

Prague Municipal Court had significant deficiencies in the 2017 accounts

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The Supreme Audit Office has verified the accounting and the preparation of the financial statements of the Prague Municipal Court (PMC) for 2017. Auditors found significant deficiencies in the financial statements for more than CZK 1 billion. The PMC has also violated tax regulations and legal regulations of court fees as well as it had deficiencies in the internal control system.

The most significant deficiencies in the financial statements result from the fact that the PMC did not charge some of its significant liabilities and costs at the time of their origin. These included, in particular, fees and expenses for lawyers, experts, interpreters, and other parties to the legal proceedings. Therefore, the financial statement, the balance sheet as well as the profit and loss account did not reflect what had happened in that year.

In the cash flow overview, the PMC reported a cash balance that did not correspond to the reality of the balance sheet. In an annex to the financial statements, the PMC then did not declare the amounts of future claims and obligations arising from its decision-making activities. Examples include court fees, financial penalties, and compensation for appointed lawyers. In all cases, there were significant systemic weaknesses in the field of accounting and reporting.

According to the SAO, the 2017 financial statements of the PMC did not give a true and fair view of the accounts and therefore the data contained therein were not reliable. The financial statements were, nevertheless, adopted by the Ministry of Justice.

In some cases, auditors found evidence which met the characteristics of a breach of budgetary discipline. More than CZK 26 million from the national budget were applied wrongly by the PMC by providing advances under specific legislation to more than 12 months. However, the budgetary rules do not allow for this. In this context, the SAO has recommended adapting the budgetary rules in order to respect the specificities of legal proceedings.

The PMC was also reimbursing services on the basis of inefficient contracts. In one case, it paid an invoice for more than CZK 300,000 without a concluded contract and, in several cases, it did not make any payment to the State budget within the legal deadline.

Given the results of the audit, the SAO has recommended that the legislation on cash guarantees attributed to the State and in the area of the provision of advances under specific legislation be regulated.