



EUROPEAN COMMISSION  
DIRECTORATES-GENERAL  
EMPLOYMENT, SOCIAL AFFAIRS AND INCLUSION  
REGIONAL AND URBAN POLICY  
Joint Audit Directorate for Cohesion - The Director

Ares(2022)5232942  
19/07/2022

Brussels  
REGIO.EMPL.DAC.2/LH/AP(2022)5741712

**Subject: Follow up No 4 to audit No REGC414CZ0133**

**Audit of the functioning of the management and control systems in place to avoid conflict of interest as required by Articles 72-75 and 125 of Regulation (EU) No 1303/2013 and Articles 60 and 72 of Regulation (EC) No 1083/2006**

**2007CZ161PO004 Enterprise and Innovation OP**  
**2007CZ161PO006 Environment OP**  
**2014CZ16RFOP001 Enterprise and Innovation for Competitiveness OP**  
**2014CZ16M1OP002 Environment OP**  
**2007CZ05UPO001 Human Resources and Employment OP**  
**2007CZ052PO001 Prague – Adaptability OP**  
**2014CZ05M9OP001 Employment OP**

Ref.: Audit No REGC414CZ0133 *(to be used in all correspondence)*

Draft Audit Report (EN version) of 29 May 2019 [Ares(2019)3512694]  
Draft Audit Report (CZ version) of 4 July 2019 [Ares(2019)4270758]  
Your letter of 30 August 2019 [your Ref. No 3273-1/2019-SZEU, our Ref. No Ares(2019)5522224 of 2 September 2019]  
Final audit report (EN version) of 29 November 2019 [Ares(2019)7370050]  
Final audit report (CZ version) of 5 February 2020 [Ares(2020)740247]  
Your letter of 29 May 2020 [your Ref. No 2086-2/2020-SZEU/FP, our Ref. No Ares(2020)2835097 of 2 June 2020]  
Follow-up letter (EN version) of 22 October 2020 [Ares(2020)5759350]  
Follow-up letter (CZ version) of 18 December 2020 [Ares(2020)7730419]  
Your letter of 9 March 2021 [your Ref. No 2086-2/2020-SZEU/FP, our Ref. No Ares(2020)2835097 of 11 March 2021]  
Additional information received per e-mail on 25 March 2021 [Ares(2021)2827661 of 28 April 2021]  
Second Follow-up letter (EN version) of 3 June 2021 [Ares(2021)3660175]  
Second Follow-up letter (CZ version) of 8 July 2021 [Ares(2021)4438958]

**Ms Edita Hrdá**

Ambassador Extraordinary and Plenipotentiary  
Permanent Representation of the Czech Republic to the European Union  
Rue Caroly 15 / Carolystraat 15  
B - 1050 Bruxelles / Brussel

Your letter of 22 September 2021 [your Ref. No 2111-16/2021-SZEU, our Ref. No Ares(2021)5839538 of 24 September 2021]  
Third Follow-up letter (EN version) of 29 November 2021 [Ares(2021)7335097]  
Third Follow-up letter (CZ version) of 16 December 2021 [Ares(2021)7762583]  
Your letter of 14 March 2022 [your Ref. No 2111-26/2021-SZEU, our Ref. No Ares(2022)1906735 of 15 March 2022]  
Your letter of 12 May 2022 [your Ref. No 2111-27/2021-SZEU, our Ref. No Ares(2022)3791562 of 19 May 2022]

Your Excellency,

I am writing to inform you that the Joint Audit Directorate for Cohesion of Directorates-General Employment, Social Affairs and Inclusion and Regional and Urban Policy has analysed the replies received on 14 March 2022 and on 19 May 2022 from the national authorities about the recommendations remaining open<sup>1</sup> in the third follow-up letter<sup>2</sup> to the audit mission referred to above (*herein further referred to as "the reply"*).

Please let me remind you that the final audit report issued respectively in December 2019 (English version) and February 2020 (Czech version) set out the Commission auditors' final findings, conclusions and recommendations for corrective actions. The purpose of the follow-up stage is then to ensure the monitoring of the effective implementation of the audit recommendations.

In this context, we have concluded on the open audit recommendations as follows:

**1. Finding 1 - Assessment of the design and functioning of the management and control system in relation to conflict of interest (horizontal finding)**

In its third follow-up letter the Commission services concluded that while the Commission services acknowledge that concrete progress has been made, horizontal system improvements still need to be completed in relation to recommendation 1.a). In particular the Commission services requested that:

- a) the programme authorities ensure that the procedures to avoid conflict of interests have been improved and the system is effectively functioning for the Enterprise and Innovation for Competitiveness OP.
- b) the audit authority confirms for the Enterprise and Innovation for Competitiveness OP that the amended procedures are sufficient and effective to ensure compliance with Article 59(1) and (4) read in conjunction with Article 32(3)(c) of the

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<sup>1</sup> Findings 1 (recommendation 1.a), 15 (recommendation 15.3) and 19 (recommendation 19.c)

<sup>2</sup> Reference Ares(2021)7762583 of 16 December 2021 (Czech version)

*Financial Regulation 2012*<sup>3</sup> and Article 63(1) and (4) read in conjunction with Article 36(3) of the *Financial Regulation 2018*<sup>4</sup>.

- c) The programme authorities confirm that any relevant recommendations or requirements issued by other Commission services concerning the transposition measures taken by the national authorities will be properly taken into account in the context of the present audit. In particular, any other relevant recommendations or requirements from DG FISMA<sup>5</sup> should be duly taken into consideration, in particular with a view to ensuring the alignment of the national system with the requirements stemming from the *AML Directive*<sup>6</sup>.
- d) The national authorities provide the Commission services with the most recent lists of public officials falling within the scope of Article 4c of the *Conflict of Interests Act (Seznam VF)* maintained by each managing authority, including the list of companies owned by those public officials.
- e) Regarding the ETC CZ-PL the Commission services concluded that a conflict of interests can occur in specific situations despite the absence of creation of financial benefit.

In their reply, the Czech authorities stated that:

- a) The managing authority of Operational Programme Enterprise and Innovation for Competitiveness adjusted the management and control system by issuing updated methodological guidelines. In addition to guideline no 49<sup>7</sup>, sent to the Commission services with the Member State's reply to the second follow-up letter, the managing authority issued a new guideline no 50<sup>8</sup>, which was verified by the audit authority.
- b) The audit authority confirmed that adequate measures have been taken and the management and control system has been sufficiently improved and is functioning in order to prevent conflict of interests as stipulated in Article 4c of the *Conflict of*

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<sup>3</sup> Financial regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council of 25 October 2012

<sup>4</sup> Financial Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018

<sup>5</sup> Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union

<sup>6</sup> Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, as amended by Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU.

<sup>7</sup> Methodological guideline No 49 'Controls of projects before their certification in relation to the (non-) existence of trust funds'.

<sup>8</sup> Methodological guideline No 50 'On Conflict of Interests'

*Interests Act*<sup>9</sup> and, to that extent, also under the respective provisions in the *Financial Regulation 2012 and 2018*.

- c) Regarding the proper transposition of the *AML Directive* into the national law as recommended by DG FISMA, the Czech Ministry of Foreign Affairs provided a detailed overview on this issue in its letter to the Commission of 10 February 2022. Czechia will prepare an amendment to the *Act on the Register of Beneficial Owners*<sup>10</sup>.
- d) The national authorities provided the most recent lists of public officials falling within the scope of Article 4c of the *Conflict of Interests Act (Seznam VF)* including a list of companies controlled by them, comprising companies belonging to trust funds, for the respective managing authorities. Each managing authority maintains its own list in order to fulfil its responsibilities and therefore the lists are not identical. Nevertheless, the national authorities state that all relevant public officials and companies are identified in these lists as regards Article 4c of the *Conflict of Interests Act* and that each list is accurate and therefore the system for prevention of conflict of interests is adequate.

Furthermore, the national authorities emphasise that these lists serve as a tool to facilitate the assessment process. However, the managing authorities do not rely only on these lists and always carry out a complete examination using all relevant registers, thus removing the risk of not detecting a possible conflict of interests for each applicant.

The Member State's reply also refers to its earlier reply to the second follow-up letter, in which it described technical adjustments made to the set-up and functioning of relevant registers. These adjustments enable users to carry out a better search of data on beneficial owners and trust funds. The national coordination body in cooperation with the Ministry of Justice provided information to all managing authorities advising them on how to access these systems. The effective use of these systems during the verification process will be subsequently verified by the audit authority in its future system audits.

- e) Concerning the ETC CZ-PL there can be no situation where the beneficiaries could breach the requirements of Article 4c of the *Conflict of Interests Act*. Business corporations are eligible beneficiaries in this programme but only under the condition that public entities have minimum of 80 % share on assets and on the decision-making rights of the business corporation. This condition is checked in every case within the eligibility check. Therefore, the minimum share of 25 % of ownership of business corporation by public official set in Article 4c of the *Conflict of Interests Act*, could never be met.

The **Commission services analysis** of the Member State's reply is set out below.

**Regarding to the Commission's request under point a) and b)**, the Commission services welcome the audit authority's confirmation that adequate measures have been taken by the managing authority to improve the set-up of the management and control

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<sup>9</sup> Czech Act No 159/2006 on conflict of interests, as amended

<sup>10</sup> Czech Act No 37/2021 Coll. on the Register of Beneficial Owners

systems and their implementation in order to prevent the granting of subsidies to operations and companies subject to the prohibition laid down in Article 4c of the *Conflict of Interests Act*, including for companies owned or controlled through a trust fund(s).

In the Commission services view the amended procedures are sufficient to ensure compliance with Article 4c of the *Conflict of Interests Act* and therefore compliance with Article 61 of the Financial Regulation 2018.

The managing authority in the reporting period from the validity of Methodological guideline No 50 until 25 January 2022 (i.e. date of the transmission of the list to the audit authority) assessed 1 039 submitted project applications according to the newly established procedures to avoid conflicts of interests. The audit authority selected a sample of 30 operations from this population using Monetary Unit Sampling (MUS) and verified them in detail.

The audit authority could ascertain the effectiveness of the newly introduced procedures as it did not identify any cases of conflict of interests under Article 4c of the *Conflict of Interests Act*.

**Concerning point c)** and the transpositions measures for the *AML Directive*, the Commission services note that there is an ongoing discussion between the relevant national authorities and DG FISMA with a view to ensuring the alignment of the national system with the requirements stemming from the *AML Directive*. The Commission services also note that the Czech authorities agreed to modify the provisions of the *Act on the Register of Beneficial Owners*, in line with the recommendations from DG FISMA.

**Concerning point d)** the Commission services obtained from the Czech authorities the most recent lists of public officials falling within the scope of Article 4c of the *Conflict of Interests Act (Seznam VF)* maintained by each managing authority and could confirm that these include companies owned or controlled under trust funds.

**Concerning point e)** the Commission services note the clarifications provided concerning the ETC CZ-PL that there can be no situation where the beneficiaries could breach the requirements of Article 4c of the *Conflict of Interests Act* due to the condition that public entities have minimum of 80 % share on assets and on the decision-making rights of the business corporations which are eligible beneficiaries.

The Commission services welcome the improvements of the Czech management and control system, including of Operational Programme Enterprise and Innovation for Competitiveness, in relation to mitigating measures put in place to avoid conflicts of interest in line with applicable law. As the requested recommendations have now been effectively implemented, the finding is **closed** within the context of this audit.

## **2. Individual findings 2 to 22 - The adequacy of selection of operations/projects and the adequacy of management verifications in relation to these operations**

The Commission audit identified serious deficiencies in the functioning of the management and control system regarding the selection of operations (Key requirement 2) and in the scope of management verifications (Key requirement 4) in the Enterprise and Innovation for Competitiveness OP 2014-2020. The Commission audit led to the

recommendations to improve certain aspects of the system and to carry out the correction of individual irregularities.

**ERDF findings for which the requested actions had not been fully implemented**

Concerning findings 15 (i.e. recommendation 15.3) and 19 (i.e. recommendation 19.c), the managing authority agreed to re-verify the application of the selection criteria for the five other operations linked to the AGROFERT group<sup>11</sup>.

Moreover, in the overall conclusions of the final audit report, due to the high error rate identified in the Commission's sample, the Commission requested the Czech authorities to re-verify the remaining 12 operations of the Enterprise and Innovation for Competitiveness OP (including the 5 operations mentioned above under findings 15 and 19) linked to the AGROFERT group, which had not been included in the Commission's audit sample<sup>12</sup>.

In particular, the following actions were requested in the third follow up letter:

- The managing authority was requested to inform the Commission about the completion and the results of its re-verification work on the 12 concerned operations, once available.
- The audit authority was requested to review the results of this re-verification, once completed and to confirm that the selection criteria were appropriately applied for these operations.

In its reply the managing authority of the Enterprise and Innovation for Competitiveness OP informed the Commission that:

- The re-verification carried out covered only 11 of the 12 operations, as one of the beneficiaries, on its own initiative, removed the concerned operation from EU financing (project no CZ.01.3.10/0.0/0.0/16\_061/0010455) and this operation was therefore excluded from EU funding.
- The re-verification of the remaining 11 operations has been completed. A report on this re-verification work was enclosed with the reply.
- The audit authority's validation of the results of the managing authority's re-verification did not yet include one operation (operation no CZ.01.1.02/0.0/0.0/15\_019/0004431) where the audit authority had requested additional documentation from the managing authority in order to finalise its work. The audit authority stated that the results of its validation for this remaining operation would be provided to the Commission as soon as the work is finalised.

On 19 May 2022 the Czech authorities provided the conclusions prepared by the audit authority in relation to the remaining operation no CZ.01.1.02/0.0/0.0/15\_019/0004431

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<sup>11</sup> Operations CZ.01.1.02/0.0/0.0/15\_002/0000954, CZ.01.1.02/0.0/0.0/15\_014/0002360, CZ.01.1.02/0.0/0.0/15\_014/0004358, CZ.01.1.02/0.0/0.0/15\_019/0004384, CZ.01.1.02/0.0/0.0/15\_019/0004431

<sup>12</sup> Operations CZ.01.1.02/0.0/0.0/15\_002/0000954, CZ.01.1.02/0.0/0.0/15\_014/0002360, CZ.01.1.02/0.0/0.0/15\_014/0004358, CZ.01.1.02/0.0/0.0/15\_019/0004384, CZ.01.1.02/0.0/0.0/15\_019/0004431, CZ.01.3.10/0.0/0.0/15\_010/0000435, CZ.01.3.10/0.0/0.0/15\_010/0000478, CZ.01.3.10/0.0/0.0/15\_010/0001491, CZ.01.3.10/0.0/0.0/15\_010/0001819, CZ.01.3.10/0.0/0.0/16\_061/0008384, CZ.01.3.10/0.0/0.0/16\_061/0010455 and CZ.01.3.10/0.0/0.0/16\_061/0010507

and informed the Commission services that the audit authority completed its verification of this operation on 8 April 2022.

The Commission services note the conclusions presented by the Czech authorities in their reply about the completion and the results of its re-verification work on the 11 concerned operations. The managing authority detected ineligible expenditure in the total amount of CZK 41 997 354.77 / EUR 1 627 804.45 in 6<sup>13</sup> of the 11 operations re-verified (corresponding to an EU contribution of CZK 23 076 063.42 / EUR 894 421.06), and decertified the total cost related to the operation that withdrew itself from the EU funding (operation CZ.01.3.10/0.0/0.0/16\_061/0010455, CZK 9 386 051 / EUR 363 800.44). Most of these irregularities are linked to deficiencies in the procurement area or to ineligible expenditure declared. In one case (operation no CZ.01.1.02/0.0/0.0/15\_019/0004384) the managing authority identified shortcomings during the selection process which should have led to the operation being excluded at the selection stage.

An overview of the ineligible expenditure detected by the Czech authorities is provided in Annex I. As no ineligible expenditure in relation to these operations has been declared by the certifying authority to the Commission, the European budget remains protected. The Commission services note that action to recover public funding paid to these operations has been initiated at national level.

The Commission services also note that the audit authority validated the results of the managing authority's re-verification. In addition, the audit authority identified in four operations problems with the verification of the cost effectiveness of the budget. This finding is being followed up by the audit authority in its system audit report OPPIK/2021/S/001.

As the re-verifications have been carried out by the national authorities and the corrective actions to recover the ineligible expenditure have been launched on national level, while this expenditure was never declared to the European budget, no further action will be taken by the Commission services. The Czech authorities are however requested to inform the Commission services of the state of recovery or cancellation, at national level, of the expenditure found to be ineligible under this follow-up.

As the requested recommendations have been implemented the findings 15 (i.e. recommendation 15.3) and 19 (i.e. recommendation 19.c) are closed.

### **3. Impact of the audit and overall conclusion**

With regard to the functioning of the management of control systems of the programmes audited, the Commission services conclude that adequate measures have been taken and these systems have been sufficiently improved and are functioning in order to prevent conflict of interests as stipulated in Article 4c of the *Conflict of Interests Act* and, to that extent, under the respective provisions in the *Financial Regulation 2012* and *2018*.

In addition, in relation to the Enterprise and Innovation for Competitiveness OP for the programming period 2014-2020 the Commission audit has resulted in the identification

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<sup>13</sup> Operations CZ.01.1.02/0.0/0.0/15\_002/0000954, CZ.01.1.02/0.0/0.0/15\_014/0002360, CZ.01.1.02/0.0/0.0/15\_014/0004358, CZ.01.1.02/0.0/0.0/15\_019/0004384, CZ.01.1.02/0.0/0.0/15\_019/0004431, CZ.01.3.10/0.0/0.0/16\_061/0008384

of the following irregular operations, and the managing authority was requested to cancel the public contribution in relation to:

- Three (3) operations<sup>14</sup> due to the breach of Article 4c of the *Conflicts of Interest Act*, which represents a breach of applicable law pursuant to Article 6 of the CPR, for irregular operations presented in **Annex II**.
- Seven (7) operations<sup>15</sup> affected by individual errors, two of which being also affected by finding 1<sup>16</sup>, as listed in **Annex III**.

Moreover, as requested by the Commission services, the Czech authorities re-verified the remaining twelve (12) operations of the Enterprise and Innovation for Competitiveness OP linked to the AGROFERT group which had not been included in the Commission's audit sample. Out of these twelve operations:

- One operation was removed from EU financing by the beneficiary, on its own initiative (operation CZ.01.3.10/0.0/0.0/16\_061/0010455, CZK 9 386 051 / EUR 363 800.44)
- One operation was found to be ineligible by the managing authority due to shortcomings during the selection process, which should have led to exclusion of the operation at the selection stage (operation no CZ.01.1.02/0.0/0.0/15\_019/0004384)
- For five other operations other irregularities were identified by the managing authority mostly linked to deficiencies in the procurement area or to ineligible expenditure declared.

With regard to the irregular expenditure detected by the Czech authorities during their re-verification work on the eleven (11) operations<sup>17</sup> mentioned under point 2 above, the results of this work are presented in **Annex I**.

The Czech authorities are reminded that should the Czech authorities include expenditure regarding these operations in a payment application, it would be considered irregular and the Commission services would interrupt or suspend the related expenditure in the payment claim and would correct it by cancelling the corresponding Union contribution to the operational programme (Article 144(1)(c) of the CPR). Alternatively, the authorities are invited to demonstrate that these operations have been withdrawn from the programme.

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<sup>14</sup> The Commission services have identified an additional irregular grant under the Enterprise and Innovation for Competitiveness OP involving a Fatra a.s., which is part of the AGROFERT group (no CZ.01.3.10/0.0/0.0/17\_101/0013291), where both the grant application date and the grant award decision date are after 1 September 2017. This represents a breach of Article 4c of the *Conflicts of Interest Act*, and thus also a breach of applicable law pursuant to Article 6 of *Common Provisions Regulation*. On 13 May 2020 the Czech authorities confirmed the existence of this project and explained that the project was selected at the time when the Commission's findings had been unknown.

<sup>15</sup> Regarding operation CZ.01.1.02/0.0/0.0/17\_109/00011122 (finding 19.a), the company Lovochemie, on its own initiative, decided to withdraw its application for EU financing. There is therefore no financial risk to the EU budget linked to this operation.

<sup>16</sup> Together with an additional operation found to be affected by the breach of Article 4c of the *Czech Conflict of Interests Act*, see annex I

<sup>17</sup> The re-verification carried out covered only 11 of the 12 operations, as one of the beneficiaries, on its own initiative, removed the concerned operation from EU financing (project no CZ.01.3.10/0.0/0.0/16\_061/0010455) and this operation was therefore excluded from EU funding.



Finally, in relation to the programming period 2007-2013 for one ineligible operation no IN04/644 of beneficiary Lovochemie a.s., the certifying authority accepted that an amount of EUR 4 624 662.55 (total expenditure declared to the Commission) be withdrawn from the final statement of expenditure of the Enterprise and Innovation OP, the operation is therefore no longer EU co-financed and hence there is no financial risk to the EU budget linked to this operation.

As all recommendations have now been fully and appropriately implemented in relation to audit No REGC414CZ0133, the Commission services consider this audit as **closed**.

Yours faithfully,

*(electronically signed)*

Franck Sébert

Director

Enclosure:     **Annex I** – results of re-verification performed by the Czech authorities  
                  **Annex II**: List of operations falling under Article 4c of the *Conflict of Interests Act*  
                  **Annex III**: Analysis of the type and frequency of irregularities identified during the audit

c.c.:            Mr Marc Lemaître, Director General, DG Regional and Urban Policy  
                  Mr Joost Korte, Director General, DG Employment, Social Affairs and Inclusion  
                  Mr Wolfgang Burtscher, Director General, DG Agriculture and Rural Development



ANNEX I

LIST OF 12 OPERATIONS RE-VERIFIED BY THE CZECH AUTHORITIES

Beneficiary	No. of project	Total eligible costs CZK / EUR	EU contribution CZK / EUR	Re-verification by the MA - ineligible expenditure CZK / EUR	Re-verification by the MA - ineligible expenditure - EU contribution CZK / EUR
Výzkumný ústav organických syntéz a.s.	CZ.01.1.02/0.0/0.0/15_002/0000954	20.000.000 775.194	10.000.000 387.597	162.422 6.295	81.211 3.148
Výzkumný ústav organických syntéz a.s.	CZ.01.1.02/0.0/0.0/15_014/0002360	64.736.484 2.509.166	16.184.121 627.292	1.710.789 66.310	427.697 16.577
FARMTEC a.s.	CZ.01.1.02/0.0/0.0/15_014/0004358	15.963.875 618.755	3.990.969 154.689	2.424.028 93.955	606.007 23.489
Výzkumný ústav organických syntéz a.s.	CZ.01.1.02/0.0/0.0/15_019/0004384	33.900.000 1.313.953	20.034.900 776.547	33.900.000 1.313.953	20.034.900 776.547
Výzkumný ústav organických syntéz a.s.	CZ.01.1.02/0.0/0.0/15_019/0004431	54.762.400 2.122.574	28.750.260 1.114.351	3.494.282 135.437	1.834.498 71.105
PENAM, a.s.	CZ.01.3.10/0.0/0.0/15_010/0000435	7.470.000 289.535	2.241.000 86.860	NA	NA
Primagra, a.s.	CZ.01.3.10/0.0/0.0/15_010/0000478	12.527.874 485.577	3.758.362 145.673	NA	NA
Fatra, a.s.	CZ.01.3.10/0.0/0.0/15_010/0001491	15.928.475 617.383	4.778.543 185.215	NA	NA
Kostecké uzeniny a.s.	CZ.01.3.10/0.0/0.0/15_010/0001819	4.388.480 170.096	1.316.544 51.029	NA	NA
Výzkumný ústav organických syntéz a.s.	CZ.01.3.10/0.0/0.0/16_061/0008384	6.988.450 270.870	2.096.535 81.261	305.834 11.854	91.750 3.556
Kostecké uzeniny a.s.	CZ.01.3.10/0.0/0.0/16_061/0010455 <sup>1</sup>	9.386.051 363.800	2.815.815 109.140	NA	NA
Primagra, a.s.	CZ.01.3.10/0.0/0.0/16_061/0010507	3.100.000 120.155	930.000 36.047	NA	NA
<b>Total</b>		249.152.089 9.657.058	96.897.049 3.755.700	41.997.355 1.627.804	23.076.063 894.421

<sup>1</sup> The beneficiary, on its own initiative, removed the concerned operation from EU financing.



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ANNEX II

LIST OF OPERATIONS FALLING UNDER ARTICLE 4C OF THE CONFLICT OF INTERESTS ACT

Beneficiary	No. of project	Title of project	Total eligible cost CZK / EUR	EU contribution CZK / EUR
Cerea, a.s.	CZ.01.3.10/0.0/0.0/16_061/0011875	Replacement of grain dryer Dobřenič - Syrovátka for more energy efficient technology	8.538.152 <b>330.936</b>	2.561.445 <b>99.280</b>
Cerea, a.s.	CZ.01.3.10/0.0/0.0/16_061/0011988	Replacement of grain dryer Jičín for more energy efficient technology	6.762.953 <b>262.130</b>	2.028.885 <b>78.639</b>
Fatra a.s.	CZ.01.3.10/0.0/0.0/17_101/0013291 <sup>1</sup>	Reducing the energy intensity of the technological process of calendaring in the laboratory of Fatra, a.s., in Napájeďla	2.300.000 <b>89.147</b>	690.000 <b>26.744</b>
<b>Total 2014-2020</b>			17.601.105 <b>682.213</b>	5.280.331 <b>204.664</b>

<sup>1</sup> The Commission services have identified an additional irregular grant under the Enterprise and Innovation for Competitiveness OP involving a Fatra a.s., which is part of the AGROFERT group (no CZ.01.3.10/0.0/0.0/17\_101/0013291), where both the grant application date and the grant award decision date are after 1 September 2017. This represents a breach of Article 4c of the *Conflicts of Interest Act*, and also a breach of applicable law pursuant to Article 6 of *Common Provisions Regulation*. On 13 May 2020 the Czech authorities confirmed the existence of this project and explained that the project was selected at the time when the Commission's findings had been unknown.



ANNEX III

ANALYSIS OF THE TYPE AND FREQUENCY OF IRREGULARITIES IDENTIFIED DURING THE AUDIT

Beneficiary	No. of project	Title of project	Total eligible cost CZK / EUR	EU contribution CZK / EUR	Article 4c Related irregularity	KR2 (selection irregularity)	KR4 irregularity not detected by the mgt. verifications	Type of irregularity
<b>Enterprise and Innovation OP 2007-13</b>								
Lovochemie, a.s.	CZ.1.03/4.1.00/14.00644 <sup>1</sup>	The innovation of production processes in Lovochemie, a.s.	190.130.000 7.369.380	50.000.000 1.937.984		X	X	Incorrect selection and management verifications
<b>Total 2007-2013</b>			190.130.000 7.369.380	50.000.000 1.937.984				
<b>Enterprise and Innovation for Competitiveness OP 2014-2020</b>								
Pekárna Zelená louka, a.s.	CZ.01.1.02/0.0/0.0/15_014/0000516	Production line for the production of toast bread PENAM a.s.	400.000.000 15.503.876	100.000.000 3.875.969		X	X	Incorrect selection and Mgt verifications
Lovochemie, a.s.	CZ.01.1.02/0.0/0.0/17_109/0011122 <sup>2</sup>	Innovation of technology for the production of the mixture for preparation of sulphur fertilisers	200.000.000 7.751.938	50.000.000 1.937.984		X	X	Incorrect selection
Cerea, a.s.	CZ.01.3.10/0.0/0.0/16_061/0011139	Replacement of grain dryer Havlíčkův Brod for more energy efficient technology	8.520.780 330.263	2.556.234 99.079			X	Procurement
Cerea, a.s.	CZ.01.3.10/0.0/0.0/16_061/0011143	Replacement of grain dryer Chotěboř for more energy efficient technology	9.325.000 361.434	2.797.500 108.430			X	Procurement
Cerea, a.s.	CZ.01.3.10/0.0/0.0/16_061/0011152	Replacement of grain dryer CEREA Říkov for more energy efficient technology	9.798.670 379.793	2.939.601 113.938			X	Procurement
Cerea, a.s.	CZ.01.3.10/0.0/0.0/16_061/0011875	Replacement of grain dryer Dobřenice - Syrovátka for more energy efficient technology	8.338.152 330.936	2.561.445 99.280	X		X	Art 4c, Procurement
Cerea, a.s.	CZ.01.3.10/0.0/0.0/16_061/0011988	Replacement of grain dryer Jičín for more energy efficient technology	6.762.953 262.130	2.028.885 78.639	X		X	Art 4c, Procurement
<b>Total 2014-2020</b>			642.945.555 24.920.370	162.883.666 6.313.320				

<sup>1</sup> For the 2007-2013 programming period the certifying authority accepted that an amount of EUR 4 624 662.55 (total expenditure declared to the Commission) is withdrawn from the final statement of expenditure of the Enterprise and Innovation OP. The project is therefore no longer EU co-financed.

<sup>2</sup> The company Lovochemie, on its own initiative, removed the concerned project from EU financing, and there is therefore no more financial risk linked to this operation.

