audit group also included the audits focused on accounting, the final results would not be comparable. These audits focus on the final accounts of the state budget's chapters for which they assess the financial statements, i.e. in particular a faithful portrayal of accounting when calculating the total amount of misstatements. The aim of financial audits is to determine legal correctness, but they stop short of assessing the sufficiency or inadequacy of the existing legislation. They also do not evaluate the chosen strategies or targets and their implementation as opposed to the above-mentioned audit areas, which do so.

The total number of audits completed each year by the Supreme Audit Office can be determined from individual annual reports. Based on these data, the ratios and significance of audits in the predetermined compared areas were calculated between 2011 and 2016. In order to determine the trend of impact of the SAO's audit activities, a sample of the state budget revenues was selected, starting from

1993. Audits in the domain of the state budget revenues were in turn selected as the sample to analyse compliance with the recommended corrective measures by the auditees. Based on opinions of the auditees, areas of systemic deficiencies and the degree of compliance could be more precisely defined. Audits in the domain of the state budget revenues are also intended as a sample of the audit activity on which the government usability of the audit reports is tested. In this respect, an impact is defined as the number of the government-imposed corrective measures. In the case of the compared areas for the selected period, the number of legislative modification in turn represents an important form of impact based on the findings of these audits. The impact assessment in the form of the number of corrective measures imposed was based on the electronic library for the public (the eKLEP information system), in which the government resolutions on individual selected audit actions were searched on the basis of the audit action number and the relevant period. In order to determine the number of legislative changes, it was necessary to analyse information from the audit activities, i.e. the audit reports, the SAO's annual reports as well as the government resolutions. In addition, documents originating from the Control Committee of the Chamber of Deputies of the Czech Republic were also analysed within the framework of the data available on the website of the Chamber of Deputies. The main research method was a content analysis.

All research results relate to the end of 2018. Although older audits can no longer be accounted for regarding their further impacts, audits that have begun in 2015 may still have theoretical impacts in 2019, the reason being that certain audit findings may be discussed by some authorities (in particular by the Chamber of Deputies' Control Committee) several years after their publication. Although this situation should not be too frequent, it may be so, and this possibility cannot be ruled out. For this reason, the period ending in 2016 was also chosen. At the latest by this year, all selected audit findings were published. If a more recent period was chosen, in some cases it would not be possible to evaluate the impacts, since some audit findings are discussed in the Government or the Chamber of Deputies' Control Committee with a relatively considerable time span.

From the methodological point of view, it was very important to specify the term "legislative change". Such a change is therefore defined as a significant legislative change which involves the elaboration of a complex new legislation which was not in existence until then within the given area. A change is viewed as a small change of legislation when a specific provision is added to a concrete law, better defining a provision or removing some problematic element. The most challenging task was to specify the problem areas and recommendations in the sample of audits in the area of the state budget revenues. This was based both on the EU reports and information obtained from the audit actions, as well as – for a better understanding, grasp and verification of the results – on the information obtained from the request for information from the audited entities, as briefly mentioned above. However, this approach would not have been necessary, provided the audit reports were based

only on the opinion of the auditees expressing their opinion on the recommendations made in the audit reports. As another possible form of impact, the number of criminal notifications and notifications to the tax authority was additionally quantified on the basis of the audit reports. This output was further verified based on the register of audit actions. The verified volume was not compared in any way. An analysis of the selected audit areas revealed that the methodological anchoring would be very problematic in this case, and the quantification of the verified or verifiable volume could be misleading for this type of the audit action. Conversely, in the case of audits focused on financial accounting or subsidies, the verified and verifiable volume is very well quantifiable and its quantification also makes sense.

Within the implementation of the recommended corrective measures in the area of the state budget revenues, five categories were specified. Category 1 contains the cases where the given recommendation had to be fully (100%) adopted and implemented without reservation by the auditees in the form proposed by the SAO. Category 2 covers a partial or almost complete fulfilment of the given recommendation. For this category, the recommendation was not adopted exactly according to the SAO's proposal, or the recommendation was only met by a certain part, i.e. mostly or partially, but not entirely. This category has been defined for complex purposes. In some cases, it would be very difficult to determine whether the recommendation was met from a larger or smaller part. The third category contains the SAO's recommendations that were not accepted by the auditees or that were not sufficiently adopted. These are therefore such recommendations that the auditees have explicitly disagreed with and taken a negative attitude towards them, by which stance they stood even after the audit was completed. This is also related to the inadequacy of the recommendation, where the auditee accepts changes that are almost unrelated to the recommendation or only marginally so. Category 4 includes measures that have not been met. However, these are often more extensive changes that cannot be implemented within a shorter period of time following the audit's completion. Their potential future fulfilment is therefore still possible under certain circumstances. The fifth and last category quantifies the number of recommendations that were no longer up-to-date for the status quo (after the audit was completed). This category therefore includes recommendations addressing deficiencies that the auditees already knew about and worked on to eliminate them. Problem areas or, respectively, the types of recommendations based on which the measures were taken by the auditees, were defined in light of the nature of the individual shortcomings. As a result, 11 different groups were established.

4. Results

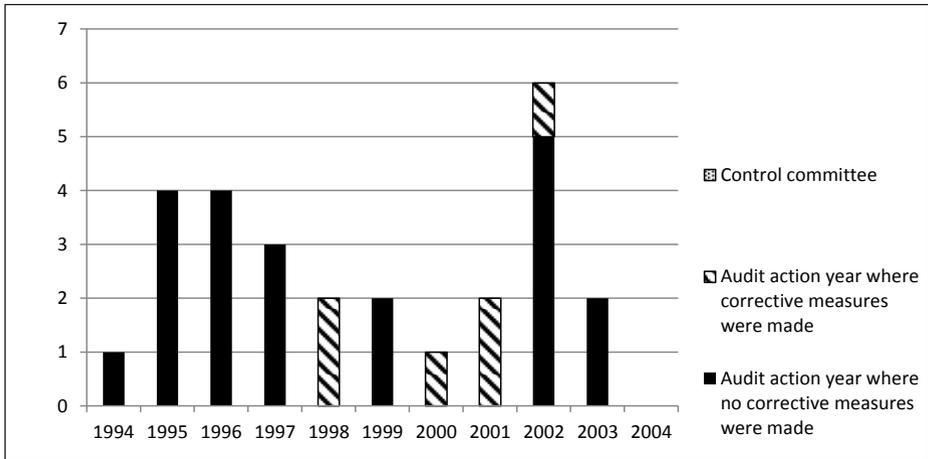
This section presents the results of the audit activities focused on the state budget revenues, which constitute a sample of the auditing activities of the SAO since 1993. The aim here is to assess the evolution of the reaction of the Government and the

Chamber of Deputies' Control Committee to the audit reports of the SAO within two immediately subsequent periods. The hypothesis here is that the usefulness of the audit findings in the second established period since 2005 has increased. As a response we consider here the situation where the government has imposed a corrective measure. When the audit report was only taken into account, the government did not take any corrective measure. Provided the audit report was evaluated as important by the Control Committee of the Chamber of Deputies, it considered it and could also take the corrective measure. As mentioned above, this analysis is divided into two periods. For audits that started in 1994 through 2004 and for audit actions that started in 2005 through 2015. Given the fact that within the second period (starting from 2005) certain audit findings were discussed in the government only in 2016, this period is depicted in the chart until 2016. Another part of the results, starting from subchapter 4.2, provides an analysis of the selected benchmarked audit areas. All audit actions in the selected audit areas start in 2010 at the earliest. The hypothesis here is that the greatest legislative impact, or the largest number of legislative changes, was made on the basis of findings of audits focused on the state budget revenues. The reason for this hypothesis is the fact that over the past few years, both national and international initiatives have increasingly focused on combating tax evasion. At the same time, the SAO audits primarily dealing with the state budget revenues also often focus on the area of tax evasion. This fact is in turn closely related to the greater potential for changes in legislation. For each of the four selected audit areas, the main factors that may influence the audit results are also analysed. In order to assess the level of compliance with the recommended corrective measures by auditees, a sample of the state budget revenue audits has been considered since 2010. The hypothesis here is that the recommended corrective measures have been largely met.

4.1 Audit actions implemented since 1993

Chart 1 below analyses the impact of the audit actions between 1994 and 2004 (no audit actions with a focus on the state budget revenues were started in 1993). From the results it becomes clear that only in 1998 and 2001 were corrective measures imposed by the government within two SAO audit reports. In 2000 and 2002, this always related to only one audit report. The ratio of the government's total correctively unresolved measures to the audit reports for the period is 77.8%. Only in 22.2% of the cases was the SAO's audit report substantial enough for the government to take a corrective measure on the basis of the presented facts. In other cases, the government has only taken note of the SAO's audit reports without any further action. The Control Committee of the Chamber of Deputies has not put in place any corrective measures for the entire analysed period.

Chart 1
Audits of the state budget revenues between 1994 and 2004

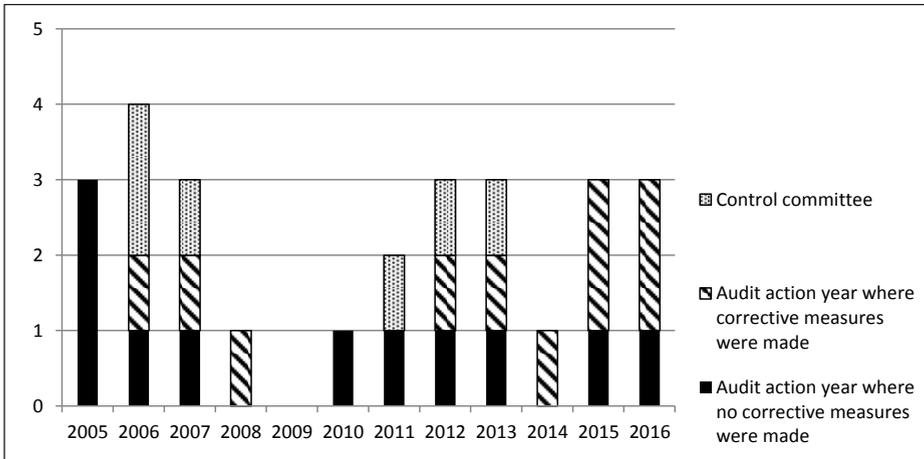


Source: Author, based on the information from the Government² and annual reports of SAO.

The immediately following period beginning in 2005 is shown in Chart 2 below. In this period, the impact of the audit actions (the number of corrective measures imposed) is significantly higher. Without corrective measures, the government took note of only 52.4% of the audit reports. In contrast, in 47.6% of the cases, the government has taken the corrective measure. Audit reports were also discussed in some cases by the Control Committee of the Chamber of Deputies. The Control Committee discussed a total of 28.6% of the audit reports of the SAO during this period.

² Information from the Government application – ODok and from the section “Documents” of the website of the Chamber of Deputies’ Control Committee.

Chart 2
Audits of the state budget revenues between 2005 and 2016



Source: Author, based on the information from the Government³ and annual reports of SAO.

As the results above show, the impact of the SAO’s audit actions expressed by the number of the government-imposed corrective measures has substantially increased over time. In other words, over the immediately follow-up period from 2005 to the present day, based on the audit reports the government has considerably more frequently imposed corrective measures than over the period from the SAO’s inception until 2004. By analysing the audit reports from both periods it was found that the targeting of the audit reports has improved or, respectively, the reports provide more targeted suggestions for the measures or recommendations that should be implemented.

Table 1 below additionally summarises the two above-mentioned periods and the specific number of the audit reports for which the government has taken corrective measures. The impact of the audit reports increases further in the second period after 2005. This is also due to the fact that resolutions of the Control Committee of the Chamber of Deputies were issued for six audit reports. For one audit action in 2010, the government did not impose any corrective measure, but the Control Committee assessed the situation in the opposite way and imposed the corrective measure.

Within the impact of the above-mentioned audits the number of criminal notifications filed and the number of notifications submitted to the tax authority since 1993 is further quantified in Table 2 below. Within the submitted notifications to the

³ Information from the Government application – ODok and from the section “Documents” of the website of the Chamber of Deputies’ Control Committee.

tax authority, there was always just one filing per audit. Exceptions were criminal notifications, which were filed in a larger number within individual audits. Within the scope of only three audits in the 1990s, a total of 14 criminal notifications were filed. On the other hand, since 2000, there has been only one criminal notification filed within one audit.

Table 1
Audits of the state budget revenues since 1993

Period when an audit action started	Total corrective measures	Audits without corrective measures
between 1994 and 2004	6	21
between 2005 and 2015	10	11

Source: Author.

Based on the performed analysis, it was found that the reason for the higher number of criminal notifications filed until 2000 was the focus of the audit actions. In two of these three events, the SAO has focused not only on the relevant state authorities, as is currently common, but also on the selected taxpayers from the ranks of legal and natural persons.⁴

Table 2
Audit actions in the area of the state budget revenues – number of notifications since 1993

Notifications to tax authorities 1994–2004	Notifications to tax authorities 2005–2015	Criminal notifications 1994–2004	Criminal notifications 2005–2015
3	2	14	1

Source: Author, based on the information from SAO.⁵

4.2 Audit actions in the last five years – state budget revenues

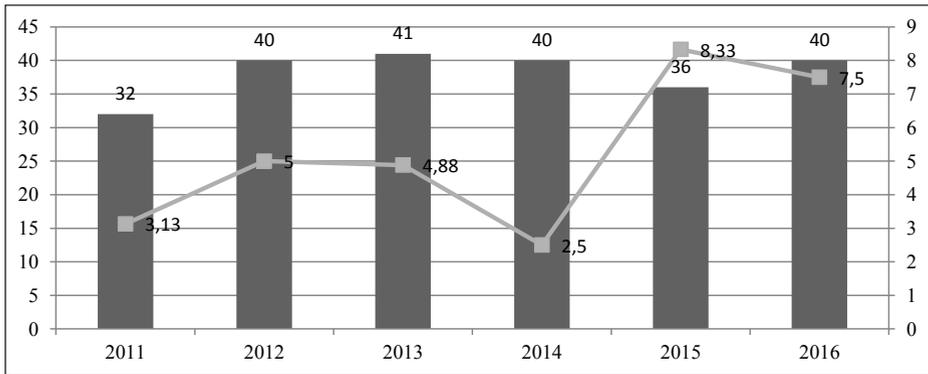
Chart 3 below shows the number of all completed audit actions of the SAO over the period from 2011 to 2016. The average number of audits is expressed by the column chart, and over the survey period it comes to an average of 38 audits per year. The total number of audits depicted by the column chart is the same for all 4 compared audit areas. The line chart shows the relative share of audits in the domain of the state budget revenues in all the SAO's audits. Over the last two years of the period under review, the number of the concluded audit actions has slightly increased in

4 These persons can not currently be audited by the SAO (Judgment of the Municipal Court in Prague of 1 November 2000, file number 28 Ca 38/2000).

5 Information from the audit actions; audit reports.

this area. On average, 2 audit actions were carried out annually. However, the SAO notes in its annual report for 2016 that despite their minority status, these audits are at the centre of the SAO’s focus.

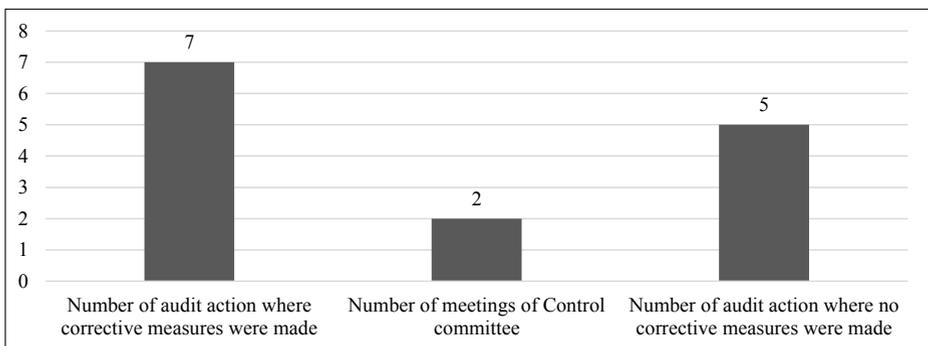
Chart 3
Number of finished audit actions – the state budget revenues



Source: Author, based on the annual reports of SAO from 2011 to 2016.

Chart 4 below relates to the previous chart. Therefore, the same audits apply. The analysis found that for 58.3% of the SAO’s audit actions commenced in 2010–2015 corrective measures were imposed by the government. For the remaining audits, the government only took note of the findings with no further action. Two audit reports were also discussed in the Control Committee of the Chamber of Deputies.

Chart 4
Impacts of audit actions of the state budget revenues since 2010

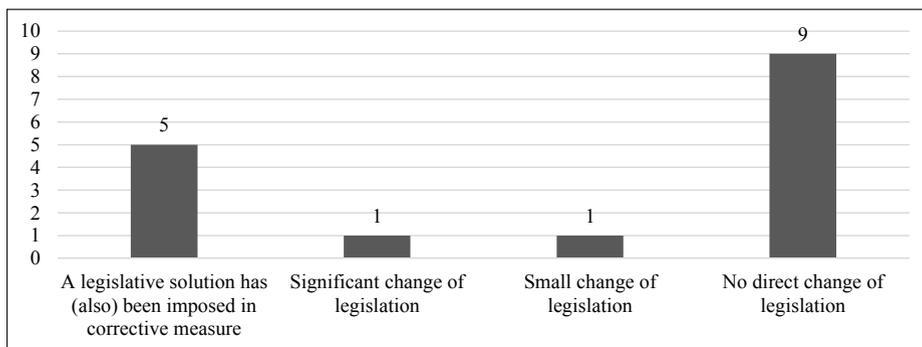


Source: Author, based on the information from the Government.⁶

⁶ Information from the Government application – ODok and from the section “Documents” of the website of the Chamber of Deputies’ Control Committee.

Chart 5 below is based on the findings identified and displayed within the previous step, when the imposed corrective measures are further analysed. Here is expressed in how many cases the government has imposed a corrective measure which included also a legislative solution to the given issue. This fact illustrates the first bar chart, which shows that there were 5 such cases in total. Despite the fact that a legislative solution of the given finding was mentioned as one of the options in a total of 5 cases, the actual change in legislation following the findings of the audit occurred only in one case. In this case, a comprehensive new legislation has been prepared in the audit-concerned area. A partial legislative solution was implemented within one audit action, which can be matched with two performed audits, when the second audit was already a follow-up.

Chart 5
Legislative impacts of the audit actions of the state budget revenues since 2010



Source: Author, based on the information from the Government.⁷

Table 3 below analyses the most important factors associated with the audit actions in the area of the state budget revenues. Audit actions in this area were conducted in total by four different members of the SAO. However, as can be seen from the results shown in the table below, although member 1 has supervised the largest number of audits in this area, its audits have had the largest relative impact in terms of the number of possible legislative solutions also within the legislative changes based on the audit findings. The average duration of the audit under which a corrective measure was imposed was 8.4 months. For audits without government corrective measures, the average duration of the audit was 8.3 months. As also shown below, audits with corrective measures covered on average 10.6 auditees. For audits without corrective measures this number stood at 8.5 auditees.

⁷ Information from the Government application – ODok and from the section “Documents” of the website of the Chamber of Deputies’ Control Committee.

Table 3

Audit actions in the field of the state budget revenues – factor analysis

Audit no.	Audit duration (in months)	Member of the Office (number = specific person)	Audited period (in years)	Number of auditees	Corrective measure	Legislative solution within the corrective measure	Change in legislation
1	10	1	4	27	Yes	Yes	Yes
2	8	2	3	19	No	No	No
3	9	1	3	25	Yes	Yes	No
4	9	1	2	6	No	No	No
5	4	1	2.25	2	Yes	Yes	No
6	8	1	3	8	Yes	Yes	Yes
7	7	3	5	4	No	No	No
8	10	1	3	7	Yes	Yes	No
9	9	2	4	8	Yes	No	No
10	9	1	3	7	Yes	No	No
11	9	2	8	5	No	No	No
12	8	4	4	1	Yes	No	No

Source: Author, based on the audit reports and the information from the Government.⁸

The following section analyses areas of detected system deficiencies. These systemic shortcomings again concern the same sample of audits that is contained in the previous sections of this subchapter. Table 4 below thus quantifies and summarises the amount and relative representation of deficiencies in the audit area of the state budget's revenues. The analysis of documents, especially EU reports and annual reports supplemented by opinions requested by the Ministry of Finance⁹, found out that the highest success rate in implementation of the recommended corrective measures or, respectively, the highest immediate elimination of the identified deficiencies, occurred in the context of accounting and reporting deficiencies. This area has been defined for all accounting errors, i.e. in particular inappropriately accounted items and mistakes made by wages clerks. The maximum, i.e. 100%, success rate was achieved also within the category "other". This area could not be clearly defined. The last area where the SAO's recommendations were fully adopted is defined under the category missing comprehensive legislation. A higher level of compliance with the SAO's recommendations is also present in the category

8 Information from the Government application – ODok and from the section "Documents" of the website of the Chamber of Deputies' Control Committee.

9 Under the Freedom of Information Act.

management and control system/control activities, which includes effectiveness, the system and implementation of control activities of the auditees, as well as any potential management deficiency.

On the other hand, the implementation of recommendations in areas such as the conceptual and strategic management or unsatisfactory legal regulation is far less successful. Strategic management addresses long-term goals, so these usually do not relate to some quickly resolvable deficiency but rather to an implementation of long-term visions within the given areas. Unsatisfactory regulation in turn involves proposed partial changes within the system, so these are not concerned with the lack of comprehensive legal regulation. When trying to quantify the recommendations in the audit reports and their implementation by auditees, fulfilment is satisfactory in 51 % of the cases. When we disregard the cases where the corrective action is no longer needed, the figure rises to 55 % of the cases. In this regard, however, it is necessary to mention two important factors that significantly influence this calculation. The first is to note that the “missing comprehensive legislation” category will only be considered to be a single SAO’s recommendation. That is to say, although it concerns only one area, the “missing comprehensive legislation” item can also be seen as a set of individual recommendations. The second important factor is the fact that the fulfilment of these recommendations is evaluated at a certain point in time, in this case at the time of issuance of the opinion by the auditee. It is thus not ruled out that the auditee will eventually comply with the recommendation, albeit several years after the SAO’s audit has been concluded.

4.3 Audit actions in the last five years – state property

Chart 6 below shows the number of all completed SAO audit actions for the period from 2011 to 2016. The average number of audits is expressed by the column chart, and for the selected time period it comes down to an average of 38 audit actions per year, as already mentioned in subchapter 4.2. Within the period under review, it is evident that the number of completed audit actions in the state property domain considerably varies and regularly fluctuates over the years. On average, there were 2.17 executed audits per year. The relative significance of this audit area is in turn illustrated by the line graph. This type of audit is thus comparable in terms of the numerical relevance to the audits in the previous examined area.

Table 4

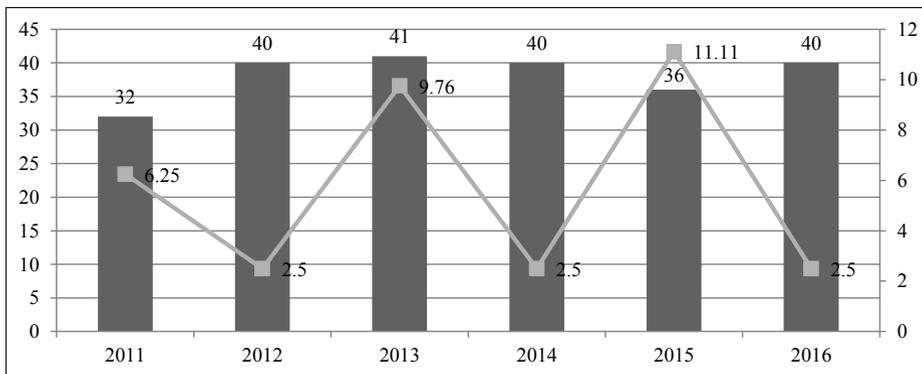
System deficiencies in the field of the state budget revenues in the last five years

Problem area of system deficiency/recommendation	The measure has been met	The measure has been partly or almost completely fulfilled	The measure was not accepted/was insufficient	The measure has not been met	The measure is no longer needed
State revenues and other funds	33% (4)	25% (3)	25% (3)	17% (2)	0%
Selection and implementation of the project	0%	0%	67% (2)	0%	33% (1)
Unsatisfactory/inadequate legal regulation	0%	33% (3)	56% (5)	0%	11% (1)
Management and control system/control activities	57% (4)	14% (1)	14% (1)	0%	14% (1)
Management of state property/state enterprises	50% (1)	0%	50% (1)	0%	0%
Selected costs	0%	0%	100% (1)	0%	0%
Conceptual and strategic management	14% (1)	14% (1)	57% (4)	0%	14% (1)
Accounting and reporting	100% (4)	0%	0%	0%	0%
Development and operation of ICT	50% (1)	0%	50% (1)	0%	0%
Ineffectiveness of the measure	0%	50% (1)	50% (1)	0%	0%
Other	100% (1)	0%	0%	0%	0%
Missing comprehensive legislation	100% (1)	0%	0%	0%	0%

Source: Author, based on the audit reports, annual reports, information from SAO¹⁰ and opinions of auditees.

10 Information from the audit actions; EU reports.

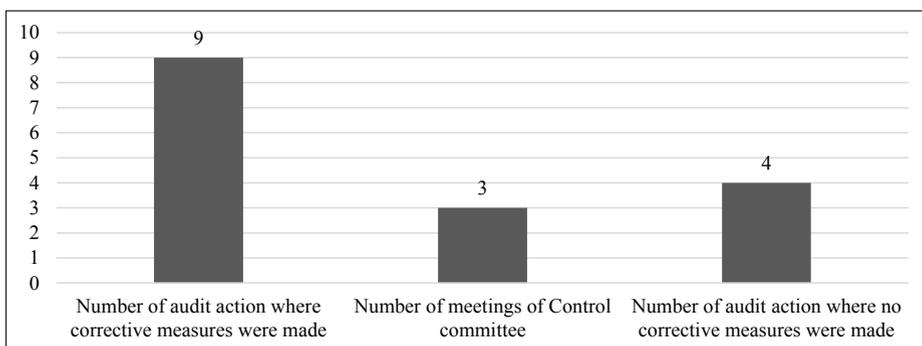
Chart 6
Number of finished audit actions – state property



Source: Author, based on the annual reports of SAO from 2011 to 2016.

Chart 7 below relates to the previous chart. Therefore, it concerns the same audits. The analysis found that based on the audit reports, 58.3 % of the SAO’s audit actions commenced during the period 2010–2015 were subject to the government-imposed corrective measure. For the remaining audits, the government did not act in any way and only took note of the detected facts. Three audit reports were also discussed in the Control Committee of the Chamber of Deputies. The corrective measures imposed were further analysed. However, none of the 13 audit actions in the domain of the state property had any legislative impact. Within the corerctive measures, no legislative solutions to the given issues were imposed, either.

Chart 7
Impacts of the audit actions of the state property since 2010



Source: Author, based on the information from the Government.¹¹

¹¹ Information from the Government application – ODok and from the section “Documents” of the website of the Chamber of Deputies’ Control Committee.

Table 5 below analyses the most important factors associated with the state property audits. The audit actions in this area were supervised by 10 different SAO members. However, as can be seen from the results shown in the table below, a higher relative number of the corrective measures was imposed within audits that lasted for a longer period of time. Due to the large number of different members supervising the audits in this audit area, it is not possible to tell which member has supervised the most successful audits. Two audits also related to a period significantly longer than 3 years. Within one of these audits, a corrective measure was subsequently issued while in the case of the other audit, no measure has been imposed. As shown below, the audits with corrective measures averaged 2.6 auditees. For audits without any corrective measure, there were 5.3 auditees.

Table 5
Audit actions in the field of the state property – factor analysis

Audit no.	Audit duration (in months)	Member of the Office (number = specific person)	Audited period (in years)	Number of auditees	Corrective measure	Legislative solution within the corrective measure	Change in legislation
1	7	5	2	9	No	No	No
2	7	5	3	1	Yes	No	No
3	7	6	5	3	No	No	No
4	6	2	2	1	Yes	No	No
5	8	3	9	2	Yes	No	No
6	7	5	2	7	Yes	No	No
7	7	7	3	1	Yes	No	No
8	5	8	3	7	No	No	No
9	7	9	3	3	Yes	No	No
10	8	1	3	2	Yes	No	No
11	7	10	3	3	Yes	No	No
12	7	7	3	3	Yes	No	No
13	6	11	3	2	No	No	No

Source: Author, based on the audit reports and information from the Government.¹²

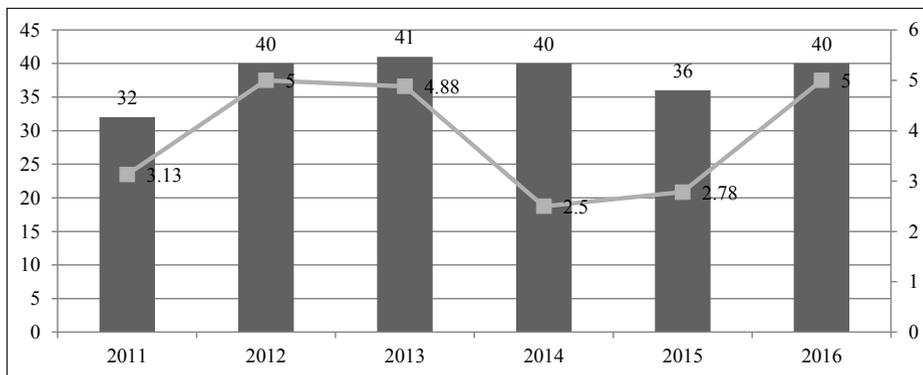
4.4 Audit actions in the last five years – state-owned enterprises

Chart 8 below shows the number of all completed SAO audit actions for the period from 2011 to 2016. The average number of actions is again expressed in the column

¹² Information from the Government application – ODok and from the section “Documents” of the website of the Chamber of Deputies’ Control Committee.

chart and shows on average 38 audits per year for the selected period. Over the monitored period, the number of audits performed in the state-owned enterprises did not exceed 5 % of the total number of audits performed by the SAO. Compared to the audits in the previous audit areas, i.e. state property and the state budget revenues, these audits do not reach such relative significance, as shown by the values of the line chart. The sample also includes two audit actions that were both initiated and completed in 2016. This is not a very common case, as most audits conclude in the year that follows their initiation.

Chart 8
Number of the finished audit actions – the state-owned enterprises



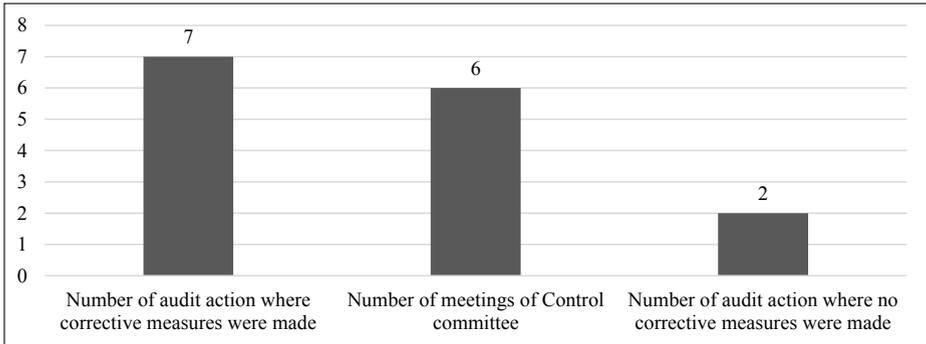
Source: Author, based on the annual reports of SAO from 2011 to 2016.

Chart 9 below includes the above-mentioned audits. The analysis revealed that 77.8% of the audit actions performed by the SAO over the selected period resulted in the government-imposed corrective measures. For the remaining audits, the government did not take any action and only took note of the uncovered facts. Six audit reports were also discussed in the Control Committee of the Chamber of Deputies. Compared to the previous areas, the number of audit reports discussed by the Control Committee is very high and reaches 66.7%. None of the nine audit actions in the state-owned enterprises had any legislative impact. As part of the corrective measures, no legislative solutions to the given issues were imposed, either.

Table 6 below analyses the most important factors associated with the audit actions of the state-owned enterprises. Audits in this area were supervised by 3 different members of the Office. Although most of the audits in this area were supervised by one member, in terms of the number of corrective measures imposed by the government per number of audits the success rate was 100%. The remaining two members of the SAO have achieved 50% success in two audits and 0% success in one audit. As further shown in the table below, a higher relative number of corrective measures was imposed by the government for longer-lasting audits, that

is 8.6 vs. 7 months on average. Although most of the audits discussed here have covered the period of 2 or 3 years, the audit related to the longest, 10-year period, was once again (as in the previous audit area) without any government-imposed corrective measure. As also shown below, for the audits with corrective measures, the average number of auditees was 2.6. For audits without any corrective measures, there were on average 2.5 auditees.

Chart 9
Impacts of the audit actions of the state-owned enterprises since 2010



Source: Author, based on the information from the Government.¹³

4.5 Audit actions in the last five years – the state funds

Chart 10 below shows again the number of all completed SAO audit actions for the period from 2011 to 2016. The average number of the actions is expressed in the column chart and shows on average 38 audits per year for the selected period, as already mentioned in previous subchapters. Within the period under review, it is evident that the number of completed audit actions in the domain of the state funds is relatively low. In addition, no more than one audit was completed in any individual year over the period under review. In some years, no audit has even been completed at all. Thus, within the examined audit areas, this is the least significant domain both in relative and in absolute terms. The reason is the smaller scope of this domain, which currently represents the state funds.

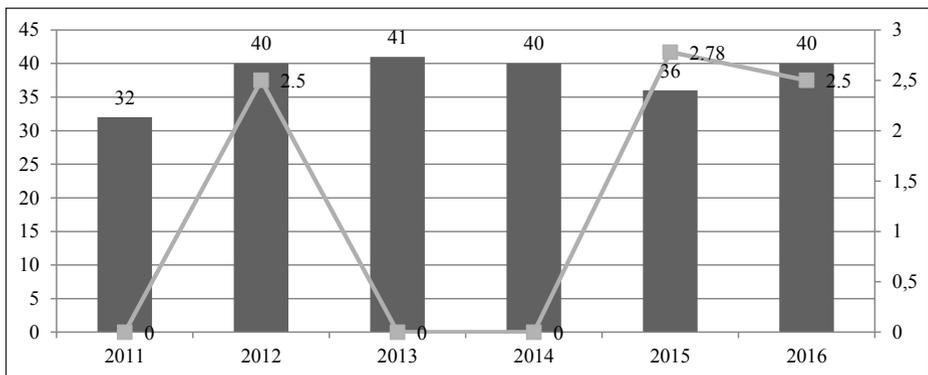
¹³ Information from the Government application – ODok and from the section “Documents” of the website of the Chamber of Deputies’ Control Committee.

Table 6
Audit actions in the field of the state-owned enterprises – factor analysis

Audit no.	Audit duration (in months)	Member of the Office (number = specific person)	Audited period (in years)	Number of auditees	Corrective measure	Legislative solution within the corrective measure	Change in legislation
1	9	12	2	2	Yes	No	No
2	9	13	2	2	Yes	No	No
3	8	13	3	2	Yes	No	No
4	7	13	3	2	Yes	No	No
5	7	12	3	2	No	No	No
6	10	13	2	2	Yes	No	No
7	9	13	3	3	Yes	No	No
8	8	13	3	5	Yes	No	No
9	7	10	10	3	No	No	No

Source: Author, based on the audit reports and information from the Government.¹⁴

Chart 10
Number of finished audit actions – the state funds



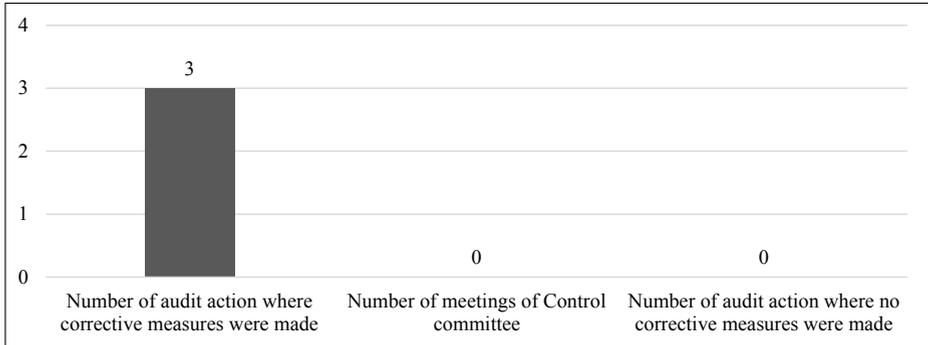
Source: Author, based on annual reports of SAO from 2011 to 2016.

Chart 11 below relates to the above-mentioned audits. Although only 3 audits were conducted in this area during the period under review, the analysis has revealed that all three of these audit actions were subject to the government-imposed correc-

¹⁴ Information from the Government application – ODok and from the section “Documents” of the website of the Chamber of Deputies’ Control Committee.

tive measures. The possibility of a legislative solution to the problem was mentioned within one corrective measure. However, none of the three audit actions in the state funds’ domain had any legislative impact. Although one audit action in this area has identified deficiencies requiring legislative solutions, the issue that has called for a change in legislation has already been resolved by amending the Audio-Visual Law.

Chart 11
Impacts of the audit actions of the state funds since 2010



Source: Author, based on the information from the Government.¹⁵

Table 7 below analyses the most important factors associated with the audit actions in the domain of the state funds. The audit actions in this area were supervised by three different SAO members. The possibility of a legislative solution relates to the audit which lasted the longest period of 9 months.

Table 7
Audit actions in the field of the state funds – factor analysis

Audit no.	Audit duration (in months)	Member of the Office (number = specific person)	Audited period (in years)	Number of auditees	Corrective measure	Legislative solution within the corrective measure	Change in legislation
1	9	3	3	4	Yes	Yes	No
2	7	14	4	1	Yes	No	No
3	7.2	5	3	1	Yes	No	No

Source: Author, based on the audit reports and information from the Government.¹⁶

15 Information from the Government application – ODok and from the section “Documents” of the website of the Chamber of Deputies’ Control Committee.

16 Information from the Government application – ODok and from the section “Documents” of the website of the Chamber of Deputies’ Control Committee.

As shown in Table 8 below, the total number of filed criminal notifications does not significantly differ among the compared four audit areas. Although two criminal notifications were filed within the state property audits, they both related to one audit. In the context of the benchmarked audit areas, criminal notifications thus always concerned only one audit. Taking into account the number of audits in the given period, in terms of criminal notifications the most important audits are in the domain of the state funds, where one in three audits culminated in the criminal notification.

A rather bigger difference can be seen in the number of notifications to the tax administrator. In this respect, the highest absolute and relative share belongs to the audit domain of the state property. Our analysis of the relevant audit reports has found out that the reason for this fact is that the state property audits vis-à-vis audits in the remaining audited areas identify accounting discrepancies more often.

Table 8
Audit actions in total – number of notifications since 2010

Type of audits	Notifications to tax authorities	Criminal notifications
State budget revenues	2	1
State property	5	2
State-owned enterprises	1	1
State funds	–	1

Source: Author, based on the information from SAO.¹⁷

5. Discussion

Although the main objective of the article was to prove or disprove the two specified hypotheses, namely the hypothesis of majority compliance with the recommended corrective measures by the auditees and the hypothesis of a large number of legislative changes adopted on the basis of the audit findings in the domain of the state budget revenues, the most important factors associated with the audit actions and the number of government-imposed corrective measures were also analysed. Despite the fact that, e.g., Lonsdale (1997) lists other possible ways to evaluate the activity or, respectively, the impact of the activity of the supreme audit institutions, no further specific assessment methods were employed in this study. Within the impact assessment, the impact on the media could further be assessed. The hypothesis could then be that the greatest media impact is recorded by financial audits, since for the auditees they clearly quantify the total amount of the accounting misstatements. A clear quantification of the deficiencies is undoubtedly better grasped and

¹⁷ Information from the audit actions, audit reports.

communicable through the media. In a similar way, a hypothesis could be established on the greatest impact of those audits in which a criminal notification was filed. Each supreme audit institution should have a natural interest in getting the results of its audit activity known to the highest possible extent. Therefore, on the basis of such findings the concerned supreme audit institution might theoretically want to produce a larger number of such audits, for which their higher impacts would be clearly evident. In case such a hypothesis is confirmed, a larger number of financial audits could therefore be subsequently carried out at the expense of the performance or legality audits. Another form of impacts that was not considered in this study are the financial impacts or, respectively, the financial savings achieved through the audit activity. However, since the Czech SAO does not quantify the financial savings achieved by the audit, such a comparison could not have been carried out. Therefore, according to Pollit (1999) the most frequently used instrument of measuring the impact of the SAO's activity was adopted in this respect, i.e. the share of the recommendations adopted by the Parliament or the Government for the purpose of legislative changes.

As mentioned above, the Czech SAO currently does not quantify the revenue increases or expenditure cuts in the audited area due to the specific audit findings. The SAO merely quantifies the amount of funds that were audited or expended by auditees in the past. For example, the SAO does not provide any information on the volume of financial resources that – as a result of its audit – will no longer be uselessly spent in the future periods. In this regard, the SAO relies in particular on the data provided to it by the auditees. These data can potentially be verified only by the follow-up audits. For example, a possible quantification of the audit findings in the area of the state budget revenues can be the dynamic expansion of a new technology that rapidly expels the existing technology serving the same purpose but remaining the subject of taxation. If the competent authorities did not recognise such a threat in time, the consequence would be less tax revenues collected into the state budget over the given period. Such a finding can be quantified. As part of the impact assessment it would also be possible to quantify on which areas the SAO focuses more often within its legal competencies and, on the other hand, which areas are audited less frequently. Is there an area that has not yet been audited by the SAO since 1993, although it could have been audited? However, the area to be audited is the managerial decision of the SAO's Council, i.e. the president, the vice-president and the SAO members.

The assessment of the impact of the audit activities of the supreme audit institutions may be relatively trouble-free in case these institutions provide sufficient information on their activities or, respectively, sufficient information on the results of their audit activities, or possibly on the development of the impact of the performed audits. Nevertheless, in some cases the information provided may not be sufficient to answer clearly the question asked. This was also the case of the Czech SAO, where additional information from additional sources had to be found based

on the information published in the annual reports, for example, Resolutions of the Government of the Czech Republic, the Control Committee of the Chamber of Deputies, audit reports of the SAO and EU reports. To better define the areas and to understand the given shortcomings, opinions of the auditees which responded to the audit reports were also obtained. These opinions were obtained on the basis of a request for information. In case the opinions of auditees were not issued only after the audit reports were published but the audit report would instead already include the auditee's opinion on the given audit report, public pressure on the auditees and possibly the government itself may be boosted. The pressure would occur through the media-communicated information. Although the annual reports or EU reports provide a simplified view of the compliance with imposed recommendations, a comprehensive picture can only be obtained by looking at and analysing both the relevant audit reports and the auditee's opinions. A joint publishing of the audit report and the relevant opinion could thus increase the pressure on the auditees to react as clearly as possible and, in problematic points, make more of an effort to find the best possible solution.

In the context of a brief international comparison, based on the output of the study by González et al. (2008), in the case of the Czech SAO, it cannot be said that it would be somewhat better or worse than the average of the selected SAIs. Like most of the SAIs reviewed in this study, it is concerned with evaluating recommendations from the carried audit actions. However, it is necessary to add that there are also SAIs that try to quantify the savings and income generated (SAI Germany) or directly generate a financial impact report (SAI UK), though SAI UK itself is aware of the fact that there are cases where the impact cannot be quantified in any way. On the other hand, some SAIs do not provide any information regarding the impact of their activity (SAI Spain). In this respect, it can only be stated that there is room for further positive changes for the Czech SAO in the area of impact assessment.

6. Conclusion

The results show that the government has imposed relatively more corrective measures on audits carried out in the field of the state-owned enterprises and state funds, which could be a good signal for further audits in these areas in the future, not only in terms of possible shortcomings but also because the measures taken will need to be evaluated in some way over time. Due to the fact that the identified shortcomings did not result in any immediate legislative changes in these areas, the adopted internal measures can hardly be fully objectively evaluated. Over the course of its audit, the SAO must rely only on the facts given to it by the auditee. However, this information can in some cases be hard to verify (with the exception of ex-post audits), in particular in the case of compliance with the internal directives of auditees or inadequate supervision under the existing legislation, for which reason the overall impact may in some cases be significantly smaller. On the other

hand, it holds true that if there is a gap in the law, the SAO will reveal it and the Government, on the basis of the SAO's audit findings, will instruct the authority concerned to develop a new legal arrangement (which eventually actually arises), so the overall impact is clearly evident.

The imposition of a corrective measure by the Government generally indicates that the audit uncovered a number of significant shortcomings or deficiencies that were identified but remained unremoved during the audit action. Although the SAO's recommendations based on identified deficiencies are not always aimed at changing the legislation, the change in legislation is the clearest indicator for assessing the impact of audits performed by the SAO. Based on a sample of audits focused on the state budget's revenues it also turned out that adopting recommendations to address accounting and reporting deficiencies for auditees was not as problematic as adopting the recommendations to address deficiencies in the sphere of an insufficient legal arrangement or the conceptual and strategic management. Given that the recommendations contained in the audit reports are based on a relatively long process involving both objections to the audit protocols and possible appeals against objection decisions, the level of final compliance should be greater than 50 %. The results showed that the level of final compliance was greater than 50 % and the hypothesis on implementing most of the corrective recommendations has been met. Over the selected five-year period, this level is 51 % for audits of the state budget revenues. If recommendations for which no action is needed were ruled out, the success rate, i.e. acceptance and compliance by the auditee, is 55 %.

Within the impact of the SAO's activity on the Parliament through the Control Committee of the Chamber of Deputies of the Czech Republic and the Government on the basis of the frequency of the government-imposed measures to correct the non-conforming situation, over the selected period the hypothesis was confirmed that a larger number of legislative changes as well as possible legislative solutions within the government-imposed corrective measures were implemented within the audit area of the state budget revenues. This hypothesis was established in the context of the current international and national pressure to combat tax evasion or, respectively, in connection with the significant focus of current policies on the issue of securing additional tax revenue. Audits in selected audit areas with their defined risks did not significantly differ, since these were audits of legality with the performance audit elements. The results thus provide some guidance for making audits of the state property, state-owned enterprises and state funds more focused on the issues and risks related to performance and less focused on the domain of legality. When it comes to the audit of legality with the performance audit elements, the key component of the audit is usually the part of legality to which most of the risks and audit issues should be bound. However, finding the legal non-compliance for auditees is often simply a result arising from the situation, and therefore it is not as time-consuming as identifying possible shortcomings and legislative gaps in existing legislation. At present, when the legal environment in the Czech Republic

is relatively well developed, it would be more meaningful, based on the findings, to focus audits in the area of state property primarily on the performance-related risks (the so-called "3E").

Within analysis of the most important factors that could impact the outcome of the audit or, respectively, whether or not a corrective measure was imposed by the government, it has turned out that for audits in the field of the state budget revenues, the person of the member of the SAO who supervised the audit action was a relatively substantial factor. The study has also analysed two periods with the aim to identify a trend in the use of the audit reports by the government. The analysis has revealed that the usage of the SAO's audit reports has increased in the second reference period, i.e. from 2005 to the present.

Generally speaking, the SAO is not in a very advantageous position, and although it may gain useful knowledge within its audit process for potentially amending the legislation, it has no chance to enforce it. More specifically, although, e.g. in the context of some audits, it is found that the law does not sufficiently regulate a certain area, the SAO has no possibility to enforce the remedy of the given deficiency or to impose corrective measures, respectively, by any given legislative means if the Government or the Control Committee of the Chamber of Deputies does not impose corrective measures on the institution concerned. Nevertheless, even if the Government or the Chamber of Deputies imposes a corrective measure on the institution concerned (for example, it is tasked with drafting a legislative proposal that will redefine this area), it is not at all certain whether a change in legislation will eventually occur. The reason may be, e.g., a change in the Government within the upcoming elections. As already stated in the introduction to this summary, in the framework of the impact assessment, the auditees can declare the elimination of the identified deficiencies, so a resulting satisfaction of the SAO with removed shortcomings may appear. However, their actual removal was, in some cases, confirmed or refuted only by a subsequent audit carried out in the given area. As has already been mentioned in the discussion section, a financial assessment of the benefits of audit actions is generally complex, and the SAO only describes the total volume checked and possible misconducts – ineffective or uneconomic spending. For this reason, in this study the total financial benefits were not assessed, nor could they be, and neither were these benefits compared in any way.

In summary it may be concluded that the shortcomings found revealed both the failure of the management, lack of supervision, mistakes of individual workers, and the gap in the legal regulation leading to the acquisition of knowledge for the change of legislation. As a result of the elimination of the identified deficiencies, the internal regulations were amended, the law was observed, or the employees were replaced in the relevant, concerned departments. With respect to the rating of the selected methods, the weakness of the assessment of the SAO's contribution is mainly due to the adopted legislative changes. However, this is partly a result of the current

situation of the Czech SAO. Another weak point is the fact that assessing audit actions based on the current state of affairs does not mean that the overall impact of the SAO's activity may be somewhat larger.

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Annex 1

Audit action no. 10/08 and 13/15 – Reporting of charges for breach of budget discipline

Within the framework of these two audits, the SAO found the system of levy management ineffective. Between 2006 and 2009, on average 90 % of the imposed sanctions (levies and penalties) were passed, and the system produced unnecessary administrative costs to both the public administration and grants' recipients.

The Government of the Czech Republic took note of audit action no. 10/08 but it did not take any action. The Control Committee of the Chamber of Deputies of the Parliament of the Czech Republic adopted Resolution no. 87 on 7 June 2011 and Resolution no. 97 on 13 October 2011 on the audit report of audit no. 10/08 and asked the Minister of Finance to prepare and submit (in 2012) a proposal for streamlining the system of the management of levies for the breach of the budgetary discipline and to propose the relevant legislative changes.

In the follow-up period (action no. 13/15), 73% of the levies and penalties were legally waived. On the basis of the audits carried out, there was an improvement, a stricter procedure and changes in the legislation, which would solve the identified shortcomings. However, the positive effects of the measures introduced depend to a large extent on the active approach of grant providers, in particular when setting the conditions and their audit activities.

Audit action no. 13/35 – State budget revenues related to the operation of lotteries and other similar games

In audit action no. 13/35, the SAO found that no conditions had been created for the effective and efficient administration of the management of levies and state supervision. In particular, the Ministry of Finance did not create a working system of state supervision and it did not provide the financial authorities with the necessary conditions for the correct, complete and timely detection and assessment of levies.

The Ministry of Finance accepted the SAO's complaints and developed a completely new legal regulation in this area, which was adopted by the Parliament of the Czech Republic. The SAO audit findings also had a criminal impact on one of the Deputy Ministers.