



AUDIT  
OFFICE



REPUBLIC  
OF CYPRUS

## AUDIT OF NATIONAL BETTING AUTHORITY

### Executive Summary



**AUDIT OFFICE OF THE REPUBLIC OF CYPRUS**  
**SPECIAL REPORT no. EAΣ/01/2020**

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## **Executive Summary**

### **AUDITED ENTITY**

**National Betting Authority**

## Executive Summary

The National Betting Authority (NBA) was established in 2012 after passing the Betting Law 106(I)/2012 that was replaced by Law 37(I)/2019, according to which the NBA is now a public law legal entity and has all the properties of a legal entity.

Pursuant to paragraph 12(1) of L.106(I)/2012, the Authority issues licence-

- a. Class A authorising the provision of carrying out betting services within licensed premises excluding Class B betting services and horse racing betting;
- b. Class B authorising the provision of electronic betting services excluding slot machines on-line casino games of chance provided with a direct link and electronic horse racing;
- c. Class A bookmaker's authorised representative authorising the provision of carrying out betting services on behalf of a Class A bookmaker within licensed premises excluding Class B betting services and horse racing betting.

The most significant findings of the audit concern the following:

- ◆ Issuance/Renewal of licence of Class A or B bookmaker or authorised agent without presenting, when applying, all the necessary documents required by the Regulations, but under the term that these will be presented within a specific timeframe set by the Authority, without this practice being provided by the Regulations.

We indicated that the Authority should not issue/renew the said licences in cases where all the necessary documents are not presented, and, in case that the Authority does not agree with the views of our Office, we suggested that it seeks legal advice from its legal consultant and to inform us accordingly.

- ◆ Non-compliance on behalf of the applicants of the provisions of article 14(2) of the Betting Law (L.106(I)/2012), which provide that the application for renewal of Class A or B bookmaker's licence or authorised agent's licence, is submitted at least three months before the date the licence expires.
- ◆ In some cases, 10% of the annual turnover of the licensed Class A or B bookmaker was higher than the amount of the bank guarantee without the Authority requesting a corresponding increase of the guarantee amount that may be required according to article 28(2)(b) of L. 106(I)/2012.

We suggested that in the above cases, a corresponding guarantee increase is requested.

- ◆ During the evaluation of the applications for issuance/renewal of the licence for the premise, the Authority does not record its views regarding the location of the premise according to article 37(1)(f) of L. 106(I)/2012.

We suggested that, for every evaluation of the application for issuance/renewal for premise licence, there should be a special reference to the location of the premise and the Authority's views should be recorded.

- ◆ The Authority has not carried out any check to identify individuals providing betting services without licence.
- ◆ Two foreign companies, with total betting revenues of €75 million for 2017, are registered in the Registry of the Companies Registrar, but they are not registered in the Registry of the Tax

Commissioner and thus they do not submit tax returns, in contrast with article 5A of the Assessment and Collection of Taxes Law.

We suggested the Tax Commissioner to take the necessary actions for their registration in the Tax Registry and to implement the relevant legislation and in case they declare in their tax returns as non-tax residents in Cyprus, a relevant investigation be carried out by the Department whether this is correct and whether they declare their incomes to the tax authorities of another country.

- ◆ A specific company with tens of millions of betting income for 2017 states that it is not a tax resident of Cyprus. The Company has a registered office in Cyprus and possibly the meetings of the Board of Directors and the decisions of the company are carried out in Cyprus, it has audited accounts by Cypriot auditors and the audited Financial Statements, state that the company's decision-making centre is in a territory outside the European Union, with which it seems that Cyprus has not signed a tax treaty for the avoidance of double taxation.

We recommended that the Tax Department proceeds with an investigation as to whether the specific company and other similar cases, is a tax resident in Cyprus or not, in accordance with the relevant legislation. In case the Commissioner concludes that the company correctly declares itself as a non-tax resident of Cyprus, we asked to be informed whether the company must declare in Cyprus and be taxed the part of its income from betting within Cyprus.

- ◆ Non-submission of tax returns by two companies that are registered in the Tax Register.

We recommended the modification of the application form in the Betting-Regulations Applications and Statements, in order to include in the documents accompanying the application for the issuance/renewal of licence the confirmation by the Taxisnet confirming that a tax return has been submitted.

- ◆ Differences were identified by comparing the companies' betting income (received by the Authority) with the turnover declared to the Tax Department for 2017.

We suggested that the Tax Commissioner proceeds with an investigation, in order to impose tax within the framework of the legislation. Additionally, we recommended that he asks from the NBA to send a detailed statement with the companies' betting income (Class A and B bookmakers) every year.

- ◆ Members of the Board of Directors of the Authority, who are civil servants, were compensated for meetings they attended which were however, held during working hours of the public service.

We indicated that the provisions of the Decisions of the Council of Ministers and the circular of the Public Administration and Personnel Department must be implemented, as well as that these amounts must be recovered.

- ◆ Based on the levying of charges provided for in the Regulations, for issuance of licences for premise operation for a period from 18 to 23 months, a higher fee must be imposed compared to a 24-month period.

The President of the Authority informed us that the intention of the Authority is to set a fee for granting a licence and an annual licence fee.

- ◆ Purchasing of services: In some cases, direct assignment was noted without procurement as well as fragmentation of work by violating the provisions of the relevant legislation.

We indicated that, for leasing/purchasing of services, all the necessary safeguards must be set to ensure that no employee and employer relationship between contract staff and the Authority is created, and all the provisions of the relevant legislation are strictly kept, as well as the circulars of the Ministry of Finance.

- ◆ Not applying the procedures due for renting the building, in order to ensure, among others, in proportion the application of the basic principles governing the public tenders, as the principle of proper administration, transparency and equal treatment, for ensuring the public interest. We have also noted the followings:
  - Selection of building with a larger area than the real housing needs of NBA.
  - Selection of a more expensive building compared to the two proposals submitted.
  - The rental amount was not approved by the Ministry of Finance. The NBA did not send a report to the Public Works Department (PWD) for approval of the building's specifications.
  - The NBA did not proceed with the execution of works in the building, according to the Police recommendations received by the Chief of Police with his letter dated 20.11.2018.
  - There is no correspondence between the Labour Inspection Department and the Electromechanical Services Department for renting the building.
  - The Fire Service Department with a letter, dated 13.11.2019, asked for all the plans of the building to be submitted. There is no written correspondence and as we have been informed by the President of NBA, there was oral communication at meetings with the Fire Service Department.
  - The building has an Approval Certificate, which was issued on 22.3.1979. However, no new Certificate has been issued to include the amendments on the building. The issue is being investigated by the NBA and they will come back after the completion of the investigation.
  - The Energy Performance Certificate of the building is Category C. According to the information given by the President of the NBA to our Office, the owner will soon upgrade the building to category B and a relevant Energy Performance Certificate will be issued.
  - The rent price of the building is very high, compared to the average rent prices of the other buildings rented by the Government.

Recommendation: The Public Organisations must follow the standard procedures for renting buildings, in order to ensure that the principles of proper administration, transparency, non-discrimination and equal treatment are ensuring that the public interest are kept and useless/extreme costs and commitments are avoided.