



AUDIT
OFFICE



REPUBLIC
OF CYPRUS

AUDIT OF DEPUTY MINISTRY OF TOURISM

Executive Summary



**AUDIT OFFICE OF THE REPUBLIC OF CYPRUS
SPECIAL REPORT no. YΦT/01/2021**

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AUDITED ENTITY

Deputy Ministry of Tourism

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Within the framework of the provisions of article 116 of the Constitution of the Republic of Cyprus, the Audit Office carried out compliance audit regarding mainly the marinas, the licensing procedures for berthing recreational crafts, the competition for promoting Cyprus abroad, the contracts for the kiosks of the Deputy Ministry in international tourism expos and the Offices Abroad.

The most significant findings and recommendations of the audit are the following:

a. Staffing of Deputy Ministry of Tourism.

- ◆ The Deputy Ministry of Tourism has not appointed Responsible Coordinators for all the contracts it handles, while it is still without appropriately trained technical staff with a background in engineering science and experience in managing contracts of such scope.

We recommended for the positions of Responsible Coordinators to be undertaken, even on a temporary basis, by the officers that were already employed at the Deputy Ministry.

b. Audit of marina management agreements.

- ◆ Non-timely and non-systematic monitoring of amounts due and arrears.

We requested the recording of the arrears and the taking of all the appropriate measures for the collection of amounts due.

- ◆ St Raphael Marina – Amendment of the terms of the initial contract and rent debt for the years 2017 and 2018.

We asked the Ministry of Energy, Commerce and Industry to justify the reasons for amending the contract which led to a great reduction in the rent.

- ◆ Limassol Marina- Dispute between administrator and Ministry of Energy, Commerce and Industry regarding the correctness of rent adjustments.

We recommended resolving the issue for purposes of timely securing of public revenues.

- ◆ Ayia Napa Marina – The Council of Ministers approved the application by the Concessionaire of the Contract for the Development of Ayia Napa Marina, for leasing an adjacent state-owned plot with area of 3.093 square metres for tourism purposes and specifically for its integration with the area of Ayia Napa Maria, for a period equal to the period of the Lease Agreement of Ayia Napa Marina, by substantially amending both the terms of the tender that had been made, and the concluded Contract itself.

We note, for transparency reasons, and especially given that the lease was decided by the Council of Ministers, that one of the Directors of the Concessionaire is a person from the family environment of the President of the Republic. Also, Directors of the parent company received between 2018 and 2020 the Cypriot citizenship under the Cyprus Investment Programme without

meeting the investment criteria set by the relevant Decision of the Council of Ministers. The service provider for the awarding of the Cypriot Citizenship was the law firm in which the daughters of the President of the Republic have interest.

We expressed the opinion that the conclusion of the Lease Agreement of the said state-owned plot by the Ministry of Interior, does not comply with the legislation and that an open, transparent and competitive procedure must be followed in cases of lease of state land, which has to ensure the management of the property of the Republic in the most economical, effective and efficient way, while the basic terms of public procurements cannot be amended subsequently.



- c. Tender documents for consultant/designer for marina cruise ship reception infrastructure in Paphos.

- ◆ The tender, which was announced in 2006 by the then Ministry of Commerce, Industry and Tourism for the development of Paphos Marina, based on a decision of the Council of Ministers, dated 2.3.1994, for a marina with a capacity of 1,000 vessels, did not have a successful outcome, resulting in its final cancellation in 2018.

The Council of Ministers, on 15.11.2019 decided the to announce an open tender for the purchase of consulting services, in order to study whether it is possible to develop a combined marina and infrastructure for hosting cruise ships in Paphos, find an investor, as well as prepare all the relevant documents, including the terms to be included in the successful tenderer's contract.

We suggested that the Ministry of Tourism announce a tender, which would be limited in the purchase of consulting services, in order to study whether a combined development is possible, in order to avoid a possible unfair predisposition to reach the solution of combined development, in order to obtain a greater economic benefit. If it was judged that the Project was legally, technically and environmentally acceptable, as well as economically viable and the approval by the Council of Ministers was secured, to proceed with the announcement of a second tender for the purchase of consulting services for the preparation of relevant documents to find an investor.

Arrears of Larnaca Marina.

- ◆ Non-collection of arrears from renting premises and mooring fees.

We requested the prepayment of mooring fees and the continuation of the effort to collect the arrears.

d. Audit of Foreign Offices.

- ◆ Unallocated funds of the approved Budget of 2019, which could be used for additional promotions.

We suggested that the preparation of the Budget is done on a more rational basis.

- ◆ Recommendation for reexamination of the operation and restructuring of the Foreign Offices, as well as reassessment of the substantial contribution of the Offices in the attraction of tourists.
- ◆ Weaknesses and deficiencies in the accounting check of payments, check of annual leave and sick leave of local staff, as well as check of the time of arrival at work and finish of work by local staff.

- e. As we found out, a company that owns a golf court resort received a grant of €260.000 for the two international golf tournaments. We noticed that the sponsorship seems to violate the provisions of article 25 of the Accounting and Financial Management and Financial Control of the Republic Law (L.38(I)/2014) and was given without obtaining the legal approval provided by the EU law for state aid issues. The director of the company is a first degree relative of a person who belongs to the family environment of the President of the Republic. However, it should be emphasized that no evidence has come to our notice indicating any intervention of the President of the Republic himself in this case.

The final comments of the Deputy Ministry of Tourism are quoted in Appendix 2.