

## MINISTRY OF DEFENCE AUDIT

### Executive Summary



**AUDIT OFFICE OF THE REPUBLIC  
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AUDIT  
OFFICE



REPUBLIC  
OF CYPRUS

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## Executive Summary

**AUDITED ENTITY: Ministry of Defence**

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The Audit Office carried out an audit of the financial statements of the Republic of Cyprus, within the framework of the provisions of articles 116 and 81 of the Constitution of the Republic of Cyprus, and the Law on Financial Responsibility and the Financial Framework of 2014 (Law 20 (I) / 2014), respectively. A sample of receipts and payments transactions concerning the Ministry of Defence (MD), was audited in the context of the audit in question, for the years 2019-2020. A compliance audit was also carried out for the years 2017-2020, mainly in relation to the findings and recommendations that were derived from previous audits of our institution.

1.1 The most important findings of the compliance audit are the following:

- The contracted soldiers' institution has been significantly improved in the field of recruitment, while bringing similar operational benefits to the National Guard(NG).
- However, the above-mentioned situation is not reflected in the field of financial management, as the aggregate amount of their payroll overpayments shows an upward trend since 2018, and the respective recovery percentage of the receivables in question remains at a very low level. There are also additional debts to the State, due to the non payment of compensation by the contracted soldiers, who terminate their service in National Guard before the employment contract expiration.
- The National Guard's staff transportation towards and from their workplace by using military vehicles on a daily basis, is still provided in violation of the applicable legislation, under the allegation that it is imperative due to operational reasons.
- The contracted soldiers' free of charge transportation towards and from their workplace and urban centers where they live, by the means of using the conscripts' free transportation scheme/plan, was decided without obtaining the pertinent committee's (Central Committee on Changes and Claims) required authorization for the relevant contract modification. Cases related to the use of private taxis to serve up to one person per route were also identified.
- Senior commissioned officer was promoted despite his unfavorable evaluation, and he was subsequently arrested for the offence of possessing illegal addictive substances and was prosecuted. While it was initially decided to make him available, the Law Office of the Republic suspended the prosecution, responding to his lawyer's request, thus excluding the possibility of imposing additional punishment by the military disciplinary board, in case he was convicted by the Court. Instead of that, he was allowed to resign voluntarily, and was granted an honorary degree.
- Scholar of the Republic of Cyprus spent almost twice as long as the one set for completing his studies in the medical department of the Hellenic Corps Officers Military Academy, without this being attributed to any medical reasons or exogenous factors. Although the pertinent Ministry's official repeatedly suggested the immediate termination of his studies, and the demand for payment of the prescribed compensation of €56.948, however the then Minister of Defence decided to grant successive extensions.
- Member of the National Guard's Health Corps was receiving an extended sick leave, however his untimely referral to the pertinent Medical Council for reexamination at the essential time

of his illness, resulted in the deprivation of the possibility of justifying sick leave, based on his actual health condition.

- Although the co-housing of the MD and National Guard General Staff (NGGS) to the new building premises has been concluded since April 2019, the intended reduction, both in the total number of military personnel transferred to the MD, and in the departments/services of the Ministry and NGGS through their merger, has not been accomplished so far.
- Despite the MD's assurances concerning the establishment of specific measurable criteria, on the basis of which the pertinent Crisis Council has the power to judge commissioned officers as having successfully terminated their service, the annulment of the Council's decisions by the Court continues to be observed, having serious economic consequences for the Republic.
- Although the cost for providing telecommunication services to the National Guard, amounted to €3.259.930 in 2019, however the approval of the negotiation process remains stagnant for a number of years, resulting in a disproportionate amount of money being paid for the provided services - infrastructure.
- Following our suggestions in 2009, concerning the reduction of the water supply charges that were being imposed on a National Guard's military camp, on the basis of regulations governing the setting of water supply charges, the Liopetri Community Council has proceeded to the required reduction after 11 years, which is calculated at 35%.
- The MD has not complied since 2012, with the obligation of preparing a comprehensive Action Plan, both for energy savings to the military premises, and for the promotion of renewable energy sources, on the basis of a relevant Directive of the European Union (EU) to the Member States, and a subsequent Council of Ministers' decision. This led to a burden on the State budget, due to increased electricity consumption costs, as well as to having difficulty in securing co-financing from the EU's Structural Funds.
- For several private land plots that are being exploited by the NG, the required requisition decrees have not been issued, and consequently no rent as compensation is being paid to their proprietors. A suitable computerized program has been designed towards solving the long-lasting problems, however the MD has not proceeded to its practical implementation yet.

1.2 The most important findings of the financial audit are the following:

- A payment was made to a specific legal entity which had had a debt to the government, without making the required cut prior to its settlement, in violation of the Regulations concerning the offsetting of the Republics' revenues and expenditures.
- The contracting authority proceeded to a direct assignment of a contract amounting to €7.787 plus V.A.T, without following the normal procedure for concluding a contract, in violation of existing legislation. The relevant payment slip was not accompanied by the required evidence of receipt / supply of materials / supplies, and the relevant certificate of use for a specific service need. We also established that the invoice which was submitted and subsequently paid by the MD's accounting department, had been issued by a different legal entity from the one in which the specific offer had been awarded.

- A compensation of €47.837 was paid in advance to the ecclesiastical committee of Phaneromeni Church, for the restoration of damage caused to the priests' apartment and residences. The responsibility for the assessment and restoration of the damages was taken over by the ecclesiastical committee, which assigned the preparation of the assessment to a specific architectural office, however the relevant invoice for the work performed has not been found in the MD's archives.
- In an agreement document concerning the execution of various projects, not all the required data were listed, thus the control and monitoring of the projects progress was difficult. The required contract register is also not kept.

For all the above-mentioned findings, relevant recommendations were submitted by our Office, which together with the MD's comments and views, are presented in this report.