



AUDIT
OFFICE



REPUBLIC
OF CYPRUS

LEASING PLOTS OF STATE LAND TO COMPANIES FOR POULTRY FARMING PURPOSES AND POULTRY SLAUGHTERHOUSE CONSTRUCTION AND ILLEGAL USE



**AUDIT OFFICE OF THE REPUBLIC
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Executive Summary

AUDITED ENTITIES

Department of Lands and Surveys

Executive Summary

In the context of compliance audit of the actions and decisions of the executive authority, we examined the issue of leasing of plots of state land to company «A», for the development of a poultry slaughterhouse and construction of a suitable biological waste treatment plant, as well as the issue of leasing of other plots of state land for poultry farming purposes, of which some were subsequently, after its dissolution, leased to company «B».

The most important audit findings are summarized below:

- We observed, once again, an inappropriate state land management, which does not conform to the principles of good administration, transparency and equal treatment, in order to ensure an economic, efficient and effective state asset management.
- We observed the inability of both the Department of Lands and Surveys (DLS), as well as of other competent Authorities to react promptly and effectively to prevent a blatant illegal activity, in relation to the possession and use of state land. Moreover, no consideration was given to the fact that company «B» was formed basically to continue the activities of company «A», possibly in order to avoid the important financial obligations of the latter to the State.
- We observed the forwarding of requests, by the DLS to the Council of Ministers, concerning manifestly illegal actions and complete absence of an appropriate mechanism to ensure transparency, since, during the relevant decision-making process by the other competent Authorities, the DLS failed to report the illegal possession and use of state land by company «B» and the special relationship between the two entities (company «A» and «B»).
- In examining the requests of company «B», the DLS did not take into account the relevant Local Authority's objection.

- The Council of Ministers approved the lease of state land to company «B», which it had already been using, for a time span of more than six years, illegally, thus rewarding, instead of punishing, the illegal intervention in state land.
- The competent Authorities allowed company «B» to use state-owned land for livestock farming purposes, as opposed to its approved use, which was agricultural.
- A privately appointed Receiver Administrator, of company «A», violates the provisions of state land lease agreements still registered with the DLS, since he allows, without the permission of the owner, the use, of the leased land, by company «B». Accordingly, company «B» possesses and uses state land, without the permission of the owner, i.e., illegally.
- Internal control weakness and complete lack of relevant cooperation and communication between the DLS and the Veterinary Services (VS), since the VS transferred the poultry farm's veterinary code, from company «A» to company «B», without confirming, in consultation with the DLS, for the legal use of state land.

We called the attention to the Director of the DLS to proceed, without delay, to end the above-mentioned illegal activity, in order to ensure legality. We also recommended that the other competent Authorities should be concerned by this issue, as well. With regard to livestock units and veterinary facilities operating within state land, communication channels should be established between the DLS and the VS.

We also requested the Attorney General to give a legal opinion on whether there are any grounds for invoking the piercing of the corporate veil of the two companies, in order for the State to be able to recover the debt of company «A» from company «B». In his relevant legal opinion, the Attorney General stated the legal grounds for this to be achieved.