



AUDIT
OFFICE



REPUBLIC
OF CYPRUS

TREASURY OF THE REPUBLIC OF CYPRUS

Executive Summary



**AUDIT OFFICE OF THE REPUBLIC
SPECIAL REPORT no. ΓΛ/01/2022**

21 March 2022



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AUDIT OF THE TREASURY OF THE REPUBLIC OF CYPRUS

Executive Summary

AUDITED ENTITY

Treasury of the Republic Of Cyprus

Executive Summary

In accordance with the framework of the provisions of article 116 of the Constitution of the Republic of Cyprus and article 81 of the Financial Responsibility and the Financial Framework Law (Law 20(I)/2014), the Audit Office carried out a financial audit of the Treasury of the Republic of Cyprus, on a sample of receipts and payments for the year 2020, which was selected by a specific methodology, in the context of the audit aimed at formulating an audit opinion on the financial statements of the Republic of Cyprus.

The major findings of the audit are, in brief, the following:

- ◆ We noted cases where the law provisions and the directives/circulars of the Treasury of the Republic of Cyprus, regarding the documentation and audit of receipts and payments, were not fully complied with.

We recommended full compliance with laws and directives/circulars or their amendment, where necessary.

- ◆ We noted cases where income/expenditure was recognized, without the occurrence of actual cash flow, which is not consistent with the basis of preparation of financial statements.

We recommended the disclosure of relevant information in the financial statements of the Government of Cyprus.

- ◆ The laws on memorandum salary cuts were not implemented on the salaries of Judges recruited after the enactment of these laws.

- ◆ We found out that when repaying loans secured by a government guarantee, to the Cyprus Cooperative Bank, an overpayment of €9,1 million was made due to the fact that the repayment was not preceded by any inspection. The Bank, relying on the opinion of its legal advisors, did not accept that there was an overpayment and the matter is before the Law Office of the Government.

We suggested that efforts to find a solution be intensified, and if this is not possible, that legal proceedings be initiated.

- ◆ We found out that the Central Bank of Cyprus imposes a negative interest rate on the Government's cash and on deposits arising from legal cases, held by the Government but not owned by it.

We suggested, for the deposits not owned by the Government, to consider discussing the matter with the Judicial Service and if it is appropriate, to clarify that the relevant cost will be borne by the parties.