



Audit Report

18/33

Aid under the Operational Programme *Prague – Growth Pole of the Czech Republic* provided for social inclusion and combating poverty

The audit was included in the audit plan of the Supreme Audit Office (hereinafter the “SAO”) for 2018 under number 18/33. The audit was headed and the Audit Report drawn up by the SAO member Jan Kinšt.

The aim of the audit was to verify whether the audited entities provided and drew funds for selected measures of the Operational Programme *Prague – Growth Pole of the Czech Republic* effectively and efficiently and in compliance with legal regulations.

Audited entities:

CITY OF PRAGUE;

Selected aid beneficiaries: Jako doma – Homelike, o.p.s., Prague; RUBIKON Centrum, z.ú., Prague; R – Mosty, z.s., Prague; Prague Social Services Centre, City District of Prague 14, City District of Prague-Satalice, Ing. Marie BREUSSOVÁ, Libeň 120, Libeň (District of Prague-West); City District of Prague-Slivenec, Duhový tandem z.s., Prague; InBáze, z. s., Prague; City District of Prague 20; DOMUS VITAE, z.ú., Prague; Organizace pro pomoc uprchlíkům, z.s., Prague; COMEFLEX ACCOUNTING s.r.o., Prague; In nostrum posterus, z.s., Prague; Studujte.cz, o.p.s., Prague; VČELÍ ÚL, z.s., Prague.

The audited period was from 2014 to 2017, and the preceding and subsequent periods where relevant.

The SAO audited the above mentioned entities between May and December 2018.

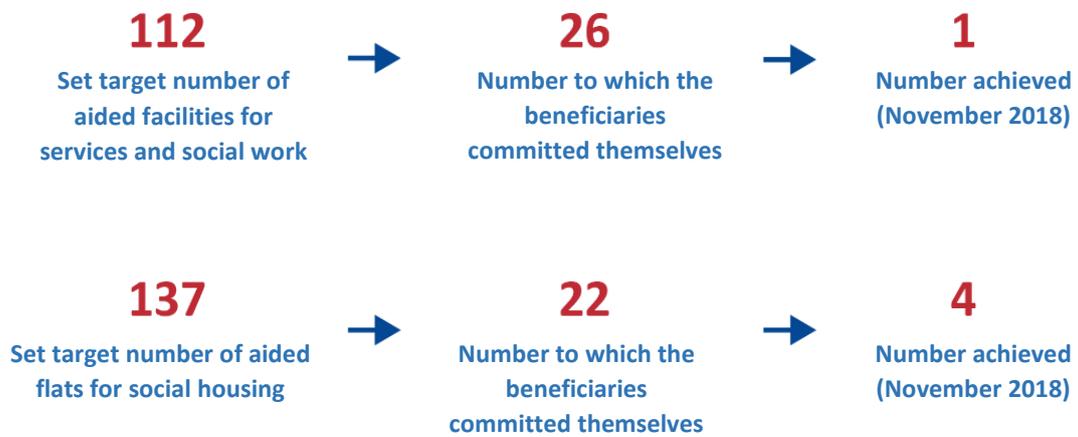
The **Board of the SAO** at its III meeting held on 25 February 2019

approved, by Resolution no 11/III/2019,

the **Audit Report** as follows:

KEY FACTS

CZK 1,313 million	CZK 656.5 million	CZK 92/392.9 million	CZK 22/118.6 million
OP PGP: budget for social inclusion and combating poverty 2014-2020 ¹	→ of which a contribution from EU funds	Number of implemented projects/their financial volume ²	→ of which number of audited projects/their financial volume



40 %

The share of projects assessed by the SAO as ineffective or effective to a limited extent out of the total number of projects evaluated

45 %

The share of projects assessed by the SAO as inefficient or efficient to a limited extent out of the total number of projects evaluated

11-18 months

Period of assessment of submitted projects by the Managing Authority within the audited calls (the time limit was 7 months)

?

The specific contribution of the programme to combating poverty and to social inclusion in Prague and to the implementation of the *Europe 2020* strategy has not been established; its contribution will be difficult to evaluate.

¹ Operational Programme *Prague – Growth Pole of the Czech Republic*; converted from EUR 51,607,068 at an exchange rate of CZK 25.437/EUR at the start of the SAO audit

² Total budgeted eligible expenditure in physical and financial implementation at the start of the SAO audit

I. Summary and Evaluation

1.1 The SAO audited the funds spent under the Operational Programme *Prague – Growth Pole of the Czech Republic* (hereinafter the “OP PGP” or the “Programme”) to promote social inclusion and combat poverty, paid within the EU programming period of 2014-2020 from Priority Axis 3 (hereinafter “PA 3”) of the Programme. With this aid, the City of Prague (hereinafter “Prague”) is to contribute to the fulfilment of the *Europe 2020*³ strategy priorities to which the Czech Republic has committed itself.

1.2 The aim of the audit was to verify whether the audited entities provided and drew funds for selected measures of the OP PGP effectively and efficiently and in compliance with legal regulations. The audit was carried out in the City of Prague, where it focused on Prague’s activities as the Managing Authority (hereinafter the “MA”) of the Programme, and at 17 selected subsidy beneficiaries, for which the implementation of 22 projects approved by the MA for aid was examined.

1.3 The audit found shortcomings in the design, management and implementation of PA 3 of the OP PGP, which significantly reduce the effectiveness and efficiency of the provided and drawn funds. At the same time, they also limit the conclusive and verifiable contribution of the Programme to combating poverty and to social inclusion in Prague and to the *Europe 2020* national targets. The SAO also assessed some of the shortcomings as a breach of budgetary discipline on the part of the provider (the Managing Authority) and some beneficiaries.

1.4 This overall assessment is based on the following main audit findings:

- a) The objectives of PA 3 of the OP PGP are not set as sufficiently SMART⁴. The MA did not set indicators to monitor the effectiveness (success, benefit) of the Programme, i.e. with what objective and result the Programme helped to reduce poverty and ensure social inclusion. The target indicators rather have the character of outputs in terms of e.g. the number of built or operating facilities or the number of persons using the services and activities aided. (see paragraphs 4.3 to 4.5).
- b) The target values of some indicators, in particular in the area of strengthening social infrastructure (including social housing) and activities for integration, community-based services and prevention, are unlikely to be met to a large extent, some due to an unrealistic setup (see paragraphs 4.6, 4.17 to 4.20 and Annex 1).
- c) Promoting social inclusion and combating poverty under the OP PGP are declared to be following the *Europe 2020* strategy but the Programme’s specific contribution to the achievement of national targets is neither established nor continuously monitored, and the success rate will be difficult to evaluate (see paragraphs 4.7 and 4.8).
- d) The promotion of social entrepreneurship under the OP PGP in the City of Prague is aimed at a significantly wider group of people and under more favourable financing conditions than the promotion of social entrepreneurship projects under another

³ This document is a key strategy outlining the vision of the European social market economy built on sustainable economic growth on the basis of knowledge and innovation and promoting inclusion, i.e. a high-employment economy characterised by social and territorial cohesion.

⁴ SMART = acronym: specific, measurable, achievable, relevant, time-bound.

operational programme⁵ intended also for other regions of the Czech Republic with a worse socio-economic situation. It is also significantly more advantageous, for example, compared to the aid provided by the Labour Office in Prague within the framework of an active employment policy and employment of persons with disabilities. The MA did not respond to the improving situation in the labour market in Prague as regards setting up aid for social enterprises, and fully subsidised projects for the employment of persons from target groups and in professions that are normally demanded in the market (see paragraphs 4.9 to 4.12).

- e) The MA receives only limited information from the monitoring system on the fulfilment of the performance indicators of individual projects, which cannot then serve to effectively monitor the fulfilment of the PA 3 objectives. The reasons lie in the incorrect construction, i.e. the manner of fulfilling some indicators, and in the obligation to report real data only at the end of the project. Problems with reporting interim results were identified by the SAO in 18 out of 22 projects audited (see paragraphs 4.13 to 4.16).
- f) Aid under PA 3 is mostly targeted at building and operating cultural community centres and social enterprises, which together accounted for more than four-fifths of the volume of funds under projects aided or recommended for aid as at October 2018 (over 92 % in terms of the number of projects). By contrast, the share of aid for other activities such as shelters, protected workplaces, social flats and social services is very low. In addition, while some community centres focus on working with evidently socially excluded clients or clients at risk of social exclusion (e.g. homeless people, former prisoners etc.), where there is an apparent potential to help solve those people's problems, many such centres focus on a broadly and generally defined group of seniors and families with children in an unfavourable economic situation. However, the benefits of the activities of these centres for people who are actually socially excluded or at risk of social exclusion are not monitored, with some exceptions. An inappropriate definition of the terms "activation of local communities" and "local benefit" by the MA in aiding social entrepreneurship projects does not contribute to an effective targeting of aid (see paragraphs 4.21 to 4.31).
- g) The SAO assessed 60 % (12 out of 20) of the projects assessed as effective or with only slight shortcomings. The remaining 40 % of the projects were assessed as effective to a limited extent or in effective. This category included mainly projects of social enterprises but also e.g. semi-budgetary organisations established by Prague (see paragraphs 4.32 to 4.34 and Annex 2).
- h) The parameters of the first calls for project proposals contained some redundant requirements and did not give potential applicants sufficient time to process the applications, which could be one of the reasons for the low interest in participating in the Programme. The MA implemented corrective measures in this respect. However, the efficiency of the OP PGP PA 3 administration was significantly reduced by the long duration of the MA's assessment of individual applications. It took the MA 11-18 months, thereby significantly exceeding the set time limit of 7 months. Furthermore, the MA failed to respect the binding deadlines for the payment of subsidies to beneficiaries (see paragraphs 4.37 to 4.45).

⁵ OP *Employment* under the responsibility of the MoLSA.

- i) Slightly more than a half of the audited projects (12 out of 22, i.e. 55 %) were evaluated as efficient or with only slight shortcomings. The SAO assessed the remaining 10 projects as efficient to a limited extent or inefficient. Most critically assessed projects were two projects of social enterprises, semi-budgetary organisations established by Prague and city districts (see paragraphs 4.46 to 4.48 and Annex 2).
- j) The SAO assessed some of the shortcomings found at the MA as a failure to comply with the provisions of the Czech and EU legislation, indicating a breach of budgetary discipline and irregularities in an aggregate amount of up to CZK 6.8 million. Ineligible expenditure was found at 6 beneficiaries, which was assessed as a breach of budgetary discipline of up to CZK 4.9 million. No shortcomings were identified in checking compliance with accounting, public procurement and property insurance policies (see paragraphs 4.50 to 4.54).

II. Information on the Audited Area

Operational Programme Prague – Growth Pole of the Czech Republic

2.1 Pursuant to the *Partnership Agreement*⁶, the Czech Republic draws funds from the European Structural and Investment Funds (hereinafter the “ESI Funds”) in the programming period of 2014-2020 through thematic operational programmes (hereinafter “OP”). One of them is the OP PGP.

2.2 The basic starting point of the OP PGP is the position of the City of Prague as a centre of supra-regional importance that contributes to increasing competitiveness and economic growth of the whole Czech Republic. The global objective of the OP PGP is not set but is defined indirectly in relation to the priorities set in the *Europe 2020* strategy. The OP PGP promotes interventions focused on five thematic objectives for the ESI Funds, identified under four material priority axes⁷ (hereinafter “PA”) of the OP PGP:

- Investment in research, development and innovation for practice → PA 1,
- Reducing the energy intensity of the economy → PA 2,
- **A functioning social system and combating poverty → PA 3,**
- Promoting sustainable and quality employment and promoting workforce mobility → PA 4,
- Improving the quality of the educational system → PA 4.

2.3 The European Union participates in the financing of the OP PGP through two of the ESI Funds, namely the European Regional Development Fund (hereinafter the “ERDF”) and the European Social Fund (hereinafter the “ESF”), which together represent 50 % of the Programme budget resources. The remaining 50 % is financed from national sources, namely from the Prague budget and from private sources of beneficiaries. The budget of the OP PGP according to the individual priority axes and sources of financing is presented in the following Table 1:

⁶ The fundamental document for drawing EU funds under Article 14 of Regulation (EU) no 1303/2013 of the European Parliament and of the Council of 17 December 2013 (hereinafter the “General Regulation”), approved by the European Commission on 26 August 2014.

⁷ The fifth priority axis is intended to finance technical assistance.

Table 1: Funding plan of the OP PGP**(in EUR '000)**

Priority axis	Fund	EU aid	Member State contribution	Total funding
1 – Strengthening research, technological development and innovation	EFRR	62,493	62,493,	124,986
2 – Sustainable mobility and energy savings	EFRR	56,773	56,773	113,547
3 – Promoting social inclusion and combating poverty	EFRR	12,499	12,499	24,997
	ESF	13,305	13,305	26,610
4 – Education and training and employment promotion	EFRR	21,847	21,847	43,694
	ESF*	23,586	23,586	47,172
	ESF**	3,024	3,024	6,048
5 – Technical assistance	ESF	8,063	8,064	16,126
Total	X	201,590	201,590	403,180

Source: Operational Programme Prague – Growth Pole of the Czech Republic, version 8.2.

* ESF aid under thematic objective 10.

** ESF aid under thematic objective 8.

Issue of combating poverty and promoting social inclusion in the Czech Republic

2.4 Following the fulfilment of the social objectives of the *Europe 2020* strategy, the Government of the Czech Republic adopted the *Social Inclusion Strategy 2014-2020*⁸. It includes a commitment to contribute to the national goal of reducing poverty and social exclusion, formulated as: “*Maintaining the threshold of people at risk of poverty, material deprivation or living in households with a low work intensity at the 2008 level until 2020.*” At the same time, the Czech Republic committed to: “*... reduce the number of people at risk of poverty, material deprivation or living in households with a very low work intensity by 100,000 compared to 2008*”.

2.5 *Poverty* is most often defined in relation to the income of an individual, household etc. if it is below a certain proportion of the median national value (often considered as e.g. 60 % of the national median). *Material deprivation* means a situation in which an individual or a household cannot afford some of the common needs (e.g. paying rent, adequately heating the dwelling, covering unexpected expenses etc.). A *household with a low work intensity* is considered to be a household without an employed person (or only with a person with a low work intensity). These are also the most common factors leading to *social exclusion*, which means the process whereby individuals or groups are marginalised, and access to resources and opportunities commonly available to other members of society is made more difficult or restricted to them. Homelessness is an extreme form of social exclusion.

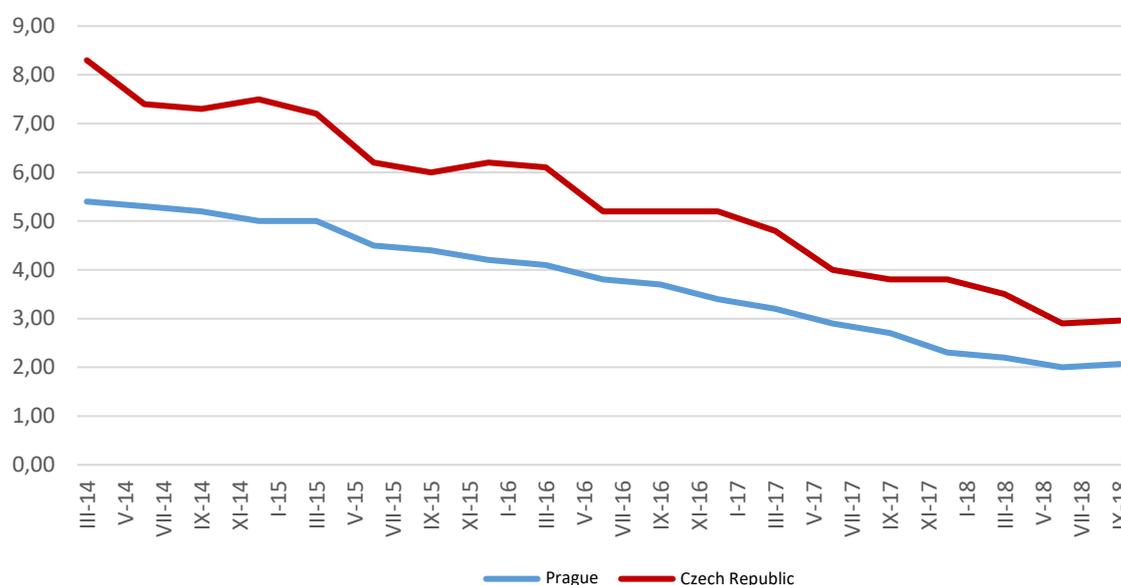
2.6 In the Czech Republic, indicators of the level of risk of poverty or social exclusion have long been significantly more favourable than the EU average. In 2013, i.e. before the start of the current programming period, the value of this indicator was even the lowest of the entire EU, representing 14.6 % (compared to the EU average of 24.6 %⁹). Despite the previous crisis economic period at the turn of the first and second decades of the 21st century, there was even a positive shift compared to 2008 (i.e. the beginning of the economic recession), when the value of this indicator was 15.3 %. The Czech Republic thus

⁸ Resolution of the Government of the Czech Republic no 24 of 8 January 2014 *on the Draft Social Inclusion Strategy 2014-2020*.

⁹ Source: Eurostat.

fulfilled one of the commitments to reduce poverty and social exclusion as early as the beginning of the EU programming period of 2014-2020. Moreover, the national economy was already in a growth trajectory and in a period of a declining unemployment rate (as a significant factor of social exclusion), see Chart 1:

Chart 1: Development of the share of unemployed persons (in %)



Source: MoLSA.

2.7 The regions of the Czech Republic with the lowest risk of poverty and social exclusion are, in the long term, the Central Bohemian Region and Prague, where this indicator was 10.2 % in 2013 and constituted roughly 70 % of the national value. Since 2013, it has been decreasing and, together with the Central Bohemian Region, has reached the lowest values among all NUTS 2 regions in the Czech Republic. In 2017, this indicator in Prague was 9.4 % and constituted 77 % of the Czech average.

Priority Axis 3 of the OP PGP: Promoting social inclusion and combating poverty in the City of Prague

2.8 In the area of combating poverty and social exclusion, the OP PGP programming document relies on the so-called problem analysis¹⁰. The analysis does not call into question the extraordinary socio-economic position of Prague within the Czech Republic in terms of indicators of economic performance and average living standard of its inhabitants. However, it also draws attention to specific social risks in Prague, such as the high number of homeless people¹¹, Prague as a frequent destination of foreign migrants, and the issue of anonymity and social incoherence in a large agglomeration.

¹⁰ Document entitled *Analysis of areas of intervention under the Cohesion Policy in the City of Prague for the 2014-2020 programming period*.

¹¹ According to estimates, about 4 thousand homeless people live in Prague (5-10 thousand households may be at immediate risk of homelessness).

2.9 In order to fulfil Priority Axis 3, three specific objectives were set in the OP PGP programming document:

- 3.1: *Strengthened social infrastructure for integration, community-based services and prevention* (hereinafter “SO 3.1”).
- 3.2: *Strengthened social entrepreneurship infrastructure* (hereinafter “SO 3.2”).
- 3.3: *Strengthened activities for integration, community-based services and prevention* (hereinafter “SO 3.3”).

Table 2: Budgetary distribution of the PA 3 allocation among specific objectives (in EUR ‘000):

Specific objective	EU funding of which:		Total
	Investment costs	Non-investment costs	
3.1: Strengthened social infrastructure for integration, community-based services and prevention	11,289	0	11,289
3.2: Strengthened social entrepreneurship infrastructure	1,210	0	1,210
3.3: Strengthened activities for integration, community-based services and prevention	0	13,305	13,305
Priority Axis 3: total	12,499	13,305	25,804

Source: Operational Programme *Prague – Growth Pole of the Czech Republic*, version 8.2.

2.10 The City of Prague is the Managing Authority¹² of the OP PGP. As part of its management activities, it announces calls for project proposals. Based on an assessment of external evaluators, it selects the projects to be aided and concludes contracts with successful applicants to which they are bound during project implementation. In order to monitor the progress and results of the projects (and hence the Programme), monitoring indicators are set which the beneficiaries are obliged to observe and report.

2.11 Eligible applicants for subsidies are Prague and its established and founded organisations, individual Prague City Districts and the organisations established and founded by them, non-governmental non-profit organisations and business entities (for which a public benefit plan is expected). Projects financed under PA 3 of the OP PGP should include, for example, the construction of shelters, the promotion of field programmes and low-threshold and threshold-free services, day centres for homeless and vulnerable people and social housing. Aid should also be given to social entrepreneurship projects and the establishment and operation of cultural and community centres and community life facilities leading to the strengthening of local social cohesion.

III. Scope of Audit

3.1 The SAO audited the funds spent under the OP PGP on social inclusion and combating poverty in the EU programming period of 2014-2020 provided from the ESI Funds. The

¹² The activities of the Managing Authority of the OP PGP are carried out within the Prague City Hall by the EU Funding Department. The Managing Authority is responsible for the management of the Programme and performs the functions set out in Article 125 of the General Regulation.

period under review was 2014-2017; both the previous and subsequent periods were also considered for contextual reasons.

3.2 The legislation applicable to the ESI Funds¹³ also requires that the funds be used with due regard for the principle of sound financial management, which specifically includes and further specifies the principles of economy, efficiency and effectiveness. **The aim of the audit was to verify whether the audited entities provided and drew funds for selected measures of the OP PGP effectively and efficiently and in compliance with legal regulations.**

3.3 The SAO audited Prague as the Managing Authority. The setting and fulfilment of the PA 3 objectives and the activities of Prague in the management of the given priority axis were assessed. The efficiency of project administration by the MA was also examined by means of inquiries directed at the beneficiaries¹⁴.

3.4 In addition, a sample of 22 projects for 17 aid beneficiaries under Calls nos 6, 17 and 18 for submitting proposals corresponding to the focus of PA 3 was selected for audit. The effectiveness and efficiency of these projects was assessed not only closely in relation to the fulfilment of contractually required outputs and other project parameters set by the subsidy provider (purpose criterion) and achievement of target indicators, but also in terms of their general definition, contained e.g. in Act no 320/2001 Coll., on Financial Control in Public Administration and Amendments to Certain Laws (the Act on Financial Control), or in the Financial Regulation. The effectiveness criterion was therefore to assess whether and how these projects led to poverty reduction and social inclusion (real results and impacts of the project). In the case of the efficiency criterion, it was a comparison of the benefits of the projects and activities implemented thereunder with the volume of money spent.

3.5 In selecting the projects to be audited, the SAO sought to ensure that the sample was sufficiently representative. Therefore, it chose the projects primarily according to the material criterion in order to ensure a proportional representation of different types of beneficiaries, material nature of the projects and their focus on different target groups. The audited entities from among subsidy beneficiaries thus included individual Prague City Districts, a semi-budgetary organisation established by Prague, non-profit organisations and business entities. Furthermore, the SAO used a quantitative viewpoint, preferring financially more significant projects. The sample of 22 projects selected for audit thus represents approximately 24 % of the total number of 92, which had not only been approved for aid at the time of commencement of the audit but were also in full implementation. The financial volume of the audited projects was CZK 118.6 million, which represents approximately 30 % of the amount of eligible expenditure of the projects approved under PA 3 at the time.

¹³ E.g. Article 30(1) of Regulation (EU, EURATOM) no 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, EURATOM) no 1605/2002 (hereinafter the "Financial Regulation").

¹⁴ Whether the requirements of the calls had not led to unnecessary administrative burden, whether the selection and administration of the projects had been carried out in time without undue delay, and whether the communication between the beneficiary and the MA had been effective and verifiable.

IV. Detailed Facts Ascertained by the Audit

A. Are the funds provided and drawn effectively?

4.1 It is considered effective to use state funds to ensure an optimal level of achievement of the objectives in the fulfilment of the set tasks¹⁵. Such an assessment of effectiveness must include an assessment of both the outputs achieved (e.g. how many and what activities have been carried out) and the results (direct effects of the intervention undertaken for the target clients of the Programme or project) and impacts, i.e. effects towards the Programme goal, i.e. social inclusion and combating poverty, sustainable in the long term. The objectives of the Programme and individual projects should therefore be set as SMART to allow such a full assessment of effectiveness by the Managing Authority itself¹⁶.

4.2 Therefore, the SAO assessed the effectiveness of PA 3 of the OP PGP according to the following criteria:

- Whether the Programme objectives were set as SMART, i.e. specific, measurable, achievable, relevant and time-bound,
- Whether and how the results of PA 3 of the OP PGP contributed to the fulfilment of the *Europe 2020* strategy,
- Whether the MA had responded to socio-economic developments in Prague during the programming period in setting up calls,
- Whether the fulfilment of objectives was effectively monitored, and whether the target values of the set indicators were expected to be fulfilled,
- Whether projects effectively leading to social inclusion and combating poverty were selected and implemented.

→ The objectives of PA 3 are not set sufficiently SMART, in particular the contribution of PA 3 to reducing poverty and social exclusion is not monitored.

4.3 In accordance with the requirements of the General Regulation and the Financial Regulation for the ESI Funds, the MA defined the expected results for each of the specific objectives of PA 3 and at the same time set six result indicators for them, specifying the initial and target values. Furthermore, it set eleven so-called output indicators, which included mainly the number of aided types of facilities (facilities for services and social work, enterprises receiving aid etc.) as well as the number of participants in the activities of individual projects or increased employment in the aided enterprises. A complete overview of the outcome and output indicators of PA 3 is given in Annex 1. The SAO notes that the monitored indicators are specific and measurable.

¹⁵ The definition of effectiveness used is based on Section 2o) of the Act on Financial Control.

¹⁶ However, the fact that the objectives of the Programme or projects are not set and approved as SMART does not mean that the SAO will not carry out its own assessment according to the set criteria on the basis of evidence obtained, additional evidence and professional judgement: *“The auditors shall establish appropriate criteria which correspond to the audit questions and relate to the principles of economy, efficiency and effectiveness. The criteria provide the basis for evaluating the audit evidence, formulating findings and reaching audit reports.” (International Standards of Supreme Audit Institutions – ISSAI 300 – Performance Audit, Article 27).*

4.4 All indicators have a target value as of the end of 2023¹⁷. Some of the indicators also have a value at the date of the factual milestone of the performance framework, i.e. at the end of 2018; their fulfilment is a prerequisite for drawing the so-called performance reserve in the amount of 6 % of the allocated PA 3 funds. The monitored indicators are therefore time-bound.

4.5 However, none of the result indicators monitor progress in poverty reduction as a key purpose of this priority axis of the OP PGP. Some of the indicators defined as result indicators (e.g. concerning the number of social enterprises active in the market, the number of beneficiaries of aided services or the proportion of aided projects that have successfully launched community activities) tend to quantify the number of facilities or services used with a potential to reduce poverty and social exclusion. However, they do not prove the real success or failure of the OP PGP in this area in terms of the number of people who have really gotten out of poverty and social exclusion thanks to the Programme. In the SAO's opinion, the absence of such relevant objectives and result indicators is more critical with regard to the general definition of a significant target group "seniors", for whom aid is set up in PA 3 (see paragraph 4.26). The MA did not set for the subsidy beneficiaries any monitoring indicators to monitor the concrete effect of their projects on the affected or endangered persons, i.e. whether the projects successfully contributed to those persons' social inclusion. Therefore, the SAO notes a lack of relevant indicators to monitor the results (benefits) of PA 3.

4.6 Regarding the achievability aspect, the data in Annex 1 show that some of the target values of the indicators are unlikely to be met as the interim results and outputs are very low. In particular, the SAO considers the target value of the output indicator "*Number of aided facilities for services and social work*", set at 112, to be overestimated and unrealistic from the beginning, as the value of a single aided facility was reached by mid-November 2018 and the commitments of beneficiaries amount to 26. Similarly, it is difficult to achieve the target values for the indicators "*Number of aided flats for social housing*" and "*Use of aided services*".

→ The general focus of PA 3 is linked to the Europe 2020 strategy, but no concrete contribution to the achievement of its objectives in the Czech Republic has been established and monitored.

4.7 Although the OP PGP programming document declares a link to the *Europe 2020* strategy for all three specific objectives of PA 3, the SAO found that none of the Priority Axis indicators had a direct link to the quantitative objectives set by the Czech Republic for social inclusion and combating poverty (see paragraph 2.4). The Programme does not provide any data quantifying the expected rate of contribution of the OP PGP to the fulfilment of the national objectives of the strategy, i.e. to reduce the number of people at risk of poverty, material deprivation or people living in households with a very low work intensity.

¹⁷ The deadline by which the implementation of projects within the EU programming period of 2014-2020 can be completed.

4.8 The SAO also analysed some relevant strategic and conceptual documents on social inclusion issues at national level¹⁸. Even in these documents, the objectives set are rather general and are not supported by quantifiable target indicators and, above all, no framework shares with which the individual programmes (including the OP PGP) should contribute to the fulfilment of the objectives of social inclusion and combating poverty in the Czech Republic are indicated. Thus, despite the clear link between PA 3 of the OP PGP and the *Europe 2020* strategy, the degree of contribution to the fulfilment of national targets is not set or monitored by anyone, and is therefore not verifiable in terms of success.

→ During the programming period, the MA did not react to the significantly positive development in the labour market in the case of aid for social enterprises, which reduces the effectiveness of the aid.

4.9 The OP PGP programming document was approved by the European Commission in June 2015 but the bases of the Programme are, logically, older. The programming period is relatively long¹⁹ and the socio-economic situation in a given country or region may shift from the original assumptions. Such a situation occurred in the Czech Republic and its capital due to stable and relatively dynamic economic growth, a decline in unemployment and an excess of vacant jobs. Therefore, the SAO was interested in whether and how the MA had responded to these developments during the programming period of 2014-2020. In particular, whether it had adapted the setting up of calls for project proposals and their selection in the case of aid for social enterprises to the changed situation in the labour market.

4.10 First of all, the SAO analysed the target groups in five calls²⁰, which included the promotion of social entrepreneurship, announced between October 2015 and January 2018. Regardless of the very positive developments in the labour market, the definition of the target groups has not changed. Moreover, by comparing, for example, with target groups within the integration social enterprises aided under the Operational Programme *Employment* (hereinafter the “OPE”) managed by the MoLSA, it is clear that PA 3 of the OP PGP aids a significantly broader target group of people. These are mainly the categories “unemployed older than 50 years” (i.e. unemployed without setting a minimum period without work), where this target group is not aided at all under similar OPE projects, and “persons unemployed in the long term (at least 6 months)”; the OPE stipulates this minimum period of registration at the Labour Office of 12 months (total length in the last two years). Data from the MoLSA show a decreasing number of job applicants in Prague and in the group over 50 years of age. The labour market development for the period under review is also shown in Chart 2, where, in addition to comparing the total number of unemployed persons and vacancies, it also lists the numbers of the unemployed over 50 years of age and persons with disabilities as one of the target groups of employment in social enterprises. Similarly, in the case of asylum seekers, aid is provided under the OP PGP without limiting the time from granting asylum; these may be asylum seekers staying in the Czech Republic

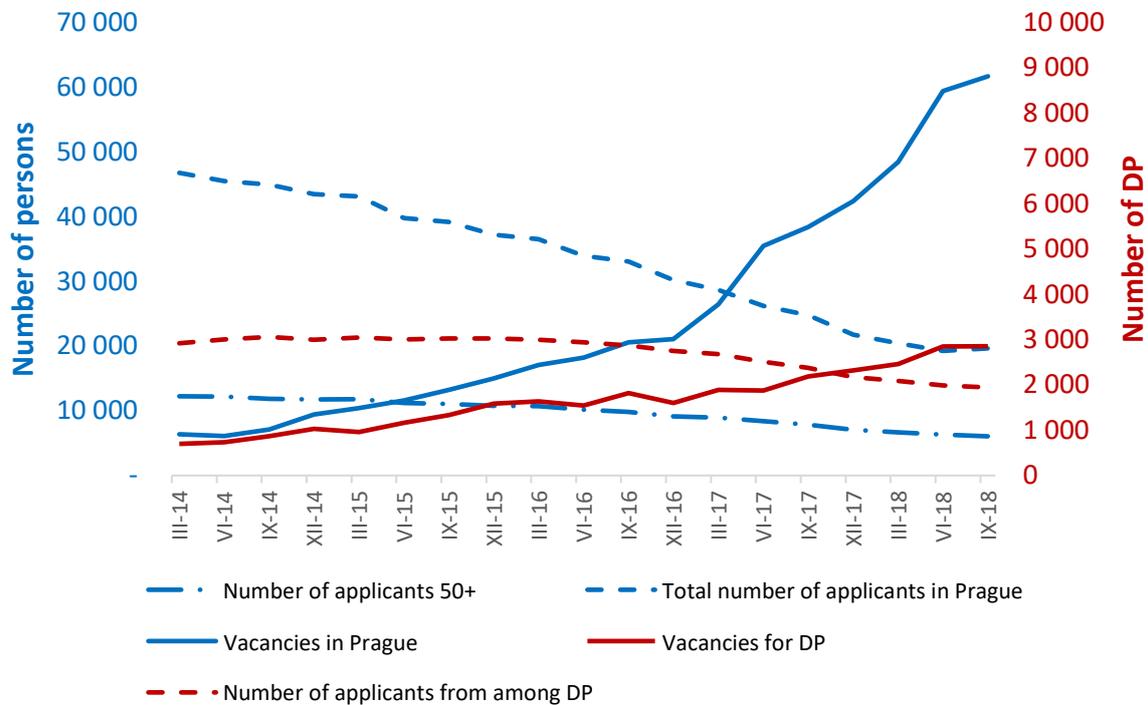
¹⁸ *Social Inclusion Strategy of the Czech Republic* (MoLSA, January 2014), related reports on the implementation of the strategy (MoLSA, April 2017 and April 2018), *Concept of Proposals for Tackling Homelessness in Prague in 2013-2020* (2012).

¹⁹ By the end of 2020 with possible project implementation deadlines until the end of 2023.

²⁰ Calls nos 6, 18, 25, 34 and 38.

for a longer period of time and socialised in the local environment. The time parameter is not set for persons leaving facilities of institutional or protective education either (in the case of the OPE, it is within 12 months from leaving the facility).

Chart 2: Development of the number of job applicants and job vacancies in Prague



Source: prepared by the SAO using MoLSA statistics.
DP = disabled persons.

4.11 The OP PGP is “more generous” than the OPE even in the case of financial participation rules. While in the case of the OPE the financial aid is limited to a maximum of 85 % of expenditure (at least 15 % must be paid by the beneficiary from other sources), for the OP PGP it is possible to provide the subsidy in full without the need for co-financing. In general, the SAO considers the principle of 100% funding of projects in the field of social entrepreneurship without the participation of the beneficiary to be inappropriate and, as a result, insufficiently motivating to long-term sustainability of such enterprises.

4.12 In its comments on one of the calls under review²¹, the MoLSA recommended to the MA, as early as October 2016, to extend the time parameter for unemployed persons from 6 to 12 months and exclude the group of the unemployed over 50 years of age, and generally recommended to align the calls with the terms of the OPE calls. However, the MA of the OP PGP did not accept this recommendation of the MoLSA and did not change the settings and conditions in the following calls, in which it included aid for social enterprises.

→ The MA does not have complete and correct information on the interim outputs and results of projects, and thus does not effectively monitor the fulfilment of the PA 3 objectives.

²¹ Call no 17.

4.13 Monitoring the progress of the subsidy programme and achieving interim results is a prerequisite for its effective management. In particular, it enables the Managing Authority to respond in a timely manner to problems with the implementation of the programme's expected outputs and results and to take effective measures. Monitoring requirements are set out in the General Regulation and elaborated in more detail by the methodological guideline issued by the MoRD as the National Coordination Authority (NCA). Therefore, the SAO verified whether the system for monitoring the progress of PA 3 of the OP PGP was set up and actually operated in such a way as to be a tool for submitting relevant information to the MA.

4.14 The audit revealed problems consisting in inappropriate construction, i.e. the manner of fulfilling some monitoring indicators (hereinafter "MI"). Based on the information provided by beneficiaries, the SAO points in particular to the problematic reporting of the values of the result indicator of SO 3.3 "*Use of aided services*", which includes aid users such as community centres regardless of the number of hours of aid received, in relation to the performance indicator "*Total number of participants in aided services*", which monitors the number of people who have received higher aid (more than 20 hours, e.g. in the form of counselling, participation in events etc.)²², see example 1:

Example 1

The implementation of project no 240 ensured the operation of a community centre and related project activities for socially excluded people and people at risk of social exclusion. The beneficiary had two binding monitoring indicators, namely the output indicator "Total number of participants" (6 00 00) and the result indicator "Use of aided services" (6 70 10). In the implementation report, the beneficiary only reported the number of persons from the target group who had participated in the project activities for more than 20 hours, i.e. within MI 6 00 00. The beneficiary did not report participants who had participated in the activities in a scope of less than 20 hours. If the beneficiary had included them in MI 6 70 10, the beneficiary would not have been able to count them later towards MI 6 00 00 (if they exceeded their 20-hour participation in project activities).

4.15 The SAO found that, in 18 out of the 22 projects, the beneficiaries had not reported the interim values in the MS2014+ information system in accordance with reality, either due to inappropriate construction of the indicator (see the previous paragraph) or for example with reference to the set obligation to report the actual data at the end of the project at the latest. This system problem could not be fully compensated even by more accurate data provided by some beneficiaries as part of the comments in the interim evaluation reports provided by the MA.

4.16 The SAO also points out the problematic way of "joint" evaluation of the results of the indicator "*Increased employment in the aided enterprises*" and its subordinate "*Increased employment in the aided enterprises with a focus on target groups*"²³ for projects under SO 3.2. Example 2 shows a specific case:

²² Result indicator 6 70 10 and output indicator 6 00 00.

²³ MI 1 04 00 and 1 04 03.

Example 2

Project no 103 aided the reconstruction of premises intended for social entrepreneurship, while the binding indicators of the project included a general increase in employment by 3 persons, of which increased employment with a focus on disadvantaged groups also by 3 persons. However, as of the date of meeting the target values, the second indicator (expressing success in the employment of target persons) was only fulfilled at 60 %, while the “general” indicator of employment at around 112 %. The MA established the evaluation procedure, where the overall rate of fulfilment of the indicators is evaluated as the arithmetic mean of both. According to this methodology, the failure to fulfil the obligation of employment of persons from the target group at risk of poverty and social exclusion was compensated by exceeding the second indicator, which only generally monitors the increase in employment, i.e. without a link to the target group. Especially in the case of Prague and the local situation in the labour market, it does not have a major informative effect as regards the success of the project in relation to the objectives of PA 3. According to the MA methodology, the success of the project was evaluated at 86 % (the sum of 112 + 60 divided by 2). When this value is reached, the beneficiary is not penalised for non-fulfilment of the indicator (the penalty being imposed in the case of non-fulfilment of the overall degree of fulfilling the indicator by more than 15 %) although the more important of both indicators in relation to the PA 3 objectives failed to be met significantly below this threshold.

→ It is not realistic to achieve the set objectives of PA 3 in strengthening social infrastructure and activities for integration, community-based services and prevention.

4.17 Despite reservations about the relevance of the evaluation indicators and the validity of data from the monitoring system, the SAO compared their target values (at the end of 2023) with the interim results achieved to assess whether the fulfilment of specific objectives of PA 3 was realistic. In addition to the sample of 22 projects selected for audit, it also assessed the level of material and financial progress for other projects. Annex 1 contains an overview of all defined output and result indicators, their target values and the state of fulfilment as at 13 November 2018.

4.18 There is a significant risk of non-fulfilment especially with SO 3.1 – *Strengthened social infrastructure*. In the programming document, the target value of the indicator “*Number of aided facilities for services and social work*” is set at 112; in mid-November 2018, the commitment of the beneficiaries was 26 and the value actually reached as at that date was 1 facility. Upon the SAO’s inquiry, the MA stated that the target value had been incorrectly set due to a formal numerical error and that the MA would initiate a reduction of the target value from 112 to 12. The SAO considers this explanation of the MA about a formal error to be unreliable because in the so-called aggregate map of the OP PGP the MA justified the target value by building 22 new facilities and aiding 90 existing ones (in total, this corresponds to the target value of 112). Similarly, risky is the fulfilment of another performance indicator, “*Number of aided flats for social housing*” (target value 137, commitment of the beneficiaries 22, 4 flats aided so far for a single project). In connection with the lower assumption of outputs, there is also a significant risk of failure to achieve the indicators “*Capacity of services and social work*” and “*Average number of persons using social housing*”.

4.19 The prerequisite for the implementation of projects under SO 3.2 – *Strengthened social entrepreneurship infrastructure* is difficult to evaluate. The result indicator “*Number of social enterprises active in the market*” remains at the initial value of 39 enterprises compared to the target value of 52. Moreover, the MA did not define the concept of “being active in the market”. In this context, the SAO points out that for all projects of social enterprises selected for audit, there were obvious problems with the provision of planned operation or with the achievement of the originally expected amount of sales.

4.20 In the case of specific objective SO 3.3 – *Strengthened activities for integration, community-based services and prevention*, the SAO found a very low commitment of the beneficiaries to fulfil the output “*Total number of participants*”. The target value is to reach 26,500 participants; however, as of mid-November 2018, the MA recorded an interim number of 1,930 and a commitment by beneficiaries of 5,047 participants. At this point, the SAO draws attention to the illogical and inappropriate application of the aforementioned indicator characteristic of SO 3.3 also on employees of aided social enterprises. As the indicator “*Total number of participants*” shows persons who received the aid of 20 and more hours, social enterprises already fulfilled this value after several days²⁴ of employment of their employees.

→ The Managing Authority and beneficiaries prefer projects promoting community centres and social enterprises over other activities.

4.21 Furthermore, the SAO dealt with the structure of the aided projects in terms of their focus, i.e. what activities were more aided by PA 3 of the OP PGP, or whether certain types of projects targeted at certain target groups and the services provided were not under-aided. For this purpose, the SAO carried out its own classification of projects (abbreviation in brackets)²⁵:

- Shelters (Sh),
- Community centres (CC),
- Community centres combined with a social enterprise (CC/SE),
- Social enterprises (SE),
- Social flats (SF),
- Protected workplaces (PW),
- Field programmes (FP),
- Social services (SS).

4.22 Table 3 shows the distribution of projects with the status of implementation “PL 30 and higher” (projects with a legal act) as at 8 October 2018 according to their number and allocated financial amounts of aid. The overview clearly shows a strong preference for subsidising the establishment and operation of community centres (almost 60 % of the aid), followed by aid for social enterprises (approx. 32 % plus approx. 2 % of CC/SE combined projects). On the other hand, aid for social housing was low, and aid for protected

²⁴ With an eight-hour employment, after just two and a half days.

²⁵ In determining the type of project, the SAO primarily used the call and the specific objective under which the project had been submitted, its name and, in the case of doubt, the project description given in the monitoring system.

workplaces and field programmes was marginal. Aid for shelters and social services was zero.

Table 3: PA 3 projects in the status of PL 30 and higher – as at 8 October 2018

Type	Number of projects	Share of projects	EU aid (in CZK)	Share of EU aid	Total aid (in CZK)
PW	1	0.93%	955,301	0.39%	2,283,742
CC	59	54.63%	145,942,225	59.21%	322,959,957
CC/SE	2	1.85%	3,882,811	1.58%	7,765,622
SF	5	4.63%	14,482,506	5.88%	31,958,838
SE	39	36.11%	78,763,589	31.96%	165,716,919
FP	2	1.85%	2,448,607	0.99%	4,897,213
Total	108	100.00%	246,475,038	100.00%	535,582,291

Source: MS2014+, classification by project type prepared by the SAO.

4.23 As this breakdown reflects the situation achieved in the first calls, the SAO decided to expand the analysis to include projects in the implementation state of “PL 27 and higher” (aid application recommended for funding). This includes projects that are likely to be approved although the amount of aid may be further reduced as a result of corrections made on the basis of the evaluators’ comments. Even with such an increase in the number and financial volume of the projects involved (see Table 4), the results of the previous analysis have been confirmed. Aid for community centres (over 57 %) and social enterprises (over 24 %) predominates in both the number of projects (nine out of ten) and the volume of funding. The share of financial aid to other project groups remains very low, including social services and shelters.

Table 4: PA 3 projects in the status of PL 27 and higher – as at 8 October 2018

Type	Number of projects	Share of projects	EU aid (in CZK)	Share of EU aid	Total aid (in CZK)
Sh	1	0.55%	17,500,000	3.65%	41,276,871
PW	1	0.55%	955,301	0.20%	2,283,742
CC	108	59.67%	274,489,437	57.32%	584,245,774
CC/SE	2	1.10%	3,882,811	0.81%	7,765,622
SF	6	3.31%	17,831,805	3.72%	38,657,436
SE	57	31.49%	116,298,200	24.29%	244,007,580
SS	4	2.21%	45,438,489	9.49%	90,876,978
FP	2	1.10%	2,448,607	0.51%	4,897,213
Total	181	100.00%	478,844,649	100.00%	1,014,011,217

Source: MS2014+, classification by project type prepared by the SAO.

4.24 The high level of aid for community centres also corresponds to the set budget of PA 3 (see Table 2), as the share of SO 3.3 funding (from which these centres are financed) represents approximately 52 % of the allocation for the whole PA 3. Community centres also drew about 42 % of aid under the SO 3.1 allocation. For SO 3.2 intended for investment promotion of social entrepreneurship infrastructure, only approximately 5 % of the allocation was earmarked in the PA 3 budget. The overall high share of aid for social entrepreneurship in the drawing of PA 3 funds (compared to the budget of SO 3.2) results mainly from the fact that social enterprises were significantly aided by decision of the MA

also under SO 3.3 as projects contributing to the “activation of local communities” (see also paragraph 4.29).

4.25 However, none of the documents submitted by the MA prepared a real needs analysis and prioritisation that would, for example, map the volume and types of missing and needed capacities, including their optimal distribution in Prague and a sequence of priorities in terms of target groups and follow-up aided activities. Rather, the PA 3 budget is based on an analysis of the absorption capacity, i.e. the readiness of potential applicants to submit project plans. While this is a valid basis, it cannot replace the mapping of the need to aid the individual areas and the setting of the budget to finance them based on priorities.

→ The definition of the categories “seniors”, “local benefit” and “activation of local communities” is detrimental to the effective targeting of PA 3 on social inclusion and combating poverty.

4.26 Seniors and families with children in an unfavourable social situation are clearly the predominant target groups that use the services of cultural and community centres. In this context, the SAO draws attention to the overly broadly conceived characteristics of the category “seniors” as an important target group within the OP PGP PA 3 projects. First of all, the MA did not specify this target group precisely and did not provide in the OP PGP programming document a uniform definition according to which beneficiaries could proceed in monitoring activities for this target group. However, the MA generally considers a senior to be a person at a retirement or post-productive age, which entails various risks for that person, leading to their social isolation. A senior who uses some services aided under PA 3, especially a community centre, is not necessarily a person at risk of social exclusion. However, for example, the significant result indicator of SO 3.3 “Use of aided services” is thus constructed even though the purpose of activities under this objective is to aid “... **in particular, but not exclusively, persons who are excluded, endangered and in crisis**”²⁶. However, beneficiaries of subsidies to aid community centres often do not monitor whether seniors (and other persons) participated in community activities only in connection with the construction and operation of the centre aided under PA 3 (whether the centre thus brought added value and what the added value is).

4.27 Despite the general problem of demonstrating the degree of benefit of the services of some community centres to combating poverty and social exclusion, the MA aided a city district project, where the subsidy application did not specify the contribution of the project to the PA 3 objectives in its territory:

Example 3

In the case of project no 206, the applicant stated that the purpose of the project was to address the insufficient capacity of community space in the city district for the needs of already existing associations and the already actively involved members. It is apparent from the content of the application that the beneficiary did not identify in any way the need for activities for target groups at risk of social exclusion and not involved in community life. The applicant presented the activities that the community centre should offer in a very general way, i.e. that the associations should regulate them themselves according to their capacities.

²⁶ OP PGP programming document, clause 2.3.6.

Only in general terms did the applicant declare that the activities of the cultural and community centre would contribute to greater social inclusion and strengthening local cohesion. The elaboration of a relevant analysis of the need for the project implementation is a basic prerequisite for the appropriate targeting of specific activities at target groups in favour of their social inclusion.

The SAO sees the provider's actions, as the provider approved such an insufficiently substantiated application, as incorrect. The fact that, thanks to the later active approach of the CD, the actual functioning of the community centre was subsequently assessed by the SAO as effective with slight shortcomings, does not change the error at the time of making the decision on the approval of the project for aid.

4.28 The SAO cites, as a good example, a project of a cultural and community centre where the beneficiary, in addition to the monitoring obligations set by the MA, targeted, monitored and evaluated the effectiveness of the services provided:

Example 4

Project no 162 is run by a public benefit company that operates a centre providing services focused primarily on the social group of persons in prison/after the release from prison and on families with children in an unfavourable social situation. In addition to the monitoring indicators that have to be monitored pursuant to the project financing agreement ("Use of aided services" and "Total number of participants"), it systematically monitors feedback by aided clients from the target group and its own indicators of the effectiveness of activities. For example, within one of its activities, the project has set a target for at least 22 clients to get a job in the labour market, and it monitors information on the fulfilment of the target. Similarly, it monitors and evaluates the benefits of project activities, e.g. in the case of solving clients' indebtedness – postponement in the repayment of damages, meeting maintenance obligations, personal bankruptcy etc. During implementation, the beneficiary fulfilled all the prerequisites for the SAO's evaluation criterion for a purposeful project (as the only one of all projects assessed).

Similarly, the beneficiary of project no 259 (and the follow-up no 145) monitors the effect in relation to the target group of socially excluded people (especially homeless people, people at risk of homelessness, socio-culturally disadvantaged people and seniors) within the social activating activity (which is one of several project activities). Within the framework of this, the project works with clients in the form of counselling, help with finding work or housing, group courses etc.

4.29 Within Call no 18 focused on SO 3.3, the MA selected a number of social enterprise projects for aid. However, within this specific objective, aid is conditional on social entrepreneurship being undertaken in the framework of cultural community centre projects and local community activation projects. Of the four projects selected for audit, neither of these conditions was met by two projects, and this had already been known to the MA when deciding on their aid (see examples 5 and 10).

4.30 The MA's argument that the provision of employment in a social enterprise to a person with permanent residence in the territory of the City of Prague means the activation of local communities is considered by the SAO to be extensive and unfounded. The medium-term plan for the development of social services in Prague for the period of 2016-2018 defines the

community as “the closest, natural, common social environment that defines the community as family, neighbours, friends and places where people live, work, educate themselves and pursue common social activities”. Consequently, the local community should be a “territorial community of people who live in a demographically defined area and among whom social interconnections exist. ... These are people who are emotionally attached to one another and to the place where they live (i.e. a sense of belonging, cohesion, attachment, responsibility, respect and solidarity with other citizens, a feeling of rooting, a sense of social origin, traditions and history, spatial affiliation and identification with the environment and the landscape).”²⁷ However, in response to this quotation, the MA expressed the opinion that “the City of Prague is a geographically delimited area and **people living in Prague have mutual ties and show all the cited characteristics of a community within the City of Prague.**”²⁸ The SAO is of the opinion that such a general definition is also applicable, for example, to a community within the Czech Republic or even the EU, but it is inappropriate in relation to social inclusion.

4.31 The SAO considers the way in which the MA set the condition for the so-called local benefit of social enterprises, where its fulfilment is limited to proving the purchase of goods or services by three customers from Prague or the neighbouring (Central Bohemian) region, to be completely insufficient. A normal business relationship conducted within the competitive environment of a more than a one-million agglomeration of Prague (or even the neighbouring region) cannot be considered as proof of the local benefit of a social enterprise.

→ The effectiveness of twelve of the audited projects was evaluated positively, eight negatively.

4.32 The SAO carried out an assessment of the effectiveness of the projects selected for the audit, i.e. whether and how they contributed to the objectives of PA 3 of the OP PGP²⁹. For this purpose, it prepared a four-level evaluation scale (the project is: effective – effective with slight shortcomings – effective to a limited extent – ineffective) and set uniform criteria for evaluation. The results of the assessment by individual projects are contained in Annex 2.

4.33 A summary result of evaluation of the effectiveness of 20 assessed projects³⁰ is illustrated in Chart 3. One project was evaluated as effective (without reservations), another 11 projects were evaluated as effective with slight shortcomings, and a total of 12 projects thus received a positive evaluation. 5 projects were evaluated as being effective to a limited extent and 3 projects (including 2 social enterprises and 1 project of a semi-budgetary organisation of the City of Prague) were assessed as ineffective. Therefore, the SAO evaluated 8 out of the 20 projects evaluated in terms of effectiveness as problematic.

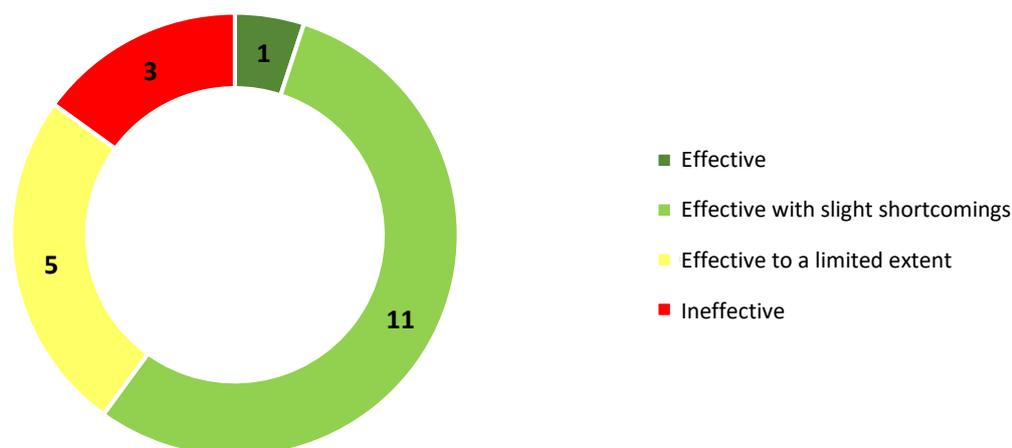
²⁷ *Regionální sociologie, sociologie prostoru a prostředí II (Regional sociology, sociology of space and environment* by MsHeřmanová and Mr Patočka, 2007).

²⁸ See the appeal against the decision of the head of the audit group dated 4 January 2019, on objections to Audit Protocol no 18/33 (Prague, January 2019).

²⁹ See also paragraphs 3.4 and 4.1.

³⁰ For two projects (projects 133 and 148), the effectiveness assessment was not carried out; these were purely investment projects (community centres of city districts) without subsequent aid for their operation. The effectiveness of the newly built capacities was the decisive factor in assessing the effectiveness of the investments made for that purpose.

Chart 3 – Summary result of evaluation of effectiveness of assessed projects



Source: data analysis prepared by the SAO.

4.34 The rationale for the evaluation of individual projects is included in the audit protocols that were handed over to the audited entities. Examples 5 to 7 show some projects for which the SAO has decreased the levels of effectiveness evaluation.

Example 5

The MA aided, with the amount of approx. CZK 4.5 million (of which half of the funds from the ESF), project no 221 – the establishment and operation of a social enterprise providing accounting, tax records and property management services. The aim of the project was to employ at least 4 persons from the target groups of the long-term unemployed or over 50 years of age for at least 6 months for at least 0.4 FTE.

The project was selected for aid under Call no 18 (SO 3.3) although it does not meet the prerequisite for activation of local communities in a fundamental way. The enterprise is one of several enterprises based at a house in Prague 5, it does not participate in activities at the local community level, its employees reside in other parts of Prague or even outside Prague, and they are recruited mainly through regular advertising.

Furthermore, the enterprise does not meet all the principles (the so-called distinguishing characteristics) set by the MA for an integrating social enterprise, namely the principles of a social goal, social benefit and local benefit. According to the beneficiary, the employees still need the permanent support of the project manager and mentor even after one year of operation of the project, and the assumption of the employees' work in the given profession after the end of the project is therefore arguable. On the other hand, given the labour market situation in Prague and the demand for workers (including general administrative staff), those persons had a real opportunity to work without the need for aid in a social enterprise specifically focused on accounting.

Therefore, the SAO assessed this project as ineffective and also inefficient. It attributes this fact to the provider, who should not have chosen the project for aid.

Example 6

*Aid in the amount of approx. CZK 4 million (of which approx. CZK 2 million from ERDF resources) was received, within project no 152, by a semi-budgetary organisation established by the City of Prague for the creation of a **new** field programme for homeless people and people at risk of homelessness. Within its framework, three new special off-road vehicles were to be acquired and a facility was to be established.*

However, as the SAO found out, it was by no means a new field programme, as this service had been registered and operated by the organisation for many years before applying for aid. The purpose thus was not and cannot be fulfilled by the implementation of this project. Moreover, even after the implementation of this project, the capacity of this service has not increased and has remained at the same value (84 clients) since 2008. The implementation of the project thus essentially only renewed the fleet of an already existing service. The project is therefore ineffective and also inefficient.

The SAO also criticised the audited entity for insufficient evidence of the need to purchase vehicles of the given parameters.

Example 7

In the case of project no 103 and the follow-up project no 173 (a total of CZK 3.9 million, half of which was covered by the ESIF), the reconstruction of premises for social entrepreneurship (kitchen and bistro) was aided; the target group of employees comprised homeless women disadvantaged in the labour market. In the SAO's opinion, the project plan was suitable for fulfilling the objectives of PA 3 because the purpose was to employ people from the target group clearly threatened by poverty and social exclusion, as well as to help overcome prejudices against homeless people thanks to the operation of a bistro where citizens of the majority society could meet with people from the target group.

Although the operation of the kitchen itself works as expected (mainly due to the offer of catering services and stall sale), the bistro was not in operation from the beginning of July until the end of the audit³¹. At the same time, the project did not fully meet the expected number of persons employed from the target group (see example 2). Therefore, the SAO assessed the project as effective to a limited extent.

B. Are the funds provided and drawn efficiently?

4.35 It is considered efficient to use state funds to achieve the highest possible scope, quality and benefit of the tasks performed in comparison with the volume of funds spent on their performance³². Efficiency thus expresses the relationship between the resources invested and the outputs obtained in terms of quantity, quality and time, both for individual projects and, for example, in the activities of the authority managing the programme in question.

4.36 The SAO assessed the efficiency of PA 3 of the OP PGP according to the following criteria:

³¹ According to subsequent information sent by the beneficiary, the bistro was reopened in December 2018, making the presumption of the project's effectiveness better compared to the time of completion of the audit.

³² The definition of efficiency is based on Section 2n) of Act no 320/2001 Coll., on Financial Control in Public Administration and Amendments to Certain Laws (the Act on Financial Control).

- Whether the administration of individual calls under PA 3 was carried out by the MA in an efficient manner and whether the MA's communication with the beneficiaries of subsidies was efficient, unambiguous and transparent,
- Whether efficient projects were selected for aid and implemented.

→ The parameters of the first calls contained some redundant requirements and could discourage potential applicants but the MA implemented corrective measures.

4.37 Applicants for aid or beneficiaries should not be burdened with unnecessary administrative requirements which are not needed when deciding whether to grant a subsidy or which the MA may ascertain by itself. The administration of calls and the assessment of projects by the MA should be carried out in an efficient manner, i.e. without unnecessary delays compared to the set administrative time limits. These are important prerequisites for efficient drawing of the financial allocation.

4.38 The SAO states that the drawing of PA 3 of the OP PGP did not take place, for most of the period under review, according to the forecasts that were part of the so-called strategic implementation plans. The delay compared to the forecasts relates to the drawing of ERDF resources, when at the end of 2017 the expected values were not reached for any of the expected financial indicators.³³ E.g. the fulfilment of the indicator “Funds accounted for in applications for payment” was only 2.8 % of the value expected in 2017. The fulfilment of the forecasts was mainly influenced by the low interest of applicants in Calls nos 6 and 17 (specific objectives supported by the ERDF). Conversely, ESF funds are drawn according to predictions (or faster). A significant acceleration of the drawing occurred during the implementation of Call no 18, where there was a considerably greater interest in the aid provided among the applicants. Overall, the drawing dynamics improved in 2018.

4.39 According to the results of the ongoing evaluations as well as the beneficiaries' statements, one of the reasons for the slow drawing and low interest of applicants (especially for Call no 6) was the short time for preparation of applications set by the MA and the absence of a timely advice on upcoming calls. Some of the required annexes to the applications also constituted an unnecessary requirement, such as submitting the opinion of the relevant department of the Prague City Hall on environmental impact assessment or information that the MA could verify itself on state-managed Internet portals (e.g. www.justice.cz).

4.40 The MA addressed the problem with the short time for project preparation and, for example in the last calls³⁴, provided the applicants with up to 185 days for preparing and submitting the project (as opposed to 83 days for Call no 6). In addition, applicants have a schedule of calls for the given year containing basic information according to which they can consider their participation in advance. The number of obligatory annexes has also been reduced but the MA still requires, for example, documents on the legal personality of the applicant and documents proving ownership rights to property in the conditions of new calls even though the MA can verify this information itself.

³³ The indicators are defined according to the phase of the project financial cycle.

³⁴ E.g. Calls 25, 27 and 35.

→ **Project administration by the MA was very lengthy.**

4.41 The SAO considers non-compliance with the time limits for the evaluation and selection of projects and announcing the results of calls by the MA as a significant problem reducing the efficiency of project administration. This applied to all three calls which were the object of this audit. Table 5 shows the timing of the approval process for the calls in question:

Table 5: Timing of the project approval process for projects under Calls nos 6, 17 and 18

Call no	Time estimate for the announcement of results stated in the call	Number of projects evaluated	Dates of approval of the selection of projects for aid by the Prague City Council	Deadline for the conclusion of a legal act with selected applicants / Actual dates of conclusion of the legal act	Delay in the project approval process
6	June 2016	10	On 11 October 2016 ³⁵ , aid was approved for 3 projects with a subsidy totalling CZK 6.71 million.	5 August 2016 5-6 December 2016	4 months of delay
17	January 2017	10	On 14 February 2017 ³⁶ , aid was approved for 8 projects with a subsidy totalling CZK 51.70 million.	23 January 2017 19 April – 11 December 2017	3-11 months of delay
18	January 2017	125	On 18 April 2017 ³⁷ , aid was approved for 87 projects with a subsidy totalling CZK 397.8 million.	23 January 2017 23 May – 29 June 2017	4-5 months of delay

Source: MS2014+, data analysis prepared by the SAO.

4.42 The table shows that while the deadline for project evaluation and selection was 7 months from the end date of receipt of applications, the MA exceeded this call by 4-11 months. The MA justified the very lengthy process of assessing applications using also factors over which it had no direct influence (problems with the MS2014+ information system, returning reviews to evaluators, errors in applications). Even so, the SAO attributes the lengthy process mainly to the MA. The number of projects evaluated, especially in Calls nos 6 and 17, was not high enough (always 10) to justify such a delay. Moreover, the period of administration of projects on the part of Prague was several times longer than the time available for applicants to prepare projects under these calls (2.5 to 4 months).

4.43 The disproportionately long time of project administration by the MA resulted in problems arising for some of the beneficiaries, as shown in example 8:

³⁵ Resolution of the Prague City Council no 2466.

³⁶ Resolution of the Prague City Council no 280.

³⁷ Resolution of the Prague City Council no 871.

Example 8

In project no 220, the beneficiary anticipated the activities of a community centre in Prague 9. This location was selected on the basis of the results of a questionnaire survey, among other things, and the premises for project implementation had already been chosen. Due to the lengthy process of project evaluation and selection, however, the beneficiary lost the possibility of renting the premises and eventually executed the project in Prague 4, i.e. in a completely different location and logically for a different community than the project application had expected.

Similarly, in project no 249, the project author (a social enterprise) lost the possibility of renting pre-reserved premises due to several months of delay in the evaluation of the application and had to start operating in a significantly less commercially attractive location. As the beneficiary itself states, this had a significant impact on sales and thus on the efficiency and economic viability of the enterprise.

4.44 Furthermore, in 12 out of 20 cases (in 60 % of all assessed payments), the MA failed to meet the deadline of 90 days for the payment of the subsidy to the beneficiary. This deadline is binding in the European Regulation³⁸ and runs from the date of submission of the application for payment by the beneficiary. The delay in the disbursement of funds by the MA ranged from 3 days to 2 months. According to the MA, the reasons for these delays were mainly personnel changes or difficulties in setting up payments in the MS2014+ information system.

4.45 The audit also examined whether the instructions provided by the MA to beneficiaries had been clear, specific and transparent (i.e. whether this communication could be verified retrospectively). No serious shortcomings were found and the level of communication with the MA was mostly positively evaluated by the beneficiaries themselves.

→ **The efficiency of twelve of the audited projects was evaluated positively, ten negatively.**

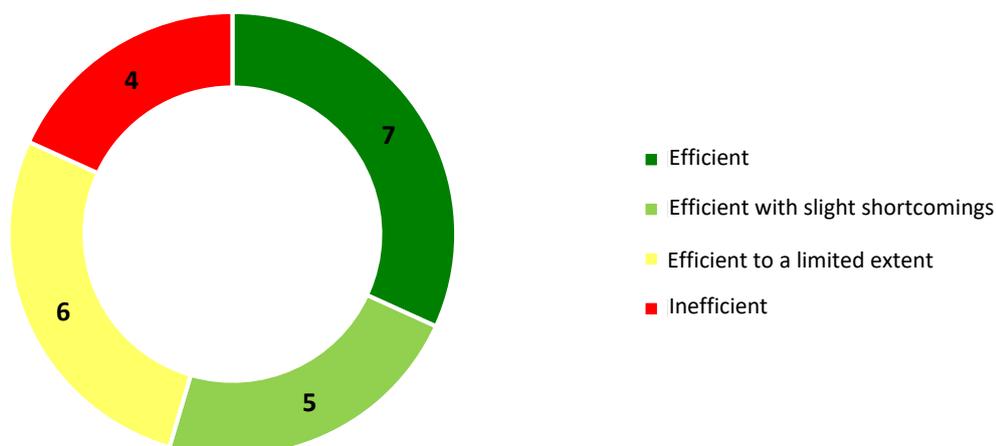
4.46 The SAO carried out an assessment of the efficiency of the projects selected for audit, i.e. the extent, quality and benefit of the aided project activities compared to the volume of funds spent³⁹. As in the case of effectiveness evaluation, it prepared a four-level evaluation scale (the project is: efficient – efficient with slight shortcomings – efficient to a limited extent – inefficient) and set uniform criteria for project evaluation. The results of the evaluation by individual projects are contained in Annex 2.

4.47 An overall summary of the evaluation results is shown in Chart 4. In 7 projects, the implementation of activities was assessed as efficient, in another 5 projects as efficient with slight shortcomings, and a total of 12 projects thus received a positive evaluation. 6 projects were evaluated as being efficient to a limited extent and 4 projects (including two social enterprises, 1 project of a semi-budgetary organisation of the City of Prague and 1 project of a City District) were assessed as inefficient. Therefore, the SAO evaluated 10 out of the 22 projects evaluated in terms of efficiency as problematic.

³⁸ Article 132(1) of the General Regulation.

³⁹ See also paragraphs 3.4 and 4.35.

Chart 4: Summary result of evaluation of efficiency of assessed projects



Source: data analysis prepared by the SAO.

4.48 The rationale for the evaluation of the efficiency of individual projects is included in the audit protocols that were handed over to the audited entities. Examples 9-11 show cases of some projects for which the SAO has decreased the level of efficiency evaluation.

Example 9

The amount of approx. CZK 2.1 million (of which CZK 1.3 million from the ERDF) was used to aid a project of the reconstruction of premises of the city district (project no 206), as part of which a community centre was to be established. However, as the SAO found out, the CD had de facto started to implement the project as early as June 2015, i.e. 12 months before the submission of an aid application under the OP PGP. At the time of signing the financing agreement with the MA (May 2017), the project was less than a month before its completion. The CD verbally re-qualified the original intention of the reconstruction of the first floor, where in contrast to “building and equipping a book club and premises for a retirement club”, the new project declared the establishment of a cultural and community centre and the possibility of its usage not only by the retirement club but by other target groups as well. However, the applicant did not sufficiently justify the need for a change for the purpose of social inclusion (see also example 3) and the layout and equipment of the reconstructed premises covered by this project remained unchanged compared to the original intention. The SAO assessed this project as inefficient. This is a typical example of the so-called deadweight effect, as the OP PGP funds were not needed to finance the project at all. The CD had other sources prepared for the investment, from which it had originally implemented it, and only after obtaining a subsidy from the OP PGP did it retroactively refund previously paid invoices for the work and deliveries executed.

Example 10

The SAO assessed project no 249 as inefficient (and also ineffective); as part of that project, equipment had been provided and the operation of a social enterprise – a food store – had been financed. A total of CZK 5.2 million (of which CZK 2.6 million from the ESF) was approved for the project; the enterprise was supposed to allow full-time or part-time employment to 5 persons from the target group (totalling 3.5 FTE).

The project aided under Call no 18 actually lasted 17 months compared to the planned 24 months. If all the allocated funds are exhausted, aid for one of five jobs exceeds CZK 1 million, which means about CZK 60,800 per month. If the amount were converted into full-time equivalents, the subsidy would amount to over CZK 86,000 for one month's FTE. Moreover, the subsidy was provided at a time of favourable labour market situation and high demand of employers for this type of profession in Prague. As confirmed by the beneficiary, applicants with a recommendation from the Labour Office of the Czech Republic apply for work in the enterprise only exceptionally and the job applicants are often interested in only part-time work or do not belong in the target group.

In addition, the actual amount of sales of the enterprise is far below the original expectations. On the other hand, the beneficiary (private entrepreneur), given a 100% subsidy for eligible costs, cannot lose anything even if the project fails and the enterprise does not continue. In addition to the payment of salaries and other costs directly related to employees, the beneficiary also purchased equipment for the enterprise from the subsidy for more than CZK 575 thousand, which became the beneficiary's property (it can therefore freely dispose of that property after a short period of use within the project). Indirect costs, including the beneficiary's remuneration as a manager, amounted to more than CZK 1 million over the project duration. For such a relatively small establishment, the beneficiary also engaged (albeit in accordance with the conditions set by the MA) the so-called expert project coordinator (a related person), who invoiced approx. CZK 200 thousand for his services.

Example 11

Project no 137, implemented by a non-profit organisation, aimed at ensuring the operation of a community centre focused on assisting foreigners, especially refugees, in Prague 9 and its surroundings. It was aided with approx. CZK 3.1 million, half of which was funded by the ESF.

Despite such a significant amount of aid, the target values of aided clients were not very high. The so-called more than trivial aid (i.e. participation in activities exceeding 20 hours) was supposed to be drawn by only 22 people, and a total of 60 people were to be aided (with any extent of participation in the activities).

Moreover, the beneficiary submitted and the MA approved a change of the project where the already low expected participation in some key activities was further reduced to completely negligible values. E.g. the originally planned number of participants in the activity "screening of foreign-themed films and discussing the burning issues of the time" was reduced from 10 to 4, of which for foreigners themselves from 5 to 2. The original plan of another activity "education of children – foreigners for citizenship, courses of democracy and human rights" was reduced in the number of participants from 8 to 5, of which for foreigners from 4 to 2, while reducing the age limit of the children from 10 to 7 years. In addition, only a 2 x 2 hour Internet safety course for children was organised as part of this activity.

Such a low level of client involvement in key activities means limited efficiency of this project.

C. Are the funds provided and drawn in accordance with the law?

4.49 Both the MA and the beneficiaries are obliged to comply with the relevant legal regulations of the Czech Republic and the EU in the Programme implementation. They are also obliged to respect their mutual contractual obligations. Breaches of legal regulations also often have a direct impact on, or are a risk to, the effectiveness, efficiency and economy of using state funds. Therefore, the SAO also reflected such breaches in the evaluation of the effectiveness and efficiency of projects selected for audit (see the previous section of Part IV).

4.50 The SAO assessed some procedures on the part of the MA and beneficiaries as a breach of legal regulations. In total, these amount to CZK 6,825,590.25 for the MA as a provider, assessed by the SAO as facts suggesting a breach of budgetary discipline⁴⁰ and irregularities⁴¹, and to CZK 4,876,865.79, which the SAO assessed as a breach of budgetary discipline⁴² at a total of 6 beneficiaries. While as regards the provider, the volume of breaches corresponds to the share of financing from the ESI Funds, on the part of beneficiaries it is always the whole amount of aid, i.e. from the ESI Funds and co-financing of aid from national sources.

→ On the part of the provider (MA), most of the facts assessed by the SAO as a breach of budgetary discipline and irregularities constitute the granting of aid to projects that do not qualify for the Programme.

4.51 According to the SAO's assessment, the MA committed a violation of the Czech and EU legislation by selecting and aiding a project where it was clear from the outset that it could not fulfil the stated purpose of creating a new field programme in Prague for homeless people and people at risk of homelessness (project No. 152 – see example 6).

4.52 Similarly, the SAO assessed the provision of aid to projects nos 221 and 249 selected under Call no 18 (SO 3.3) as a breach of budgetary discipline and an irregularity, since neither of those projects can be characterised as a social enterprise operated as part of a cultural and community centre or an activation of local communities (see examples 5 and 10 and paragraph 4.29).

→ Six beneficiaries were suspected of breaching budgetary discipline, totalling CZK 4.9 million.

4.53 The beneficiaries did not report expenditure in 7 projects in accordance with the eligibility conditions. Failure to comply with this obligation could thus result in a breach of budgetary discipline of approximately CZK 4.9 million, and the amounts in the individual cases of beneficiaries ranged from thousands Czech crowns up to almost CZK 3.6 million for one project. Three of the project cases are shown in examples 12 and 13.

⁴⁰ Section 3e) and Section 44(1)b) of Act no 218/2000 Coll., on Budgetary Rules and on Amendments to Certain Related Acts (Budgetary Rules).

⁴¹ Article 125 of the General Regulation.

⁴² Section 22(2) of Act no 250/2000 Coll., on the Municipal Budgetary Rules.

Example 12

In the framework of project no 206, a cultural and community centre was built in a newly reconstructed building with a capacity for 54 people for the purpose of social, cultural and other activities. The beneficiary received almost CZK 1.7 million from the OP PGP for this reconstruction. However, for six construction work invoices, the beneficiary did not clearly identify and did not properly document the eligible expenditure totalling CZK 1,199,028.18. The beneficiary used aid amounting to CZK 959,222.54 for their payment.

This project was followed by project no 182, the purpose of which was to ensure the operation of the built community centre and related activities, especially for seniors and families with children. Aid of CZK 686 thousand was provided for this project under the OP PGP. As part of this project, the beneficiary claimed ineligible expenditure in the amount of CZK 9,120 in the application for payment on the basis of an incorrect accounting document, which did not correspond to the documented performance.

Example 13

The aim of project no 249 was to ensure the operation of a social enterprise, which was to provide employment to five persons disadvantaged in the labour market at the time of project implementation. A store was to be put into operation, followed by an e-shop. The invoice for the purchase of software for the e-shop showed that it was not a purchase of software but the acquisition of consulting services associated with the design, setup and operating of the e-shop. As the design of the e-shop could have been created earlier (the domain of the shop has been registered since 2012 at the latest), the SAO assessed the set price as inadequate with regard to the extent of work performed. Therefore, the expenditure related to the acquisition of software for the e-shop is considered insufficiently documented and inconclusive in terms of eligibility, which might have violated budgetary discipline of up to CZK 74,725, which represents the vast majority of the total amount of assessed ineligible expenditure for this beneficiary.

4.54 The audit also examined whether the beneficiaries properly accounted for all revenues and expenditures and whether they had fulfilled their obligation to insure insurable property. It was also examined whether they had chosen the right procedure for the award of the public contract and whether they had complied with all the requirements of the tender procedure. No major shortcomings were found in these areas of audit.

List of terms and abbreviations used:

ERDF	European Regional Development Fund
ESF	European Social Fund
ESI Funds	European Structural and Investment Funds
Prague	City of Prague
CD	city district
MI	monitoring indicators
OP PGP	Operational Programme <i>Prague – Growth Pole of the Czech Republic</i>
OP	operational programme
OPE	Operational Programme <i>Employment</i>
PA 3	Priority Axis 3
PA	priority axis
MA	Managing Authority
SO 3.1	Specific objective 3.1: <i>Strengthened social infrastructure for integration, community-based services and prevention</i>
SO 3.2	Specific objective 3.2: <i>Strengthened social entrepreneurship infrastructure</i>
SO 3.3	Specific objective 3.3: <i>Strengthened activities for integration, community-based services and prevention</i>

Overview of monitoring indicators of PA 3 of the OP PGP

Indicator	Indicator number	Name	Unit	Target value (2023)	Achieved value (November 2018)
Result	6 75 10	Capacity of services and social work	clients	5,088	173
	5 53 20	Average number of persons using social housing	persons/year	391	0
	1 02 10	Number of social enterprises active in the market	enterprises	52	39
	6 70 10	Use of aided services	persons	19,875	3,703
	5 51 10	Proportion of aided projects that have successfully launched community activities	%	74	0
	6 29 00	Participants employed 6 months after the end of their participation, including self-employed persons	persons	322	26
Outcome	5 54 01	Number of aided facilities for services and social work	facilities	112	1
	5 54 05	Number of aided new facilities for services and social work	facilities	22	2
	5 53 01	Number of aided flats for social housing	housing unit	137	4
	5 53 05	Number of aided new flats for social housing	housing unit	86	4
	5 52 01	Number of aided facilities within community and integration activities	facilities	42	4
	5 52 05	Number of aided new facilities within community and integration activities	facilities	22	1
	1 00 00	Number of enterprises receiving aid	enterprises	30	5
	1 01 05	Number of new enterprises receiving aid	enterprises	13	2
	1 04 00	Increased employment in the aided enterprises	FTE	83	18
	6 00 00	Total number of participants	persons	26,500	1,930
	6 20 00	Number of projects carried out, in whole or in part, by social partners or NGOs	projects	84	42

Source: MS2014+ as of 13 November 2018.

Overview of projects selected for audit and an evaluation of their effectiveness and efficiency

Short name of project no	Project number and name <i>Brief description of the project</i>	Beneficiary	Aid provided under the OP PGP (in CZK)	EU contribution (in CZK)	Evaluation	
					Effectiveness	Efficiency
091	CZ.07.3.58/0.0/0.0/15_003/0000 091 DOMUS VITAE – Equipping a community integration social enterprise <i>Building, commissioning and subsequent operation of the social enterprise</i>	DOMUS VITAE, z.ú.	1,319,924	659,962	2	3
103	CZ.07.3.58/0.0/0.0/15_003/0000 103 Cooks without a home <i>Building a kitchen and bistro for social entrepreneurship</i>	Jako doma – Homelike	3,478,083	1,739,041	3	2
120	CZ.07.3.63/0.0/0.0/16_031/0000 120 DOMUS VITAE – Start of activities of a community centre and social enterprise <i>Operation of a community centre and social enterprise</i>	DOMUS VITAE, z.ú.	4,430,357	2,215,179	2	3
133	CZ.07.3.56/0.0/0.0/16_030/0000 133 Community centre in the City District of Prague-Satalice <i>Construction of a community centre</i>	City District of Prague Satalice	8,000,000	5,000,000	N/A	1
137	CZ.07.3.63/0.0/0.0/16_031/0000 137 Promoting the community life of foreigners in the City of Prague <i>Operation of a community centre</i>	Organizace pro pomoc uprchlíkům, z.s.	3,061,225	1,530,612	2	3
145	CZ.07.3.63/0.0/0.0/16_031/0000 145 Husitská Community Centre <i>Operation of a community centre</i>	R – Mosty, z.s.	6,222,645	3,111,322	2	2
148	CZ.07.3.56/0.0/0.0/16_030/0000 148 Na půdě Community Centre <i>Construction of a community centre</i>	City District of Prague-Slivenec	3,111,662	1,944,789	N/A	2
152	CZ.07.3.56/0.0/0.0/16_030/0000 152 Field programme for homeless people <i>Creation of a new field programme</i>	Prague Social Services Centre	3,598,828	1,999,349	4	4
162	CZ.07.3.63/0.0/0.0/16_031/0000 162 RESTO Community Centre and Garden <i>Operation of a community centre</i>	RUBIKON Centrum, z.ú.	9,118,811	4,559,406	1	1
169	CZ.07.3.63/0.0/0.0/16_031/0000 169 Establishment and operation of the “Sami sobě, neb jako doma” Family Community Centre	In nostrum posterus, z.s.	5,765,406	2,882,703	2	1

	<i>Operation of a community centre</i>					
173	CZ.07.3.63/0.0/0.0/16_031/0000 173 Cooks without a home <i>Operation of a social enterprise</i>	Jako doma – Homelike	454,847	227,424	3	2
182	CZ.07.3.63/0.0/0.0/16_031/0000 182 Utilisation of the cultural and community centre in Horní Počernice <i>Operation of a community centre</i>	City District of Prague 20	686,045	361,076	2	1
194	CZ.07.3.63/0.0/0.0/16_031/0000 194 Helping Hand Community Centre in Prague 3 <i>Operation of a community centre</i>	Studujte.cz, o.p.s.	8,151,575	4,075,787	3	3
206	CZ.07.3.56/0.0/0.0/16_030/0000 206 Establishment of a cultural and community centre in Horní Počernice <i>Reconstruction of premises to create new community centre premises</i>	City District of Prague 20	2,153,219	1,345,762	2	4
220	CZ.07.3.63/0.0/0.0/16_031/0000 220 Beehive <i>Operation of a community centre</i>	VČELÍ ÚL, z.s.	7,951,299	3,975,649	2	3
221	CZ.07.3.63/0.0/0.0/16_031/0000 221 Comeflex Accounting – accounting, taxes and real property management <i>Operation of a social enterprise</i>	COMEFLEX ACCOUNTING s.r.o.	4,484,770	2,242,385	4	4
225	CZ.07.3.63/0.0/0.0/16_031/0000 225 Prague 14 Community Centre <i>Operation of a community centre</i>	City District of Prague 14	4,879,456	2,568,135	2	1
238	CZ.07.3.56/0.0/0.0/16_030/0000 238 Kardašovská Community Centre <i>Creation of a suitable facility for social activating activities</i>	City District of Prague 14	7,333,351	4,583,344	2	1
239	CZ.07.3.63/0.0/0.0/16_031/0000 239 Grandma, grandpa, let's be together and have a great time <i>Operation of a community centre</i>	Duhový tandem, z.s.	9,768,400	4,884,200	3	2
240	CZ.07.3.63/0.0/0.0/16_031/0000 240 InBáze 2020 Community Centre <i>Operation of a community centre</i>	InBáze, z.s.	8,669,070	4,334,535	3	3
249	CZ.07.3.63/0.0/0.0/16_031/0000 249 Social enterprise – New Chance <i>Operation of a social enterprise</i>	Ing. Marie BREUSSOVÁ	5,167,712	2,583,856	4	4
259	CZ.07.3.56/0.0/0.0/16_030/0000 259 Husitská Community Centre – construction <i>Building community centre premises</i>	R – Mosty, z.s.	4,936,871	2,468,435	2	1

Total		112 743 558	59,292,954	x	x
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Source: MS2014+, the evaluation was prepared by the SAO.

Note:

Effectiveness criterion: The project and its implementation correspond to the objectives of the Priority Axis, the conditions of the given call and the contractual terms and conditions concluded with the provider. The project activities are set up for the benefit of the group in need, i.e. citizens affected by or at risk of poverty and social exclusion, and lead or at least are likely to lead to the elimination of poverty and social exclusion. The project has implemented all the aided activities and fulfilled or is expected to fulfil the set objectives. The objectives and benefits of the project for the target groups are measurable and verifiable and are expected to be sustainable.

Efficiency criterion: All activities funded under the project are necessary to achieve its objectives and expected benefits for the target group. The costs spent were necessary for the purpose of the activities, the purchase prices corresponded to the quantity and quality of the purchased goods and services and were not disproportionately high at the given place and time, and the project costs are not disproportionately high in terms of the persons actually aided. The project would not have been funded without state aid under the OP PGP (there is no deadweight effect), i.e. it would not have been funded more effectively with another type of state aid. There is no duplicate financing of similar activities with other projects aided from other subsidy titles.

Rating:

Effectiveness: 1 – the project is effective, 2 – the project is effective with slight shortcomings (minor shortcomings not affecting the overall positive evaluation), 3 – the project is effective only to a limited extent (major shortcomings reducing effectiveness), 4 – the project is ineffective (major shortcomings due to which the project is ineffective as a whole). N/A – project cannot be evaluated.

Efficiency: 1 – the project is efficient, 2 – the project is efficient with slight shortcomings (minor shortcomings not affecting the overall positive evaluation), 3 – the project is efficient only to a limited extent (major shortcomings reducing efficiency), 4 – the project is inefficient (major shortcomings due to which the project is inefficient as a whole).

A detailed justification of the evaluation of the effectiveness and efficiency of individual projects is contained in the audit protocols submitted to the audited entities.