



AUDIT
OFFICE



REPUBLIC
OF CYPRUS

**EVALUATION OF THE LOAN GRANTING PROCESS, FROM THE PENSION AND
BENEFITS FUND, TO EMPLOYEES OF THE CYPRUS SPORTS ORGANIZATION
INCLUDING THEIR DEPENDENTS.**

SPECIAL REPORT FOR THE YEARS 2019 - 2022

Executive Summary



**AUDIT OFFICE OF THE REPUBLIC
SPECIAL REPORT no. ΣΣΧΥΚΟΑ/01/2023**

11 October 2023

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Executive Summary

Pension and Benefit Scheme for Employees of the Cyprus Sports Organization including their Dependents.

Executive Summary

The Audit Office conducted a compliance audit of the Pensions and Benefits Scheme for Employees of the Cyprus Sports Organization including their Dependents (hereinafter "the Scheme") for the years 2019 - 2022, in order to establish whether the activities of the Scheme are carried out in accordance with the provisions of the Cyprus Sports Organization (Pensions and Benefit Scheme for Employees of the Cyprus Sports Organization and their Dependents) (similar to the Government Pension Scheme) Regulations (R 111/93), which govern it.

The major audit findings are summarized below.

- The Scheme carries out activities without being registered in the Register of Institutions of Occupational Retirement Benefit Funds, in contrary to the provisions of the Laws on the Establishment, Activities and Supervision of Occupational Retirement Benefit Funds.

We recommended that necessary actions need to be taken to register the Scheme and asked to be informed as to whether the Scheme was approved from the Registrar of Occupational Retirement Benefit Funds, in order to collect contributions and grant loans from and to the Members, respectively.

- The Scheme's Regulations have not been updated in accordance with the Retirement Benefits of State Employees and Employees of the Greater Public Sector Laws of 2012 to 2022 and the Pensions Law of 1997 (N.97(I)97).

We recommended that the Scheme's Regulations be amended so that they are compatible with the provisions of the relevant legislation.

- The financial statements for the year 2018 were submitted for audit with a delay on 17.5.2022, while the financial statements for the years 2019 – 2022 have not yet been prepared.

We recommended that the financial statements be prepared and submitted by the due date and within the period specified in the Law on the Establishment, Activities and Supervision of Occupational Retirement Benefit Funds.

- The Scheme's funds, which amounted to €10,5 million on 31.12.2021 and €10,4 million on 31.12.2022, are deposited in bank accounts, in contrary to the provisions of article 31 of the R 111/93 and which, in our opinion, is not consistent with prudent investment management.

We recommended to diversify the Scheme's funds in different investment categories, in line with relevant Regulatory provisions.

- No register is kept in which all relevant information relating to loan granted to members of the Scheme or their dependents, such as type of loan, installment amount, interest rate, repayment date and installment start date, is recorded.

We recommended the preparation of a loan register in which all relevant information is kept.

- Serious weaknesses were discovered during the assessment of the loan grant process. Among other things, relevant loan related files were not found for inspection, Members participated in the

meeting during which their request for loan was to be approved, loan contracts were missing or in some cases that were identified, were not fully filled in or signed, the relative evidence in the files were not properly referenced, the loan contracts were dated prior to their approval etc.

We recommended the implementation of best practice procedures based on the relevant Laws and Regulations. Also, valid and legally acceptable Loan Agreements need to be filed, while in cases where Committee Members request loans, they should not participate in the meetings during which their request is examined.

- There is no readily available information regarding the outstanding balance of each loan, since a separate account is not kept for each loan, but one account for each Member.

We recommended to keep a separate account for each loan granted.

- The loan contracts established between the Scheme and its members lack stamp duty.

We recommended that relevant advice should be requested from the Registrar of Stamps regarding its necessity.