



AUDIT
OFFICE



REPUBLIC
OF CYPRUS

AUDIT OF THE CYPRUS BROADCASTING CORPORATION Executive Summary



**AUDIT OFFICE OF THE REPUBLIC OF CYPRUS
SPECIAL REPORT no. PIK/02/2019**





AUDIT
OFFICE



REPUBLIC
OF CYPRUS

SPECIAL REPORT PIK/02/2019

AUDIT OF THE CYPRUS BROADCASTING CORPORATION

Executive Summary

AUDITED ENTITIES

Cyprus Broadcasting Corporation

Executive Summary

This report is submitted to the House of Representatives, in accordance with article 3(5) of the Public Corporate Bodies (Audit of Accounts) Laws.

It is noted that on 15.3.2019 the above Law was abolished, since its provisions are covered by the Fiscal Liability and the Fiscal Framework Law (L.20(I)/2014), which includes a provision, according to which the financial statements of each entity of the General Government, including public corporations are subject to audit by the Auditor General. Furthermore, the other provisions of the aforementioned Law are covered by the provisions of the Submission of Data and Information to the Auditor General of the Republic Law (L.113(I)2002).

The financial statements have been audited by a private auditor appointed by the Corporation, after approval by the Auditor General, in accordance with article 3(1) of the above Laws. Based on the above article, the Audit Office has carried out additional financial audit, performance audit and compliance audit for the year that ended on 31.12.2018.

The most important findings/recommendations of the audit are the following:

- Deficit in working capital of €10.65m and total liabilities exceeding total assets by €128.5m. These data show that the Corporation's ability to continue as a going concern is based on the continuation of state sponsorship.
- Following a complaint for possible mismanagement of the Fund, our Office requested an investigation by the Attorney General as to whether any criminal offences had been committed.
- Significant delay in taking actions, on the basis of the recommendations of the study on the Strategic and Operational Planning of CBC.
- Proposed organizational chart with increase in the organization's posts and upgrading of salary scales.
- Favorable treatment of two associates with employment contracts of indefinite period that were upgraded from Scale A4-7 to the 7th tier of A10, in violation of the approved budget and the relevant circulars of the Ministry of Finance, without any consultation or briefing of neither the Ministry of Finance nor the Ministry of Interior, and in violation of the principles of proper administration and equal treatment, since other associates with a similar working profile were not treated the same. Our Office will refer the matter to the Attorney General for any criminal or civil liability.
- The Schemes of Service for six Managers specify a Salary Scale of A14, an not of Salary Scale A15(ii) which they are paid.
- Failure to submit copies of the required academic qualifications by 9 staff members.
- Failure to keep the electronic system for the recording of time employees arrive at and leave from work updated.
- Irregular granting of unpaid leave.
- Finding of the Labour Relations Inspector regarding the employment status of Temporary Associates.
- Overtime and shift allowances.

- Large increase in overtime expenditure and shift allowance, deficient overtime check (failure to use keycards, non-compliance with working hours).
- Payment of a shift allowance during business trips.
- Shift allowance payments to a Senior Television Officer, without substantiating the correctness of payments.
- Conversion of work status of Domestic News Correspondents from service providers to fixed-term associates.
- A journalist of the CNA with an agreement to provide services to CBC.
- Recruitment of service providers.
- Since entering into special “barter agreements” refers to the purchase of services or goods, we have recommended that the provisions of the Public Procurement Law be complied with, in the interests of ensuring the principles of transparency, equal treatment and proper administration.
- Long delay in the electronic data processing and automation of the procedures from submission to the screening of advertisements.
- Debtors for the amount of €1m with high risk and inability to recover receivables. The Corporation should investigate the reasons for the accumulation and non-timely claiming of the above debts and if and when errors and omissions are detected, the possibility of accountability to the competent officers of the Corporation should be considered.
- Marginal benefits:
 - The Corporation's accumulated debt for the above benefits amounted to €8.6m as at 31.12.2018.
 - An amount of €146,195 has been paid to management staff and all appropriate measures, including judiciary ones, should be taken for the refund thereof to the Corporation's account.
 - Our Office expressed reservations regarding the distribution of an amount of €3.5m, which is deposited in the bank account “Cyprus Broadcasting Corporation - Marginal Benefits”. We have suggested an immediate termination of the payment of this benefit.
- Renewal of the collaboration with their Legal Advisor without complying with the provisions of the circular of the Treasury dated 27.4.2016, which necessitates announcing a tender notice and award through procurement procedures.

Rental of vehicles without a tender notice.

- Recommendation for the rational functioning of the Board of Directors, for the saving of time and financial resources of the Corporation and the more efficient operation thereof.
- Recommendation to record the procedure/policy of securing sponsorships.
- Conclusion Preparation of fixed-term agreements with actors and hosts, who are therefore treated as employees, rather than arranging for agreements under the service provider method.
- Conversion of service provider contracts into employment contracts of an indefinite period.

- Recommendation to allocate expenditure to cost centres, in order to provide comprehensive information on programme costs.
- Weaknesses/shortcomings in the management of the record collection (4.391 records missing and 57.112 unregistered records in the archive registration system).