



AUDIT
OFFICE



REPUBLIC
OF CYPRUS

**AUDIT OF THE MINISTRY OF AGRICULTURE,
RURAL DEVELOPMENT AND ENVIRONMENT**
Executive Summary



AUDIT OFFICE OF THE REPUBLIC
SPECIAL REPORT no. ΥΓΑΑΠ/02/2022

13 December 2022

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AUDITED ENTITIES

Administration
Department of Agriculture
Veterinary Services
Department of Forest
Water Development Department
Geological Survey Department
Department of Meteorology
Mines Services
Agricultural Research Institute
Department of Fisheries and Marine Research
Department of Environment

Executive Summary

Within the framework of the provisions of article 116 of the Constitution of the Republic of Cyprus and the article 81 of the Law on Financial Responsibility and the Financial Framework (L. 20(I)/2014), the Audit Office carried out an audit of the financial statements of the Republic of Cyprus, in the context of which we audited a sample of receipt and payment transactions of the Ministry of Agriculture, Rural Development and Environment (ARDE) (Administration/Departments/Services), for the year 2021. A compliance audit was also carried out in relation to (a) the findings and recommendations from the audit regarding the Veterinary Services (VS), (b) issues related to the protection of the environment and mainly areas of the European Ecological Network «Natura 2000» and (c) the investigation of issues arising from complaints submitted to our Office.

1.1 Most important findings of the financial audit

- a. In some cases, the rent of livestock plots and state forest land was not revised according to the terms of the lease agreements.
- b. Weaknesses and omissions regarding examination the register of rent by Senior Officer.
- c. Inadequate updating of the FIMAS Set-off Application with all creditors and failure to maintain satisfactory records to document the audit performed.
- d. Weaknesses and omissions regarding the revenue collection process, such as no surprise surveys/examinations on Collectors carried out by the Heads of Departments, inadequate cash books' review, incomplete updating of relevant forms, failure to register cash books in an appropriate register and inadequate/poor cash collections safekeeping.
- e. Weaknesses and omissions regarding the payment process, such as improper payment authorizations, payment voucher supporting documentation not stamped as «PAID» and invoices/supporting documentation not stamped with the date of their receipt either by the Registry or other responsible officer of the Department.
- f. Invoices were not timely settled.
- g. Failure to ensure the effective management of government grants, as, in all cases, the recipients did not meet their obligations.
- h. Weaknesses and omissions regarding updating of the Contract Register.
- i. Delay in securing guarantees as provided in the terms of a contract of the Department of Forest.
- j. Receipt of a quantity of desalinated water, outside specifications, with the subsequent approval of the Coordinator of the contract. Also, compensation was paid to the contracting company for a period that the desalination Unit was not operating, however, without obtaining a permit from the Water Development Department (WDD) to remain on standby mode.
- k. Failure to resolve the dispute between the WDD and the Contractors of the Limassol and Larnaca Water Desalination Units, regarding the calculation of the unit price.

- l.** For the purpose of payment the government contribution to the Sewerage Board of Limassol - Amathus, which covers the costs of tertiary treated waste water, the WDD was still using during 2021 the allocation rate of 40% on the total costs for the construction works of the treatment plant, without documenting the estimation of that rate.
- m.** Significant financial disputes still exist between the records kept by WDD and the Sewerage Boards of Nicosia and Larnaca, regarding the amount of the government contribution.
- n.** No internal controls were incorporated in WDD' s computerized Water Pricing System, to prevent and/or detect errors in a timely manner.
- o.** Omission, to inform the Attorney General of the Republic and the Auditor General of the Republic regarding the procedure of a contract award and illegal procedure of contracts award by the Agricultural Research Institute.

1.2 Most important findings of the compliance audit

a. Administration.

Our Office expressed its reservations regarding the mechanisms applied by the Ministry of ARDE and the Services involved, in order to ensure that sponsorships are not paid to companies undertaking in difficulty, in the framework of the Rural Development Programme Measures, in cases where this is not permitted by the Acquis Communautaire. As a result, there may be unduly paid amounts.

b. Department of Agriculture.

Following the examination of a complaint, concerning the construction of a photovoltaic park in an area in the Community of Kato Koutrafa, revealed, at first sight, an intervention by the Minister of ARDE, for granting planning permission to a specific company.

c. Veterinary Services.

(i) Detection of positive cases of brucellosis in livestock farms. We observed weaknesses in a bidding tendering procedure for the sale of carcasses and skins of bovine, ovine and caprine animals with brucella, while a specific slaughter carried out on the 22.4.2022 may have been illegal since it was not verified by signed slaughter certificates.

In relation to the handling of positive cases of brucella, a relevant administrative investigation was carried out by the Ministry of ARDE, from which it emerged that officers of the VS may have committed disciplinary offenses. The Council of Ministers decided to conduct a disciplinary investigation against specific officers and the Director of the VS and in order to ensure the smooth conduct of the investigation, the Public Service Commission suspended the Director of the VS for a period of three months.

(ii) Authorizations to private veterinarians to carry out inspections in slaughterhouses of ungulates in the Nicosia District. Weaknesses were identified in the procedure for granting authorizations to private veterinarians by the Director of VS.

(iii) Seizure and destruction of fresh chickens of a specific private company. In view of the very low number of complaints and seizures carried out by the VS in the last five years, the European Union (EU) report highlights the significant weaknesses in post-mortem inspection of poultry, as well as the large size of seizure in the above case, raises legitimate questions as to why the VS do not show the same strictness in all cases.

(iv) EU audit report addressed Cyprus to assess existing food safety control systems governing the production and placing on the market of beef, including traceability. Specific weaknesses related to the procedures followed in slaughterhouses, inspections and controls, animal identification, measures in place to ensure that official veterinarians representatives are free from any conflict of interest, the provision of regular training to official veterinarians representatives in poultry inspections, etc. are highlighted.

(v) Illegal livestock facilities within the «Natura 2000» Network. A relevant reference to the above issue was made in the Special Reports of our office no. ΠΕ/01/2020 and no. ΥΓΑΑΠ/01/2022. As we mention extensively in the above mentioned reports, violations of the provisions of a number VS's legislations, questions arose as to the health monitoring of the relevant unit and the way of disposing of large quantities of milk or meat produced by the livestock unit, with all the consequent risks to public health, while illegal livestock farms seem to continue to exist and operate, years after the remarks of the competent State Authorities.

For the above matter, a case was registered on behalf of the Police for offenses in violation of the Animal Health Law (L.109(I)/2001), for the operation of the livestock unit without a license and related offenses and the Attorney General of the Republic gave instructions for taking legal measures, both against the owner of the unit and the private farmer, as the holder of the arbitrary livestock unit, informing the Director General of the Ministry of ARDE as to examine the possibility of disciplinary offenses committed by Departments and/or Services that fall under his control and jurisdiction. An administrative investigation is in progress, following a decision by the Minister of ARDE.

d. Department of Forest.

(i) Leasing of state forest land. On the occasion of the procedures being promoted for leasing state forest land in the Cape Greco area for the erection of a golf course, we expressed the opinion on the need to review the way state forest land is disposed for tourist, industrial or other commercial purposes to private companies.

(ii) Identification of dead vultures in the area of Agios Ioannis in Pafos District and illegal keeping of a wild vulture in captivity. It came out a non-strict implementation of the provisions of the relevant legislation for the protection of wild birds by the competent Services of the State as well as a lack of communication and cooperation among them.

(iii) Possible commission of disciplinary offenses by a specific Chief Conservator of Forest. We noticed that the aforesaid Officer took actions, regarding the identification of dead vultures, the irregular forwarding of requests of the Community of Innia in the area of

Akamas Peninsula, arbitrary and illegal constructions within an area of the «Natura 2000» Network, in Milikouri and the cut down of acacia trees and encroachment of dunes in the state forest «Mavrallis», which may constitute disciplinary offenses and we asked the Minister of ARDE to proceed with their investigation, as the competent Authority.

e. Water Development Department.

We observed the non-timely appointment of permanent posts of the WDD and the extension of the employment of 13 Fixed-Term work Employees for a period exceeding 30 months, and as a result they considered as employees with an open-ended contract.

f. Department of Environment.

Issues related to the protection of «Natura 2000» Network.

- (i) Environmental pollution and nuisance caused by the operation of an illegal biological station in Kalopanayiotis Community.
- (ii) Management of waste prom used vehicle tires and glass by Vassiliko Cement Works.
- (iii) Planning permit applications were approved and planning zones changed without complying with the legislation on environmental assessment.
- (iv) Developments in the Famagusta District.
- (v) Possible abuse of authority by officials of the Planning Authority and the Municipal Council of Sotira.
- (vi) Issuance of a positive Opinion by the Environmental Authority for the construction and operation of a photovoltaic park with a capacity of 1.2 MW in the Community of Steni in Pafos District.

For all the above mentioned findings, our Office submitted relevant recommendations, which, together with the comments and views of the Ministries of ARDE (Administration/Departments/Services) and Interior, are presented in this report.

Additionally, we prepared and published the following Special Reports, concerning the Ministry of ARDE, as mentioned in the Table below:

08.03.2022	Audit of the Ministry of Agriculture, Rural Development and Environment (ΥΓΑΑΠ/01/2022).
26.05.2022	Application for planning permission for the construction of a single residential development, in the Community of Pano Platres, within the nearby protection zone of the Kouri dam (ΠΕ/01/2022).
12.09.2022	Audit of the Department of Fisheries and Marine Research (ΤΑΘΕ/01/2022).
17.10.2022	Management of Livestock Plots (ΤΓ/01/2022).
09.12.2022	Environmental management of the Akama Pensula – Have the desired results been achieved? (ΠΕ/02/2022).