



ΕΛΕΓΚΤΙΚΗ
ΥΠΗΡΕΣΙΑ



ΚΥΠΡΙΑΚΗ
ΔΗΜΟΚΡΑΤΙΑ

**AUDIT OF THE CYPRUS SYMPHONY ORCHESTRA FOUNDATION
FOR THE YEARS 2018 – 2019
Executive Summary**



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

23 March 2021

AUDIT OF THE CYPRUS SYMPHONY ORCHESTRA FOUNDATION

Executive Summary

AUDITED ENTITY

Cyprus Symphony Orchestra Foundation

1. Executive Summary

The Audit Office performed a compliance audit of the Cyprus Symphony Orchestra Foundation (Foundation) in order to examine whether its financial management is carried out properly. The most significant findings of the audit are the following:

- ◆ On 3.7.2019, the Board of Directors (Board) approved the amendment of the Foundation's Statute, so that the Board does not include the two ex officio Members. Eight out of nine members of the Board attended the meeting and voted for the amendment. According to the Foundation's Statute, nine votes are required for the amendment of the Statute.

We recommended that legal advice is taken whether the decision for amending the Statute is valid.

- ◆ The Ministry of Education, Culture, Sports and Youth (MECSY), has recognized the necessity of setting up a Funding Agreement, with measurable criteria for the payment of the Government Grant. The MECSY has not proceeded with the preparation of the Funding Agreement, as the Foundation has been transferred under the Ministry of Finance on 1.1.2020.

We recommended that the Ministry of Finance prepares a Funding Agreement and evaluates the Foundation's procedures.

- ◆ The strategic target of the Foundation for increasing its revenues and reducing the dependence on the Government Grant has not been met. In 2019, the Foundation received a Government Grant of €2.699.000, which corresponds to 92.3% of the total revenues.
- ◆ Omissions and weaknesses were noted, regarding the calling of meetings of the Board and the preparation of the minutes.

We recommended that detailed minutes of the meetings of the Board are Kept, numerical referencing of the minutes, preparation of an agenda, signing of the minutes in line with the provisions of the Statute, holding meetings only when there is quorum and timely validation of the minutes.

- ◆ Regulations regarding the operation of the Foundation and specifying the duties and other terms of service of the Foundation's employees, in accordance with the provisions of the Founding Act of 2006, have not been prepared, while the Financial Regulations have not been approved by the Board.

We recommended that the above Regulations are prepared and approved, the soonest possible.

- ◆ Due to the improper handling of consecutive Boards of the Foundation, the employment regime of the Artistic Director of the Cyprus Youth Symphony Orchestra and of the Technical Assistant, were converted from fixed-term employment to indefinite employment.

- ◆ Omissions and weaknesses were noted regarding staff-related issues such as the granting of monthly benefits and travel expenses, the organizational structure of the Foundation, staff evaluations and the delay in the renewal of the Collective Agreements of Administrative and Secretarial Staff and of the Musicians of the Cyprus Symphony Orchestra, which expired on 31.12.2012 and 31.12.2010, respectively.
- ◆ The Music Academy exempts students with financial difficulty from paying fees, based on information from Social Insurance concerning only one parent. As a result, in 2019, a family with total income of about €58.000 was exempted from paying fees.

We recommended that information regarding the total family income is requested as well as a signed statement that the family has no other income.

- ◆ The agreement for the provision of services by a law firm was terminated by the Foundation a month after its renewal and a new Letter of Engagement was signed with another law firm, without the approval of the Board. The Engagement Letter which was signed by a member of the Board who was not authorized, failed to include basic provisions, such as delay clauses, termination of the contract and settlement of disputes.
- ◆ The Foundation is not registered with the VAT Department, despite the fact that its total annual transactions exceed the registration threshold and that the Foundation receives services from abroad, for which the reverse-charge mechanism is applied.

We recommended that the Foundation clarifies with the Taxation Department whether it is obliged to register with the VAT Department.

- ◆ Omissions and weaknesses were noted regarding a concert with a Greek artist, regarding arbitrary actions by members of the Board, failure to obtain the approval of the Board in choosing the artist, as well as regarding a scheduled concert (that was not held) with another Greek artist.

We recommended that the members of the Board do not make decisions without the prior consent of the Board, the agreements made by the Foundation are based on increasing its revenues and the Foundation does not announce events before the signature of relevant agreements.

- ◆ The Foundation does not pay the Artists Tax to the Taxation Department on time, resulting in the Foundation being charged with interest.

We recommended that tax is paid on time, according to the provisions of the Income Tax Law L. 118(I)/2002.