



AUDIT
OFFICE



REPUBLIC
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AUDIT OF THE CYPRUS SECURITIES AND EXCHANGE COMMISSION Executive Summary



**AUDIT OFFICE OF THE REPUBLIC OF CYPRUS
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AUDITED ENTITIES

Cyprus Securities and Exchange Commission

Executive Summary

The Cyprus Securities and Exchange Commission (CySEC) was established by law in 2001 as a public legal entity and is responsible for the supervision of the investment services market, transactions in transferable securities carried out in the Republic of Cyprus and the collective investment and asset management sector. The current audit concerns the audit of the financial statements of the year 2015, the compliance audit for the period 2015-2019, as well as the investigation of complaints.

The most important findings of the audit are summarized below:

1. We observed weaknesses in the accounting of revenues in the access to the accounting system of revenues by the Treasury Officers, as well as an absence of written procedures regarding the calculation and collection of revenues.

We suggested the preparation of reconciliations, the termination of access to non-authorized officers in the system, as well as the recording of the relevant procedures. We also suggested the segregation of the duties of the Treasury staff.

2. There are difficulties in collecting the administrative fines imposed by the CySEC, as well as the annual subscriptions for the listed companies. In addition, no ageing analysis of debtors is prepared.

We suggested intensifying the efforts of collecting administrative fines and considering the possibility of collecting large amount of debts in installments within a reasonable time frame. In addition, we suggested that a debtors' ageing analysis is prepared and that legal measures be taken, where appropriate.

3. We ascertained that six service contracts were converted into indefinite duration employment contracts, while ten other similar requests are pending for examination.

We recommended that the CySEC complies with the relevant circulars of the Ministry of Finance, so that no employment relationship is established with persons with whom it enters into contracts for the provision of services. Also, where during the examination of requests for the conversion of the employment status from that with a contract for the provision of services to that of an indefinite duration employment contract, it is ascertained that there is an employer-employee relationship, a thorough investigation should be carried out to determine if there are justifiable grounds for such conversion.

4. We ascertained that the remuneration of the CySEC officers, who conduct seminars in audited organizations during non-business hours, was not calculated based on the Public Administration and Personnel Department (PAPD) circular no. 1473, dated 29.1.2013.

We recommended that the CySEC should comply with the above circular, and in special cases that are not covered by the circular, that the CySEC should refer to the PAPD for instructions/clarifications.

5. CySEC does not apply the same policy as the rest of the public service, regarding traveling abroad. On the contrary, the CSEC has increased the allowances applicable to both the Chairman and the Vice-Chairman of the Board, as well as

to the staff. We consider the Board's refusal to comply with public service regulations to be provocative.

6. Invoices issued by the contractors, who provide services with respect to licensing supervised companies, do not indicate the hours/working days spent on each supervised company, so as to allow for the audit of billing. Also, invoices were found that did not bear the signature of the contract coordinator.

We recommended that all invoices indicate the working hours/days spent on each company, depending on what the contract provides for, and be certified by the contract coordinator.

7. During the period 2014-2018, the CySEC published a number of tenders for the acquisition of services for the examination of operational licensing applications to organizations/businesses, from the audit of which we found that the whole procedure followed was, from the beginning, was unacceptable and inappropriate for a public authority that must adhere to the principles of equal treatment, transparency to and non-discrimination. The above finding is based on the fact that the handling of these contracts, gave the impression that procedures were followed only extensively and without substantive content, with the sole purpose of having the bids awarded to those to whom they were intended for. The majority of the service providers were persons who had previously been employed by the CySEC, through the plan of the Human Resources Development Authority for unemployed graduates.

We suggested, among other things that after the recruitment of permanent staff, that had taken place in 2016 the CySEC should reevaluate the need to acquire the services in question through a bidding process. Where necessary, an open and transparent tender should be published, without photographic terms, in which the relevant circulars of the Ministry of Finance should be seriously taken into account, in order to avoid the creation of a civil service relationship between the parties, which will result in some individuals claiming the status of an indefinite-term employee, a phenomenon which has occurred in the past.

From the investigation of a complaint concerning the organizing of a gala dinner by the CySEC on 8.4.2019, we found out that the CySEC assigned the organization to a private company, which serves the interests of a Minister, without following a tender procedure. The CySEC had no information regarding the expenses and total revenue of the event, while the participation cost for the participants was very high, without, in our opinion, the corresponding benefit, since the emphasis was on entertaining instead of the educational part of the event. In fact, the main beneficiary of the event was the private company. Our Office expressed the opinion that the CySEC, as a public body, must respect the principles of good administration and transparency and that events organized by public bodies should be mainly of an educational and/or informational nature and should not deviate from the professional contexts.