

COMPLIANCE AUDIT ON GRANTS AND EX-GRATIA GRANTS PROVIDED FROM THE MINISTRY OF FINANCE AND THE TREASURY OF THE REPUBLIC OF CYPRUS

Executive Summary



**AUDIT OFFICE OF THE REPUBLIC
SPECIAL REPORT no. YO/02/2022**



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AUDITED ENTITIES

Ministry of Finance

Treasury of the Republic of Cyprus

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The Audit Office carried out a compliance audit of the Ministry of Finance (MoF) and the Treasury of the Republic of Cyprus, regarding the procedures for approving and providing grants and "ex-gratia" grants, based on the institutional framework that governs them.

The most important findings that emerged are summarized below:

- ◆ We observed that the existing procedure in place for the approval and payment of grants and "ex-gratia" grants is complex and time-consuming, since in many cases, the processing of a relevant request requires the involvement of many Departments and officers, resulting in increased administrative costs and risk of administrative errors, such as double payments, which we mention below.
- ◆ We have identified several cases where grants classified as «ex-gratia», were provided by the MoF after being approved by the Council of Ministers, for purposes that are contrary to the provisions of the Law on Accounting and Financial Management and Financial Control of the Republic of 2014 (L.38 (I)/2014).

We recommended that the MoF, as the competent Ministry, does not forward to the Council of Ministers requests for approving «ex-gratia» grants which are not in line with the existing legal framework and may not be legal, until a relevant legal advice is issued by the Law Office of the Republic.

- ◆ We identified cases of granting "ex-gratia" grants with the approval of the Director General of the MoF, instead of the Minister of Finance.

We recommended that the MoF comply with the institutional framework governing the "ex-gratia" grants.

- ◆ The MoF approved the concession of "ex-gratia" grant to the State Health Services Organization, for the payment of two invoices issued to a non-beneficiary patient without any justification.

We recommended that the MoF, in cases of "ex-gratia" grants, in order to comply with the provisions of the relevant legislation, adequately justifies in writing its decisions, so that it can be verified that the concession is lawful.

- ◆ The Council of Ministers decided, on its own initiative and without justification, to provide, to the Social Insurance Services, grant for the settlement of two nurses debts, who were employed at the Reference Hospital for the Management of the Coronavirus Pandemic. It cannot be established whether the granting was legal or in compliance with the principle of equal treatment.
- ◆ The financial statements for the National Solidarity Fund, established in 2013, have not yet been prepared and submitted to our Office for the conduction of audit. The balance at 31.12.2021 amounted to €110.460.019.

We noted that the significant delay in the submission and audit of the financial statements is of concern to our Office, given the significant amounts managed by the Fund and does not promote the expected transparency and accountability, nor does it provide an opportunity to identify any problems in a timely manner and to promote their resolution.

We recommended that the MoF prepares and submits to our Office, for audit, the financial statements of the Fund for all the years since its establishment.

- ◆ The MoF forwarded to the Council of Ministers requests for the concession of "ex-gratia" grants, of private law companies or organizations, which related to their financing, in order to continue as acting economic units.

Our Office requested further information and expressed the opinion that in case the State decides to support them financially, alternative ways should be found.

- ◆ We have identified that, in some cases of "ex-gratia" grants, exceeding €10,000, the Councils of Ministers approval was obtained ex post.

We recommended that, before the payment of any "ex-gratia" grants beyond the amount of €10,000, in order for the granting to be legal, the Councils of Ministers approval should be given in advance.

- ◆ We identified that an "ex-gratia" grant that was granted to a Community Council for the construction of a project, was accounted for as an expense in the 'Miscellaneous Internal Contributions' Account of the Treasury of the Republic of Cyprus.

We recommended that the MoF examines the purpose of each grant request and in cases where it appears that the specific purpose falls within the competence of another Ministry, where the grant would be more suitably accounted for, to refer it for further examination and handling.

- ◆ In three cases of payment of financial aid and "ex-gratia" grant, by the Treasury of the Republic of Cyprus we found double payments to the same beneficiary. In one case the error was noticed by the Treasury of the Republic of Cyprus and the amount was fully recovered. The other two cases were identified by our Office during the audit. In one case, a settlement was already forwarded for the recovery of the amount in monthly installments, while in the other case we informed the Accountant General in writing and asked for update about any further actions.

We have recommended that, in compliance with the provision of the relevant circular of the Treasury of the Republic of Cyprus, before the payment of any financial aid and "ex-gratia" grant, an audit of the creditor's account should be carried out by the responsible officer.

- ◆ Weaknesses were found, on behalf of the MoF, regarding the compliance with the terms and conditions as set out in the Decision of the Council of Ministers no. 83.089 and dated 2.8.2017, for the provision of financial aid for an amount up to €170.000, for the construction of a privately owned building of the «Ethnikos Assias» Refugee Association. Specifically, we found

that the MOF proceeded with the payment of the amount of €87.165,09, which comprises a part of the total amount of the financial aid, without having submitted to the Ministry, all the required documents/data/certificates, which constitute a prerequisite for granting the financial aid, on the basis of the above decision of the Council of Ministers.