

**COORDINATED AUDITS OF  
IMPLEMENTATION OF TASKS RELATED  
TO ENVIRONMENTAL PROJECTS  
AND MEASURES IN THE THAYA  
RIVER BASIN**



**Coordinated Audits  
of Implementation of Tasks Related  
to Environmental Projects and  
Measures in the Thaya River Basin**



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## **COMMUNIQUÉ**

**between  
the President of the Austrian Court of Audit  
(Rechnungshof)**

**and**

**the Vice-President of the Supreme Audit Office,  
Czech Republic  
(Nejvyšší kontrolní úřad)**

concerning

Coordinated Audits of Implementation of Tasks Related to Environmental Projects

and Measures in the Thaya (Dyje) River Basin

On the basis of the intentions of the working plan of the EUROSAL Working Group on Environmental Auditing for 2002 - 2005, the representatives of the two involved Supreme Audit Institutions have signed an agreement on carrying out coordinated audits related to environmental projects and measures in the Thaya River Basin.

Part of the border between the Czech Republic and the Federal Republic of Austria lies in the Thaya River Basin. The Thaya River forms one part of this border, another part lies between the "Národní park Podyjí" and the "Nationalpark Thayatal".

In the framework of their competencies, both audit institutions carried out audits concentrating on the activities of the responsible authorities in objective determination of environmental priorities in a defined territory of the Thaya River Basin. The audit topics were the use of finances and other measures related to the improvement of the environment, especially water quality, nature protection and biodiversity. Evaluation of transboundary cooperation in the area of environmental protection is also a joint result of the audits.

The results of the audits were approved in separate national reports and were subsequently incorporated by the Supreme Audit Office, Czech Republic, as the coordinator of the audits, into the Joint Final Report, which forms an annex to this communiqué.

This communiqué containing the Joint Final Report is in accordance with the arrangements contained in the agreement to carry out coordinated audits. It will be submitted to the members of the INTOSAI and EUROSAL Working Groups on Environmental Auditing and other members of these organizations.

It will similarly form a basis for discussion at an international level, including cooperation at the INTOSAI and EUROSAL forums.

The communiqué and the Joint Final Report will be published on the web sites (Supreme Audit Office, Czech Republic, Austrian Court of Audit, INTOSAI and EUROSAL Working Groups on Environmental Auditing) and maybe provided to the mass media and the state authorities in the participating countries responsible for water management, protection of water bodies against pollution and nature protection.

It has been agreed that mutual cooperation between the Supreme Audit Office, Czech Republic and the Austrian Court of Audit in the area of environmental audits will be further developed and will be based on working plans approved by the INTOSAI and EUROSAL Working Groups on Environmental Auditing.



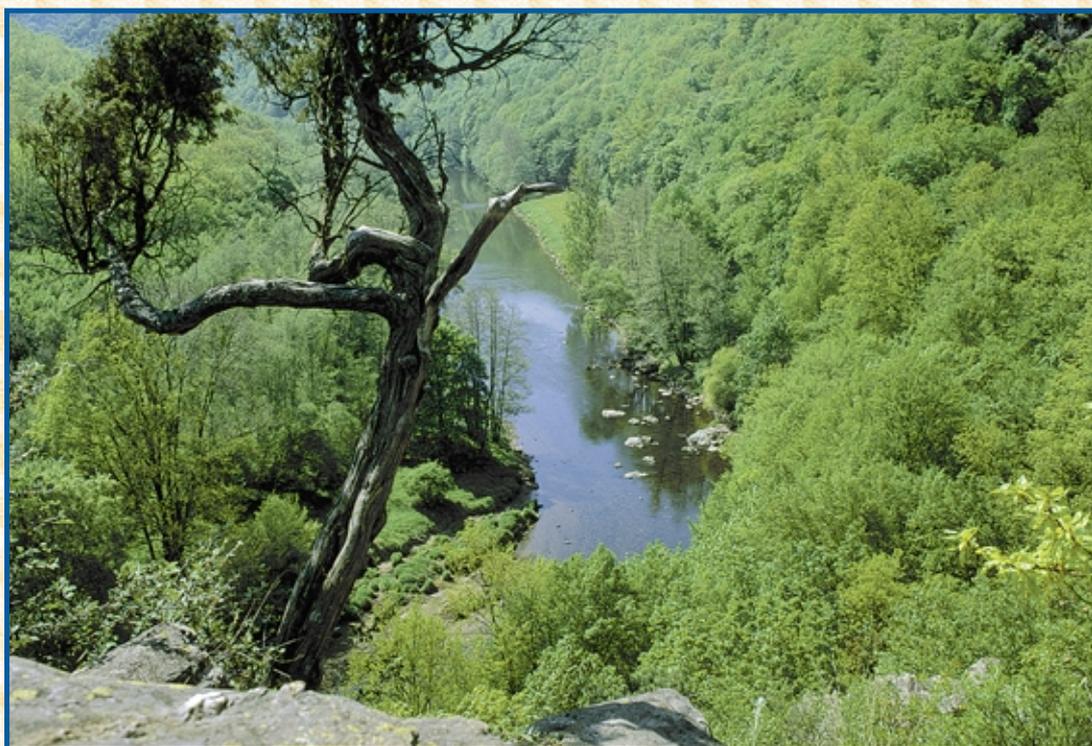
**Josef Moser**  
President  
Austrian  
Court of Audit

**Dušan Tešnar**  
Vice-President  
Supreme Audit Office,  
Czech Republic

In Prague, on 19<sup>th</sup> of May, 2005



**JOINT FINAL REPORT ON COORDINATED AUDITS  
OF IMPLEMENTATION OF TASKS RELATED  
TO ENVIRONMENTAL PROJECTS  
AND MEASURES IN THE THAYA RIVER BASIN**





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## A. Introduction

### Cooperation:

Part of the border between the Czech Republic and Austria lies in the Thaya<sup>1</sup> River Basin. One part of this border is formed by the Thaya River, another part lies between two national parks - the "Národní park Podyjí" and the "Nationalpark Thayatal". The performance of these coordinated audits between the Austrian Court of Audit (Rechnungshof) and the Supreme Audit Office, Czech Republic (Nejvyšší kontrolní úřad), was agreed on for the purpose of obtaining information on objective selection of environmental priorities in the specified area of the Thaya River Basin, on the system of financing corresponding measures for the improvement of the environment and on the level of cross border cooperation. The audit was carried out in accordance with the working plan of the EUROSAl Working Group on Environmental Auditing for the years 2002 - 2005.

The joint report will be presented at the international level and on the websites of both Supreme Audit Institutions (SAIs), EUROSAl and INTOSAl Working Groups on Environmental Auditing.

### Objectives:

Both SAIs conducted audits focused on activities of responsible authorities when objectively stating ecological priorities in the specified area of the Thaya River Basin and when implementing the system of financial measures to improve the environment, namely water quality, nature protection, and biodiversity. The common outcome of this audit is also an assessment of bilateral cooperation in the area of environmental protection.

### Audited territories:

**On the Austrian side:** the total audited area was 2 272 km<sup>2</sup> beginning and including the river Moravian Thaya from its spring until the first measurement station after its re-entrance in Austria at Rabensburg.

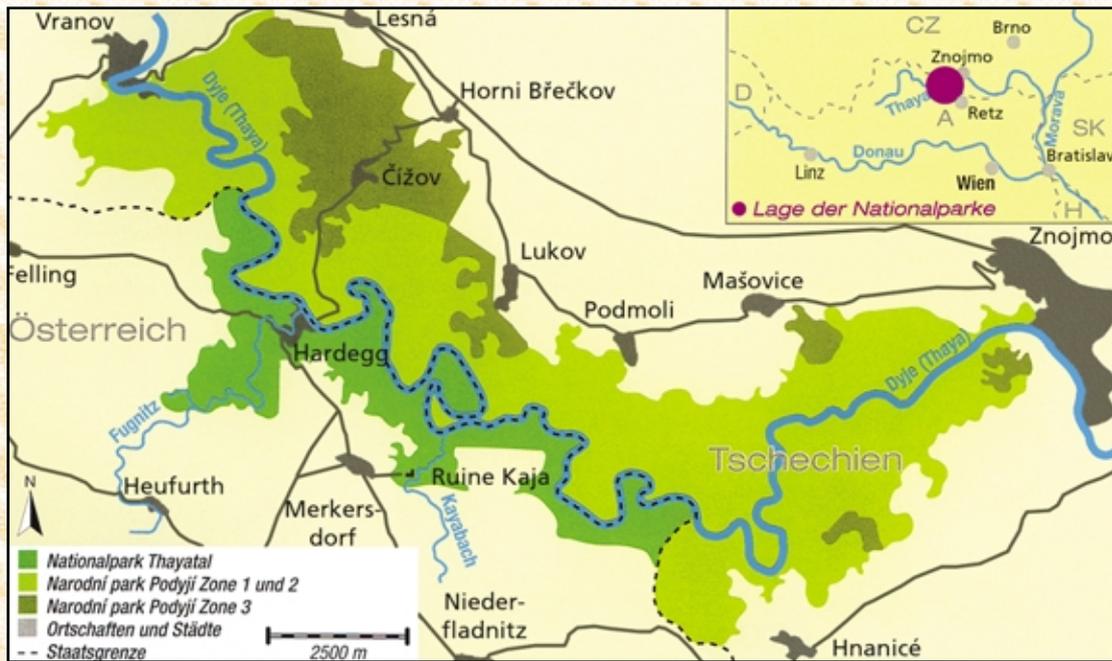
**On the Czech side:** selected subjects in the Thaya River Basin were audited. The length of the Thaya River is 287 km and the area of the river basin is 13 426 km<sup>2</sup>.

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<sup>1</sup> The Czech name for this river is the Dyje River and the basin is called the Dyje River Basin.

### Period under review:

Period under review for all audits were the years 1999 - 2003. Supreme Audit Office, Czech Republic audited any other relevant period for factual reasons; the Austrian Court of Audit audited also the year 2004.



Audited Territory

## B. International Agreements on Cooperation

Cooperation between Austria and the Czech Republic in the area of environmental protection is based mostly on the below stated conventions and agreements:

- 1) Agreement between the Czech Socialist Republic and the Republic of Austria on Cooperation in Environmental Protection (of July 17, 1987)
- 2) Agreement between the Czech Socialist Republic and the Republic of Austria on Water Management in Border Waters (of December 7, 1967)
- 3) Convention on Wetlands of International Importance especially as Waterfowl Habitat (of February 2, 1971)
- 4) Declaration on Cooperation between the Nationalpark Thayatal and the Národní park Podyjí (of July 15, 1999) and Common Basis for the Management Plans 2001 to 2010 (of November 13, 2002)

## C. National Reports

The joint report was prepared on the basis of the national reports:

**"Internationale Zusammenarbeit mit Bezug auf Gewässergüte, Biodiversität und Naturschutz im Raum Thayatal"** (International cooperation concerning water quality, biodiversity and nature protection in the area of river Thayal) elaborated by the Austrian Court of Audit

and

**"Ekologické projekty a opatření v povodí řeky Dyje financované z prostředků státu a prostředků poskytnutých ČR ze zahraničí"** (Ecological Projects and Measures in the Thaya River Basin Financed by State Funds and Funds Provided to the Czech Republic from Abroad) - audit conclusion from the audit no. 03/34 conducted by Supreme Audit Office, Czech Republic.

## **D. Joint Conclusions and Recommendations**

- 1. Due to the Community Directive in the field of water policy, the Austrian – Czech Commission for Boundary Waters has to coordinate the national river basin management plans concerning border waters. Both SAIs recommend to delegate the substantial work and decision making power to working groups and to use the Commission to coordinate these groups and to stay in contact with the national governments. This would increase flexibility when dealing with bilateral issues.**
- 2. The cooperation of the two national parks is excellent. The ecological situation of the national parks is negatively influenced by the water regime of the Vranov power plant. Both SAIs recommend responsible authorities to take into consideration this negative impact of Vranov when issuing the new permissions concerning water management and operation of the hydro power plant.**
- 3. Water quality of the Pulkau River, an affluent of the Thaya River, has decreased due to the sewage waters of a citric acid producing factory. The SAIs recommend to take measures to increase water quality and to restrain from discharging this amount of sewage waters into the Pulkau River.**
- 4. Some ecological projects were co-financed by Austria. There was no information available about these financial sources at the Czech Ministry of the Environment. Both SAIs recommend to the concerned ministries to introduce a system which would also enable the Czech Ministry to set priorities for the effective use of these financial resources.**

## **E. Audit Carried out by the Austrian Court of Audit**

### **1. Audit Methods, Procedures and Objectives**

**1.1** The Austrian Court of Audit conducted an audit at the Federal Ministry of Forestry, Agriculture, Environment and Water Management and the Lower Austrian Province Government on international cooperation in the field of water quality, biodiversity, and nature conservation, in the area of the river Thaya. The audit was carried out in April and May 2004. Comments of the Lower Austrian Province Government were submitted in January 2005, the Federal Ministry did not give any comments.

The audit was to look into the most relevant problems and to assess the agreements, programs and outcome of cooperation with the Czech Republic in the field of environmental conservation and improvement in the border area of the river Thaya. The audited period covered the years 1999 to 2004.

**1.2** Enquiries were carried out in situ at the audited entities. Detailed evidence was established by interviews with decision-makers and responsible staff, by studying the relevant files, and by an evaluation of existing electronic information systems, and then processed.

The audit covered agreements, measures, and programs subject to cooperation with the Czech Republic concerning the audited area. The audit was conducted concurrently with two other audits by the Austrian Court of Audit and three audits carried out on the same topics by the Supreme Audit Office, Czech Republic, in the area of the river Thaya. All these audits were coordinated.

### **2. Competencies**

In Austria, the federal authorities have legislative and executive competence in matters relating to water law. The province governor (Landeshauptmann), however, has responsibility for executing water law by way of indirect federal administration. The Federal Minister of Forestry, Agriculture, Environment and Water Management has first-instance competence for measures that significantly impact water bodies of other states.

The federal provinces (Laender) have legislative and executive competence for matters relating to nature conservation.

Cooperation between Austria and the Czech Republic concerning water policy is based on international treaties and is carried out by the Austrian-Czech Commission for Boundary Waters.

### **3. Cooperation in the Field of Water Policy**

- 3.1** According to the Directive of the European Parliament and Council establishing a framework for Community action in the field of water policy, the member states shall ensure that a river basin management plan is produced for each river basin district lying entirely within their territories. Consultations to coordinate the national river basin management plans should be carried out in the existing water commissions.
- 3.2** This coordination task gives added weight to the Austrian-Czech Commission for Boundary Waters. The need to restructure the commission and/or to change its working procedures might therefore be considered. Once agreement on these issues has been reached, the current contract on regulating transboundary waters should be adapted in cooperation with the Czech Republic.

### **4. Duties and Structure of the Austrian-Czech Commission for Boundary Waters**

- 4.1** The Austrian-Czech Commission for Boundary Waters consists of six members. Each state nominates a permanent representative, a deputy, and an additional member. According to an internal agreement, the permanent representative and his/her deputy are members of the Federal Ministry of Forestry, Agriculture, Environment and Water Management; the other member is an official of the Lower Austrian Province Government. Meetings are held annually, alternately in Austria and in the Czech Republic. Decisions of the Commission enter into force after approval by the national governments.
- The issues addressed by the Commission are first prepared in two sub-commissions. Working groups for special topics are established on demand. The proposals or agreements drafted by the two working groups existing at the time of the audit were reported to the Commission and dealt with pending the approval of the national governments.
- 4.2** The Austrian Court of Audit considers it useful for the working groups to deal with complex topics on a preliminary basis and recommends setting up additional working groups as needed. Urgent matters could therefore be responded to faster than by the Commission itself, which meets only once a year. Since smaller teams are more flexible, solutions would be quicker and easier to achieve.
- To streamline procedures, the Austrian Court of Audit recommends avoiding a second dealing of the drafts prepared by the working groups. To the extent possible, the Commission should aim at delegating the substantive work to the working groups, and act as a coordinator for the working groups and as a contact to the national governments.

## 5. Commitments of the Contract

**5.1** With regard to transboundary waters forming the border between the signing parties, both states commit themselves not to implement, without the consent of the other party, any measures which may negatively affect the status of the water bodies on the territory of the other party. The Commission is to be notified of measures planned at transboundary waters before the water-law proceedings commence, and to discuss such measures.

The parties have also committed themselves to informing each other as quickly as possible about floods, ice, and other hazards. Alerts must be sent by telephone or telefax to the authorities of the neighboring country. Water levels have to be read at least once a day.

Some alerts sent by the Czech Republic during out-of-office hours, e.g. at the flood in August 2002, were not received. At the time, the once-daily reading of water levels proved to be insufficient. Only one out of six Austrian measuring stations issued alert reports in compliance with the contract. Due to language difficulties, alerts by telephone often led to misunderstandings. The introduction of bilingual files could solve this problem. The newly established Lower Austrian Warning Center ("Landeswarnzentrale") is a permanently manned and competent clearing house for alerts.

**5.2** The Austrian Court of Audit found that the Czech authorities had in several instances not been informed about water-law proceedings that were carried out by the competent Austrian authorities at district level and concerned transboundary waters. They were therefore unable to participate in these proceedings.

Moreover, the Austrian Court of Audit criticized that, in practice, the contractually agreed duties of warning and reporting were insufficiently fulfilled. The Austrian Court of Audit believes that a system of daily water-level readings by an authorized person does not meet the requirements of a modern and efficient warning system. The Austrian Court of Audit therefore recommends the implementation of an automatic measuring system with data transfer.

**5.3** The Lower Austrian Province Government notified the implementation of this recommendation to be in progress.

## 6. Cooperation between the National Parks

**6.1** In 1999, the former Federal Minister for the Environment, Youth and Family, the Governor of Lower Austria, and the Minister for the Environment of the Czech Republic, signed the Declaration on Cooperation between the Nationalpark Thayatal and the Národní park Podyjí. This cooperation focuses on a "Common Basis for the Management Plans 2001 to 2010" which was drafted by both national parks in close cooperation. Moreover, both national parks have signed a contract on the mutual exchange of data from the information systems. A solution to the conflict of use regarding fisheries could not be found during the period of the audit.

Apart from the joint presentation as “Inter-Nationalpark Thayatal Podyjí“, both national parks have executed many common projects and measures in terms of visitor management and information, science and research, supervision and public relations. These projects ensure that the national border does not impede a common development of both national parks.

- 6.2** Direct international cooperation between both national parks in the form of joint management plans, data exchange, and joint projects is exemplary. However, the Austrian Court of Audit notes that cooperation has become more difficult with the involvement of third parties (e.g. South Moravian Fishery Association).



Black Stork

## 7. Cooperation in Other Fields

- 7.1** The Province of Lower Austria cooperates on different levels with organizations and institutions of the Czech Republic. Examples worth mentioning are the EREG II<sup>2</sup> project and the cooperation agreement between the Province of Lower Austria and the regions of South Bohemia-Moravia and Vysočina. In addition to areas like economy, tourism, and health-care, the working program to this agreement equally covers fields such as ecology and the environment. During the audit, specific results arising from the working program for nature conservation in the audited region were not identified.

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<sup>2</sup> Independent development of the Retz-Znojmo-Pulkau valley region, aiming e.g. at an economic use of the national park region.

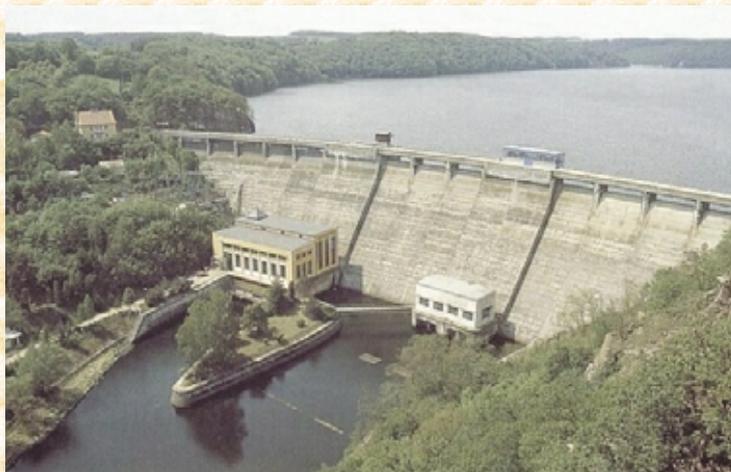
There was no specific transboundary coordination in the definition and management of the protected areas outside the national parks.

**7.2** The Austrian Court of Audit recommends strengthening existing cooperation in the fields of ecology and the environment in order to execute specific projects and to develop ecologically valuable regions.

**7.3** The Lower Austrian Province Government notified that there were attempts to start a project financed by INTERREG, unfortunately there was no official consent by the Czech Republic until January 2005.

## **8. Impact of the Vranov Power Plant**

**8.1** In 1934, a power plant was completed on the state territory of the Czech Republic. Its dam reservoir and water retention system affect animal migration as well as the river's sediment discharge regime, temperature, the concentration of dissolved oxygen, and the input of nutrients. According to the Committee for the Award of the European Diploma, the dam reservoir had had a severe negative influence on the river Thaya<sup>3</sup> and had changed its character. Altogether, biodiversity and biomass differ significantly in the upstream and downstream sections of the dam reservoir. The Thaya reverts to its natural character as a river only after approximately 45 km downstream the hydro power plant. Since the completion of the dam, the number of fish species has decreased from 35 to 22.



Vranov dam

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<sup>3</sup> Studies of the Masaryk University in Brno: Hydrobiology of the Dyje River in the National Park Podyjí, 1999.

It was recommended on the occasion of the award of the European Council's European Diploma that the national parks find remedies to these disturbances and elaborate, within two years, solutions for ready implementation. The river was qualified as "not near-natural".

- 8.2** In future, the hydro power plant Vranov will continue to severely impact that habitat. Lacking any possibilities to control the operation of the power plant, the national parks run the risk of not being able to meet the conditions of the European Diploma. The owners of the Nationalpark GmbH, particularly the Federal Government, are therefore called upon to insist on the interests of the national park in the negotiations on the power plant.

## **9. Sewage Water Discharge of a Chemical Factory**

- 9.1** Since 1962, the sewage waters of a company producing citric acid have been significantly deteriorating the water quality of the downstream Pulkau. The levels agreed in the sewage treatment plan authorized in 1977 were reached as late as 1990. Given the low water level of the river Pulkau (60 l/s) in relation to the sewage water from the production process (232 l/s), the discharge of industrial sewage waters has a negative impact on the water quality.

In March 2000, the competent authority allowed an increase of the daily sewage water volume by almost 37.5%.<sup>4</sup> The chemical oxygen demand remained at the previous level of 10 tons per day, the permitted levels of the other parameters increased in line with the raised sewage water volume. Moreover, an increase of 72.5 % concerning the biological oxygen demand was granted.

The 1999 water ecology assessment report (Gewässerökologisches Leitbild Pulkau) stated that the discharge of sewage waters by a chemical manufacturing company led to a significant deterioration of the water quality (III-IV), even though a second treatment had been installed. The reasons were insufficient dilution in combination with the existing level of pollutants, and the inherently low natural regeneration potential of the river. The Pulkau River is not an appropriate receiving watercourse for sewage waters from a chemical factory. Given these conditions, it does not seem possible to achieve a good ecological potential and a good chemical status as required by the Directive of the European Parliament and Council establishing a framework for Community action in the field of water policy for a modified water body.

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<sup>4</sup> from 20,000 m<sup>3</sup> to 27,500 m<sup>3</sup>.

**9.2** The Austrian Court of Audit criticized that for a long time the sewage water parameters were not met without any consequences (no imposition of sanctions). Moreover, the existing inputs were not taken into consideration when the increase of the daily sewage water volume was granted in 2000.

Expert opinions and findings have shown that the insufficient water quality of the Pulkau River does not result from non-compliance with the volumes granted under the general regulations concerning emissions, but that the river itself is not an appropriate receiving watercourse for sewage waters, especially for chemical factory discharges. In the opinion of the Austrian Court of Audit there is a conflict between the increase of the daily sewage water volume granted in 2000 and the aim of clean water bodies set out in the Austrian Water Act. It should therefore be considered to enhance the river's regeneration potential and to refrain from discharging sewage waters directly into the river Pulkau.

## F. Audit Carried out by the Supreme Audit Office, Czech Republic (SAO)

### 1. Audit Objectives and Basic Information on the Audit Work

The audit objective was to verify the management of state financial means and of funds provided to the Czech Republic from abroad, expended particularly to improve the water quality in the Thaya River Basin.

The period under review was from 1999 till 2003 and any other relevant period. Audited entities were: the Ministry of the Environment (ME); the State Environmental Fund of the Czech Republic (SEF); Povodí Moravy, state enterprise (Water management organization); Agency for Protection of Nature and the Landscape (ANPLC); Podyjí National Park; and other recipients of financial support.

The audit encompassed the management of funds provided from the Ministry of the Environment - the state budget chapter, from SEF and from financial means provided to the Czech Republic from abroad. The audit was carried out on approximately 50% of the total amount provided in the period under review into the specified area. The total amount provided was approximately CZK 3 810 million.

### 2. Competencies

**ME** is the body of supreme state supervision in environmental matters, the central authority of the state administration for protection of natural accumulations of water, protection of water sources and protection of the quality of surface and ground waters, for air protection, for protection of nature and the landscape, ... and for environmental impact assessment of activities and their impacts on the environment. ME coordinates procedures of all ministries and other state administration bodies in environmental matters. It is also the central authority for the state environmental policy.

The **Ministry of Agriculture (MA)** is the central body of the state administration also in the area of water management with the exception of natural water accumulation, water sources protection, and protection of quality of surface water and groundwater. Administration of water streams in the Czech Republic includes carrying out tasks and activities as stated in the Act on waters (the Water Act).

The **Czech Environmental Inspection (CEI)** is a professional body of the state administration responsible for supervision of law regulations in the area of environmental protection. It also checks compliance with binding decisions of administration authorities in the area of environment.

**SEF** was founded for the purpose of creating supplementary financial institution to support protection and improvement of the environment in all of its components and to implement the environmental policy of the Czech Republic. It is one of the basic economical instruments for the fulfillment of obligations stemming from the international treaties on environmental protection and for the implementation of the State Environmental Policy. It is an implementation agency for the pre-accession and structural programs of the European Union (EU).

### **3. Cooperation of the Competent Departments of the Ministry of the Environment and the Ministry of Agriculture when Executing Ecological Projects in the Specified Area**

The implementation of environmental projects and measures in the Thaya River Basin was detrimentally affected by the lack of cooperation between the sectors of ME and MA. The fact that cooperation was not at a desirable level was reflected, e.g., in implementation of the supra-regional bio-corridor in the territory of the Nové Mlýny Water Work where investments were partially wasted. Two islands constructed in the middle reservoir from the means of the state budget and SEF are mostly submerged because of the higher water level and cannot thus completely fulfill the purpose for which they were constructed.



Foto: Jan Zeman, Ekolist.cz

Nové Mlýny Water Work

The Nové Mlýny Water Work (NMWW) was constructed as a part of “complex” water management measures in the Thaya River Basin in the seventies and the eighties of the twentieth century. The manager (and investor) of NMWW is Povodí Moravy, a state enterprise founded by MA.

At the level of ME (having competence over the aspect of remedying the environmental impacts of NMWW since 1990) a long-term conceptual plan was prepared called “ME policy in relation to the Nové Mlýny reservoir”.<sup>5</sup> The main target of the ME policy was to create a supra-regional bio-corridor, whose axis would consist of a series of islands in the central and lower reservoirs, connected to floodplain forests along the Jihlava and Svratka rivers. The islands in the lower reservoir were to be connected to a vegetation strip along the southern shore, connecting the bio-corridor under the reservoir with the complex of forests along the Thaya River.

The first island, with an area of 11.65 ha, was being built between 1996 and 1997. Subsidies for this construction were provided from the state budget. The second island, an area of 12.31 ha, was being completed between 1998 and 2000. The basic condition for safe functioning of the bio-corridor was the requirement that the operational level be permanently reduced by 85 cm, i.e. from manipulation at an altitude of 170.35 m AMSL down to 169.50 m AMSL.

Although Povodí Moravy notified ME that it did not agree with the intention to permanently decrease the water level, it signed an agreement with SEF on provision of subsidies where it was bound to use financial means for the bio-corridor creation.

The height of the operating level in the middle reservoir is adjusted through decisions in legal force of the Břeclav District Authority and CEI that are mutually contradictory. While the water management decision of the Břeclav District Authority laid down the obligation for Povodí Moravy to manipulate the level in the middle and lower reservoirs at a level of 170.0 m AMSL, the CEI decision directed that it avoid manipulations that would lead to an increase in the level above 169.5 m AMSL.

Since the completion of the construction work, the level has been maintained at 170.0 m AMSL where the island is mostly submerged and thus the purpose of the construction is not fulfilled completely. For this reason, the subsidy was not definitively recognized and SEF did not pay the last 10% of the subsidy to Povodí Morava.

**SAO gave notice to the Government of the Czech Republic of the low standard of cooperation between ME and MA when executing environmental projects. It also recommended setting a deadline for the approval of a common strategy in the matter of NMWW.**

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<sup>5</sup> “ME policy in relation to the Nové Mlýny reservoir”, 1993, ME.

## **4. Execution of Programs and Measures for Water and Nature Protection**

### **State Budget Expenditures – the Chapter of the Ministry of the Environment**

Funds from this chapter of the state budget were expended, amongst other things, for:

- implementation of landscape programs,
- creation of the Natura 2000 network.

#### **Implementation of landscape programs**

Projects in the framework of three landscape programs were supported in the audited area:

- River System Restoration Program
- Program of Minor Water Management Environmental Projects (program ended in 2002)
- Landscape Program

Financial means were provided in the form of purpose-bound subsidies and, for Program of Minor Water Management Environmental Projects, also in the form of loans.

An audit sample of 39 projects was taken out of the total number of 547 projects. (All projects where the financial assistance attained was more than 25 % of the highest provided assistance were selected.)

The procedure in financing some of the projects was not in accordance with the principles of economy:

- ME did not sufficiently check the agreements between the investor and the supplier. ME did not carry out sufficient subsequent checks of the projects; projects were financed that did not fully serve the purpose for which they were executed;
- some investors did not maintain the conditions laid down in the Decision on Provision of Assistance;
- it was not possible to evaluate the environmental effects of the projects due to the lack of relevant data.

**SAO recommended ME to improve procedure of the state support provision by focusing on attainment of ecological effects. Then it recommended improving the system of checks of ecological effects by responsible authorities with consistent application of sanctions.**

#### **Creation of the Natura 2000 network**

The Natura 2000 network consists of special protection areas that are listed in the “national lists” of the EU member states. Its purpose is to provide for protection of biodiversity through protection of target species and types of natural habitats and to provide for their mutual territorial links in the framework of the EU member states.

Purpose-bound financial means for Natura 2000 were allocated in the ME chapter.

The "national list" had not been issued by July 31, 2004, i.e. a Government Regulation containing a list of all localities of European importance in the Czech Republic included in the Natura 2000 network. Only on the basis of an existing "national list" would it be possible to evaluate submitted projects and obtain support from structural funds and from the Cohesion Fund (corresponding to an amount of EUR 1 454 mil. for the period 2004 - 2006). In addition, ME did not ensure sufficient public awareness of the importance of the Natura 2000 network.

By the time that the audit was completed, no legislation had been created delimiting the Natura 2000 network, which is essential for evaluation of new projects from the standpoint of the criteria as to whether their implementation could damage the valuable natural environment forming this network.

The task of mapping biotopes was supported in the 2000 to 2004 period as a basis for creation of the "national list".

ME did not issue any methodical instructions that would clearly lay down the rules for withdrawal of allocated funds for mapping of biotopes in the framework of the Natura 2000 network.

ANPLC (a professional institution in the state protection of the environment securing methodical, documentary, educational, and consulting activities, research and development, provision of information in the area of nature conservation and landscape protection) did not provide for economical use of funds allocated for mapping biotopes. For example, in agreements with people responsible for mapping, it did not specifically define the object of the work - the size of the area to be mapped.

**SAO findings contributed to more intense work leading to passing the Natura 2000 national list.**



Dictamnus albus

## **Expenditures from the State Environmental Fund of the Czech Republic**

In the territory of the Thaya River Basin, SEF supported 682 projects in the years 1999 - 2003, on the basis of favorable decisions on provision of financial assistance. Agreements were signed for an overall amount of more than CZK 2 027 million.

### **Exceptional decisions of the Minister of the Environment**

The procedure according to the provisions of the Act on SEF was not followed for 14% of the projects (subjects not under ME) where minister issued "exceptional decisions". The projects were not submitted to the Fund Board<sup>6</sup> through SEF and SEF did not have basic documents at its disposal for preparation of expert reports and standpoints. In this manner, support was provided for projects that could not be substantively included in the declared programs. The large number of exceptional decisions indicated that the programs of assistance and the conditions for their provisions were not well defined.

In the position of the administrator of SEF, ME financed part of the normal activities of contributory organizations connected to the state budget from the SEF funds. Since 2001 the Act on budgetary rules has prohibited direct financing of the activities of state contributory organizations (their main activity) through subsidies or contributions from SEF. ME financed budgetary organizations through other entities - mediators, which could be provided with subsidies from SEF. In these cases minister passed "exceptional decisions" also.

### **SEF when providing financial assistance**

- did not in some cases devote sufficient attention to preparation of the basic materials for provision of support, and to formulating binding conditions in the agreements on support;
- did not consistently require that the applicant for assistance be sufficiently prepared as an investor. Mostly, the subject of contract was not defined precisely;
- did not carry out sufficient checks during implementation of the project.

**SAO recommended ME to upgrade the rules for provision of the support and at the same time to strictly specify reasons for exceptional decisions according to the SEF Directive on provision of support.**

**At the same time SAO recommended ME to reevaluate composition of the chapter budget in its proposal for next year so that financing of contributory organizations would be allowed directly.**

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<sup>6</sup> Advisory body of Minister of the Environment for issues concerning SEF.

## **5. Cofinancing of Environmental Projects and Measures from Foreign Sources – Bilateral Cooperation with the Republic of Austria**

Since 1999, the Federal Government of Austria has provided subsidies to the Czech Republic for number of environmental projects-focused on water protection and heating by biomass-that were being implemented in the border area and that were also financed from the state budget, SEF or other foreign sources. Support is directed especially into the area of water protection and heating by biomass. These means are provided through an Austrian monetary institution entrusted with administration of the environmental fund.

Subsidies were provided to the individual investors on the basis of agreements on support up to an amount of 15% of recognized costs. The monetary institution paid the agreed amount directly to suppliers if the conditions negotiated in the agreement were met and the subsidies had been provided.

Investors employed the provided subsidies to pay for consulting services and preparation of project documentation plans. Mostly Austrian companies participated in consulting services.

The agreements were concluded for a contract price and the remuneration of the consultants was calculated according to the valid Austrian payment tariff for the construction industry, whose rates were much higher compared to the prices of Czech suppliers.

ME did not make any statement on these subsidies and did not have any specific information on them.

## **6. International Cooperation in Environmental Protection**

### **In environmental protection**

The “*Agreement on cooperation*” was signed in 1987. Cooperation was being implemented through exchange of experience, experts, information, publications, etc.

### **On border waters**

The “*Agreement dealing with aspects of water management on border waters*” was signed in 1967. The parties to the agreement agreed on mutual discussion of planned water management measures, on protection of border waters against pollution, on conditions for carrying out maintenance work, etc. A Government representative and a deputy were appointed by each party to carry out tasks stemming from the agreement.

The Austrian-Czech Commission for Boundary Waters is the umbrella organization for border waters. Execution of its activities is secured by two sub-commissions. The work is

usually carried out and financed by the party that has better conditions to provide for this. Financial settlement is carried out each year by December 31 by mutual calculation of actual expenditures. Water quality of the Morava and Thaya rivers is monitored by experts from both states.

**Cooperation is bound to negotiations at the level of the Government representatives, who meet annually, and thus is not sufficiently flexible. An example of this fact is that the Government representative of the Czech Republic does not have a record of financial means expended in the framework of the relevant international agreement.**

### **In nature protection**

The “*Declaration on Cooperation between the National Park Thayatal and the Národní park Podyjí*” established cross-border cooperation between the administrations of the national parks in 1999. In 2002, the directors concluded the “*Agreement on joint goals, fundamentals and principles of management of the Podyjí and Thayatal National Parks*” in an attempt to ensure effective care for protected territories (in the same category) by implementing the same fundamentals and principles of protective management. The Austrian-Czech Commission for the national parks meets annually. Commission discusses at the meetings, amongst other things, joint monitoring programs (water quality, hydrology, etc.). An agreement was reached on organizing occasional joint guard services and mutual exchange of data by information systems.

A fundamental problem is the varying flow rate in the Thaya River caused by the operation of the power plant in Vranov nad Dyjí. As zero flow-rates caused by peak operation of the hydro-electric plant are unnatural and have a very detrimental impact on nature, negotiations have been underway since 1994 in both parks on providing for an environmentally sound flow rate on the Thaya River.

## G. Assessment of Cooperation

Despite some differences in competencies of the Austrian and Czech SAIs and their different audit methods and procedures, common topics were found and comparable findings obtained. Joint conclusions were therefore made from the performed coordinated audits (part D).

Both SAIs are convinced that audit findings and their acceptance in the fields of water policy and national parks are evidence for the good and successful cooperation between Austria and the Czech Republic. While cooperation concerning the national parks has already become a part of the operative business, it seems useful to review the basis of the Austrian-Czech Commission for Boundary Waters.

As the region near the border continues to be exposed to negative influences from both sides of the border, their resolution should be one priority. The existing conflicts of interest between regional economic and social policy and the ecological needs should be solved.

These joint conclusions will be recommended and presented in accordance with competencies of both SAIs to governments and legislative bodies of both republics.

The joint report will be presented at the meetings of INTOSAI and EUROSAI Working Groups on Environmental Auditing as a positive example of a coordinated audit.



Hardegg Castle



**The Attachment to the Communiqué was signed in Kutná Hora  
on 22<sup>nd</sup> of April 2005**

on behalf of:

**Austrian Court of Audit**

A handwritten signature in black ink, appearing to read "H. Heinrich Lang".

Heinrich Lang  
Head of Department  
for Comprehensive Environmental Protection

**Czech Republic – Supreme Audit Office**

A handwritten signature in black ink, appearing to read "M. Kruchina".

Miroslav Kruchina  
Head of Department  
of Environment and Agriculture



**AGREEMENT**

**BETWEEN THE SUPREME AUDIT**

**OFFICE OF THE CZECH REPUBLIC AND**

**THE AUSTRIAN COURT OF AUDIT**

**WITH REGARD TO THE COOPERATION ON THE**

**AUDIT OF**

**ECOLOGICAL PROJECTS AND**

**MEASURES IN THE DYJE (THAYA) WATERSHED**

**11/2003**

## **Preface**

The Agreement was concluded on the basis of good will by JUDr. Lubomír Voleník - the president of the Supreme Audit Office of the Czech Republic (NKU) - and Dr. Franz Fiedler - the president of the Austrian Court of Audit (RH). The agreement was reciprocally formulated in letters exchanged between the presidents of the Supreme Audit Office of the Czech Republic and the Austrian Court of Audit and on the basis of common activities in the Working Group on Environmental Auditing EUROSAI framework.

## **Principles**

This Agreement is based on the principles set out in the booklet "How Supreme Audit Institutions (SAIs) may co-operate on the audit of international environmental accords".

## **Article 1**

(Participating SAI)

This is a cooperation between NKU and RH, hereafter referred to as "the Contracting Parties".

## **Article 2**

(Name of audit)

The Contracting Parties have agreed to cooperate on the audit of Ecological Projects and Measures in the Dyje (Thaya) Watershed.

## **Article 3**

(Scope of audit)

The Contracting Parties have agreed that the SAIs of the Czech Republic and Austria will carry out audits focused on ecological projects and measures in the Dyje (Thaya) watershed.

## **Article 4**

(Type of audit)

The cooperation between the Contracting Parties will be conducted as co-ordinated audits. Co-ordinated audits are defined as concurrent audits with a single, joint report in addition to separate national reports. Concurrent audit is defined as an audit conducted more or less simultaneously by NKU and RH, but with a separate audit team from each SAI reporting only to its own legislature and only the observations and conclusions relating to its own country.

## **Article 5**

(Nature of audit)

The nature of the audit will be a performance audit defined as described in INTOSAI's auditing standards and the EU Auditing Standards.

## **Article 6**

(Audit objective)

The audit in the Austrian Republic and in the Czech Republic will be focused on measurements concerning water quality, nature protection and biodiversity as well as the efficiency and the ecological output of invested funds and international co-operation in the framework of both of our mandates.

## **Article 7**

(Methodology)

The methodology used by the Contracting Parties has to be in conformity with the following standards and guidelines:

- INTOSAI Auditing Standards
- INTOSAI Guidance on Conducting Audits of Activities with an Environmental Perspective
- EU Auditing Standards
- National Standards or Guidelines on Performance Auditing

## **Article 8**

(Audit criteria)

Financial, economic and ecological issues will be evaluated in performance audits of the economy, efficiency and effectiveness of the audited entities (complying with the national regulations, bilateral and multilateral environmental agreements).

## **Article 9**

(Project leaders)

|                          |  |  |
|--------------------------|--|--|
| The Austrian leadership: | Auftraggeber:<br>Project Leader<br>and Co-ordinator:   | SC Mag. Wilhelm Kellner<br>MR Dr. Heinrich Lang                      |
| The Czech leadership:    | Guarantor:<br>Project Co-ordinator:<br>Project Leader: | Ing. Zdeněk Brandt<br>Ing. Miroslav Kruchina<br>RNDr. Helena Hašková |

## **Article 10**

(Timetable)

The national audit should commence no later than April 2004, and should be completed no later than February 2005 (final text version).

## **Article 11**

(Publishing dates)

The Contracting Parties obligate themselves to submit their reports in the English language to each other. The draft of the joint report will be prepared by NKU. The final joint report will be completed based on the joint position. The final report should be published in English no later than June 2005.

The Contracting Parties are obliged to keep all ascertained facts confidential according to the law extant in both states.

## **Article 12**

(Adjustments or amendments)

If one of the Contracting Parties wishes to make adjustments or amendments to the existing Agreement, it has to inform the other Contracting Party of its intention.

## **Article 13**

(Exchange of information)

The exchange of information between the Contracting Parties, including future consultations and meetings, will be arranged according to requirements rising from cooperation of the Austrian and Czech auditors. Electronic mail will be used as well. All official documents based on the cooperation of NKU and RH will be written in English language.

## **Article 14**

(Dissemination of information)

Dissemination of information to other members of the Working Group on Environmental Auditing INTOSAI/EUROSAI and to the other INTOSAI/EUROSAI members (mainly the joint report) will be on the Internet.



Dr. Franz Fiedler  
President  
**The Austrian  
Court of Audit**

18 March 2004



Ing. Dušan Tešnar  
Vice-president  
**The Czech Supreme  
Audit Office**

16 February 2004



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**MR Mag. Dr. Heinrich L a n g**

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Project Coordinator:

Project Leader:

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