

Audit Office of the Republic of Cyprus

Performance Self-Assessment Report
based on the Supreme Audit Institutions Performance
Measurement Framework

April 2017

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Foreword

Soon after his appointment, the new Auditor General of the Republic of Cyprus decided that a self assessment exercise should be carried out, in order to identify the strengths and weaknesses of the Audit Office and, where needed, take the necessary steps to implement actions for improvement. The self assessment team was appointed by the Auditor General and comprised five Audit Officers, together with a Senior Principal Auditor, who led and coordinated the project. The terms of reference of the team were communicated to all staff on 6.2.2015.

The self assessment was carried out in accordance with the SAI PMF (Pilot Version of 12.7.2013) and started in February 2015. The first draft report (in Greek) was completed on 5.2.2016 and was submitted to the Deputy Auditor General for a factual review. The factual review was completed on 11.3.2016 and the points identified were cleared with the self assessment team on 19.4.2016. The report was then submitted for translation and after its completion, in August 2016, it was submitted to IDI for review. The IDI comments were received in October 2016 and the team's responses and amendments were re submitted to IDI in January 2017.

Although not stipulated by the SAI PMF, the team submitted a number of suggestions for dealing with the problems/weaknesses identified. These were being discussed with the Auditor General in the course of the self assessment and in many cases action has already been taken to address these issues, especially through the revision of the Office's Auditing Guidelines, which were being revised at that time.

(i) Executive summary

The self assessment exercise revealed that the Auditor General, as the external auditor of the Government, has a mandate that is broad enough to ensure that it covers all public sector entities. The Office is entitled to perform all types of audit it considers necessary, and has unrestricted access to records and information. However, mainly due to a significant shortage of staff, the Office cannot cope with its workload, which results in a significant number of audits not being carried out. In the period that extended after the one examined for self assessment purposes, a lot of the accumulated backlog, concerning mainly the audit of financial statements, was outsourced to private audit firms. It must be noted that the Office cannot deal with the problem of staff shortage itself, as it does not enjoy financial independence. Its annual budget (which also includes job positions) needs to be approved by the Executive (i.e. Ministry of Finance and Council of Ministers) before it is submitted to the Parliament for vote. The Parliament does not have the power to increase the amounts allocated in the Office's Budget (it can only decrease them if it deems it necessary), therefore there is a strong dependence on the Executive in ensuring the Office has the adequate capacity to carry out its mandate satisfactorily. This, in effect, limits the value added to society by the audits of the Office, as some issues relating to entities not audited are either not picked up, or are addressed with much delay, limiting the usefulness of any recommendations provided.

The Office did not have a strategic plan in place covering the period of the review, but one has since been developed, with the assistance of external consultants (PwC). The Office performs its audits in accordance with the International Auditing Standards and International Standards for Supreme Audit Institutions, so the foundation of the audits is satisfactory. However, in practice, in many cases there is not enough evidence in the working papers to support that these standards are indeed followed. For example, there is not always evidence for the calculation of materiality, risk assessment and sample selection. The audit planning documents are, in many cases, not detailed enough, and, most significantly, quality control (i.e. review of the working papers) is not evidenced in most cases. The quality of the work done is not consistent between Sections, highlighting the need for training and guidance. Also, the fact that quality assurance procedures are not in place makes it difficult for the Auditor General to ensure that Audit Guidelines and his instructions are followed adequately throughout the Office.

The main output of the Office is the Annual Report of the Auditor General, which is submitted to the President of the Republic and laid before the Parliament. Only a limited number of performance audits is carried out, and in fact even some of the issues addressed to as "performance audit issues" relate mainly to compliance audit findings. The Annual Report attracts a lot of media coverage and the issues raised therein are discussed extensively at the Parliamentary Committee on Development Plans and Public Expenditure Control. The Office is highly regarded by the general society and the various stakeholders (i.e. the Parliament, the Executive, the media) and is perceived as performing work that contributes significantly towards transparency, accountability and the fight against corruption. The implementation of the recommendations of the Auditor General is not compulsory, however, according to a recent Act of Law, all auditees, when submitting their

Budget for approval to the Parliament, have to also prepare a report indicating their actions with regard to the recommendations of the Auditor General.

Taking the above into account, the main areas of the PMF in which weaknesses were identified include performance audit results (Indicator SAI-3), the strategy for organizational development (Indicator SAI-8), overall audit planning and quality management (Indicator SAI-9), quality assurance and audit processes (Indicator SAI-10), the financial and compliance audit processes (Indicators SAI-12 and SAI-14), professional development and training (Indicator SAI-21) and the communications strategy and internal communication (Indicator SAI-22). These weaknesses stem from the absence of a strategic plan and quality assurance processes, weak audit planning and documentation procedures, the absence of a professional development plan for the Office staff and the need for a more structured communications strategy. The summarized scores of the assessment, per indicator, are presented in the following table. Recommendations to deal with identified weaknesses are included in the relevant chapters of the report.

Indicator	Description	Score
SAI-1	Financial audit results	2
SAI-2	Compliance audit results	2
SAI-3	Performance audit results	1
SAI-4	Judgment results	N/A
SAI-5	Annual report and other reports	3
SAI-6	Independence of the SAI	2
SAI-7	Mandate of the SAI	3
SAI-8	Strategy for organizational development	0
SAI-9	Overall audit planning and quality management	0
SAI-10	Quality assurance and audit processes	0
SAI-11	Financial audit foundations	3
SAI-12	Financial audit process	1
SAI-13	Compliance audit foundations	3
SAI-14	Compliance audit process	1
SAI-15	Performance audit foundations	2
SAI-16	Performance audit process	2
SAI-17	Judgment process	N/A
SAI-18	Ethics, management and internal control	2
SAI-19	Asset management and support services	3
SAI-20	Human resource leadership and function	N/A
SAI-21	Professional development and training	1
SAI-22	Communications strategy and internal communication	1
SAI-23	Communication with the Legislature, the Executive and the Judiciary	3
SAI-24	Communication with the media, citizens and civil society organizations	3

(ii) Quality assurance statement

(iii) SAI Performance and Impact

(a) Integrated assessment of SAI performance

The democratic system in Cyprus and the whole governance environment is such so that it ensures that the Auditor General is given sufficient powers and a mandate that is wide enough, with no restrictions to auditees based on security, confidentiality or other such issues. The Constitution provides that the Auditor General can audit all receipts and payments of the government (irrespective of nature) and, for this purpose, has unlimited access to all records, assets and information that he deems necessary to fulfill his duties. Additional legislation highlights the importance of providing the Auditor General with accurate and complete information, by making the refusal to do so a criminal offence, punishable by imprisonment. The independence of the Judicial system and of the Attorney General's office provide confidence that the legal system operates in a satisfactory manner and, indeed, in the very few cases where the powers or rights of the Auditor General have been put into question, a legal opinion from the Attorney General was obtained on a timely basis and it has been respected by the auditees. The existence of independent media (press, tv, radio), as well as strong opposition in the political system, ensure that the findings of the Audit Office attract enough attention and are brought to the attention of the Parliament, society and other stakeholders. The fact that reports are prepared in Greek and most translated into English much later limits their usefulness to other SAIs or other international stakeholders.

The central government implements a cash basis accounting system (i.e. recording receipts and payments), as opposed to the wider public sector (semi governmental organizations and local authorities), which uses the accruals basis of accounting, involving the preparation of annual financial statements in accordance with International Financial Reporting Standards. There is a transition plan according to which the central government will move to the accruals basis of accounting by 2020, that is currently being implemented by the Treasury of the Republic. It should be noted that, in general, the accounting system is robust, with very strong financial control to ensure the proper recording of receipts and payments in the accounting records, in adherence with the Budget Law and the Fiscal and Accounting Guidelines issued by the Accountant General. The computerized system currently in use is satisfactory, however with the transition to accruals accounting, it will need to be replaced by an ERP system, a matter already being examined by the Treasury.

The deadlines imposed by the Treasury regarding the closure of each financial year and producing the final Budget Execution Report are adhered to and ensure the timely production of the central government's reports. However, for most semi governmental organisations and local authorities no deadline is provided in the legislation, which, especially in the case of Community Boards, results in a great number of financial statements not being prepared on time. Actually, this has prohibited the Treasury from preparing the consolidated financial statements of the whole government, which is a requirement since 2014.

The internal control system in the central government is considered to be strong, although outdated and rather bureaucratic. There are many regulations and guidelines in place controlling spending and recording of receipts and payments, and in accordance with a

recent Council of Ministers Decision, each Ministry has set up an internal control unit. The independent Internal Audit Service acts mainly as the audit authority for spending under the Structural Funds received from EU. The work the Service performs as the internal auditor of the central government is very limited and focuses, mainly, on horizontal issues. Limited reliance is placed on the reports of the Internal Audit Service by the SAI. The largest semi governmental organisations and Municipalities have internal audit units and in many cases their work is considered when the SAI is planning its audits. However, for smaller organisations/local authorities, internal audit is non-existent.

The recommendations of the Audit Office are given serious consideration by the Executive and the Parliament. According to a Council of Ministers Decision, each Ministry has to prepare a detailed report, indicating its response to the suggestions/ recommendations of the SAI. There is a legal obligation to submit a similar report to the Parliament, when the Ministries lay their Annual Budgets for approval. However, effective implementation is lacking, resulting in the repetition of the same recommendations for years.

The SAI has complete autonomy in deciding which kind of audit to perform (financial, compliance or performance) and usually encompasses all three types in each of its audits. It can also perform special investigations or audits in specialized matters, such as environmental audits. For this purpose, as already mentioned above, the Office has free unlimited access to all information it deems necessary to perform its work. The selection of topics and prioritization lies with the Office itself. However, the Office has no financial independence, as its budget (part of the State Budget) has to be approved by the Executive (Ministry of Finance and Council of Ministers) before being laid before the Parliament. It must be noted that the Parliament has the power to only decrease the budget allocations made by the Executive, therefore even if it believes that more resources should be allocated to the Audit Office, it cannot do so. The SAI does not have autonomy with regard to its staff recruitment as well, which is done by the Public Service Committee, an independent Committee, appointed in accordance with Constitutional provisions by the President, for performing, among other things, all recruitments and promotions in the central government. Shortage of staff and the inability to recruit additional employees is one of the major challenges faced by the Office and has a direct and significant impact on its ability to fulfil its mandate satisfactorily.

The available resources of the Office (i.e. staff and allocated budget) can be used to plan the audit work as the Auditor General sees fit. Due to the significant shortage of staff, not all audits can be performed every year, and in the past the Office has experienced a significant accumulation of delayed audit work. To cope with the problem, the Auditor General put forward an amendment to the Law, which allows him to outsource audit work to the private sector. During the last two years, the audit of a great number of Local Authorities (mainly Community Boards) and semi governmental organisations has been delegated to private audit firms.

The Office adopts the International Auditing Standards and promotes the use of the ISSAIs in its work as well. In its effort to standardize the audit work among the various Sections, the Office has implemented the TeamMate system for electronic working papers. However, the assessment has revealed that it is not used by all sections. This, in conjunction with the outdated Auditing Guidelines of the Office, has resulted in the slugging in the application of

the methodologies and standards used when performing the audits, resulting in significant variations in the quality of work among the Sections. The problems identified in quality control at Section level (i.e. non-documentation of the review of the working papers in many cases) and the absence of quality assurance procedures makes this problem even more evident. The audit work and the audit findings per se are not usually challenged or disputed, however they are not supported in all cases by appropriate working papers of sufficient quality.

As with all employees in the public sector, there is a Scheme of Service for each level of employment in the SAI. This is a legal document clearly outlining, among other things, the duties and responsibilities at each level. This, together with the organizational chart, as set out in Chapter 2, ensures that there is clear understanding regarding the responsibilities assigned to each member of the staff and the reporting lines. Each Section is allocated a number of auditors, but as mentioned above, the significant staff shortage causes almost all sections to be understaffed. Within the Section, the staff is allocated to the various audits that the Section is responsible to perform in accordance with its annual audit plans. Each auditor completes a monthly time sheet, recording the time spent on each audit, which is submitted to the Section leader and, after being checked, it is input centrally to a computerized system for monitoring staff time.

As mentioned above, the Office's budget is part of the State Budget, however its implementation is not monitored by an independent body. Although this is not required by legislation, the Auditor General has recently appointed a private audit firm to audit, for the first time, the budget execution of the SAI. Their report has been incorporated in the Auditor General's Annual Report for 2015.

The Office has autonomy as to how to utilize its human resources, however it has no control over recruitment, promotion or salaries of staff. Training has been identified by the self assessment as a problem, as there is no strategic plan to identify training needs and to ensure these are met. The Office is an approved employer for continuous professional development, both by ACCA and the Institute of Certified Public Accountants of Cyprus. Staff is encouraged to acquire professional qualifications and their tuition fees for such courses are subsidized. Some members of the staff have actually acquired a professional qualification through this scheme.

The appraisal system applicable is the same as for all employees of the public sector and is generally considered as unsatisfactory, as most of the employees (throughout the public sector) are rated as "excellent". The Public Administration and Personnel Department is currently examining the reform of this system, but it is not within the powers of the SAI to follow something different from the current practice in the public sector.

All the audit findings of the SAI are discussed with the heads of the auditees before the reports / management letters are finalized. The main findings from the audits carried out throughout the year are incorporated in the Auditor General's Annual Report, which is laid before the Parliament. This is extensively examined by the Committee on Development Plans and Public Expenditure Control and receives extensive coverage by the media.

Apart from the limitations stemming from the financial dependence of the Office, which are described above, the SAI has adequate infrastructure (premises, vehicles etc) to be able to

perform its duties. It has no regional offices, but due to the size of the country this does not pose any problems in carrying out the audit work. Apart from the staff shortage that has already been mentioned, which is the main challenge the Office is facing in carrying out its duties, the transition of the central government towards the accruals basis of accounting poses a significant challenge as there might be additional staff training needs in order to cope with the challenge.

(b) The value and benefits of the SAI

The current accounting system in the central government is cash basis. Therefore, no financial statements are prepared yet, other than a Financial Report prepared by the Treasury of the Republic, comprising mainly of the Budget Execution Report for the whole central government. The SAI gives an overall opinion on this Report, however no opinions are issued for the individual financial audits performed at each Ministry/Department. These audits are usually a mixture of financial and compliance issues, although some performance audit elements are incorporated. The final product of each individual audit is usually a management letter, identifying all weaknesses identified (mainly internal control weaknesses or non-compliance with laws and regulations) and suggestions to improve the situation. The pure performance audits are very limited, and during the period under review only one such audit was prepared (Management of coastal areas). The Audit Office's contribution towards transparency, accountability and the integrity of the government and the public sector is perceived as being very significant. The Office's reports, which are considered to be objective and reliable, are usually a reference, both for the Parliament as well as the press and the media, when it comes to criticizing the way the Executive is carrying out its fiscal policy. The Parliamentary Committee on Development Plans and Public Expenditure Control holds weekly meetings, where the Auditor General is invited, and examines the findings and recommendations regarding each Ministry/ Organisation included in the Auditor General's Annual Report. Especially after the financial crisis that hit the country in 2011-2013, the number of complaints submitted to the Office has increased significantly, mainly due to the fact that the new Auditor General has repeatedly publicly announced his intention, and has shown with actions, that he is committed in fighting fraud and corruption. In fact, some very important cases of fraud and corruption (mainly concerning bribes received by government officials) have been brought to Justice. Some of them are still under examination, where for some others there were convictions by the Courts. For example, the ex-Mayor of Paphos, as well as other Officials, were imprisoned for accepting bribes from the contractors of the Paphos Sewerage System. Also, Officials were convicted to imprisonment for accepting bribes with regard to the purchase of a freehold property from the Provident Fund of the Cyprus Telecommunications Authority. Our Office played a significant role in unveiling /investigating these cases (in the last three years).

The Office receives a significant number of complaints from the public (in 2016 these amounted to more than 350) and responds to all of them. In the cases when these do not relate primarily to the mandate of the SAI, the complainant is advised to direct his complaint to the relevant authority (e.g. Ombudsman). Usually the Office's opinion is sought when changes with financial effect are to be introduced and these are duly taken into account.

In recent years, following the appointment of a new Auditor General, the Office has intensified its efforts to improve its management and to act as a role organization for the

government. A detailed code of ethics has been developed and put into practice, the Auditing Guidelines have been revised and a self assessment has been performed. Many of the weaknesses mentioned in this report have already been addressed through corrective measures and a peer review by the UK NAO is currently in progress. Also, for the first time, the financial results of the Office were subjected to an independent audit, and the results have been incorporated in the Auditor General's Annual Report for 2015.

It is expected that the contribution of the SAI towards accountability and transparency will improve further with the implementation of the changes mentioned above, especially those aimed at enhancing the documentation of the work performed and the methodology and standards followed. One major obstacle in this process is the staff shortage, which has a significant impact on the ability of the Office to carry out its mandate successfully. The power to address this problem lies with the Executive and is beyond the control of the SAI.

(c) External factors enabling and constraining the value and benefits of the SAI

The political system in Cyprus is characterized by the domination of two main political parties, which have a significant role in public affairs. Following the recent financial crisis and the uncovering of many scandals of fraud and corruption, public opinion for political parties went down and this has been reflected in a significant decrease of turnout in recent elections. The political system is such that it is very rare for the President of the Republic (head of the Executive) to control the votes in the Parliament as well, making it necessary to form coalitions with other parties, usually involving a trade-off. There have been unsuccessful attempts by some politicians to undermine the SAI's efforts, however public opinion and the media supported the Auditor General. Also, the fact that his independence is highly protected by the Constitution and that the law provides for his unlimited access to information, empower him to stand against potential efforts to prevent him from performing in an independent manner.

Civil society public groups are not yet very strong in Cyprus, however they provide support to the work of the SAI (for example NGOs active in the area of environment regard highly the SAI's reports on environmental issues and push for the implementation of the SAI's recommendations). Corruption is perceived to be at high (increasing) levels, but this might be due to the fact that many corruption cases have been revealed recently, therefore the general public, which was unaware of these cases in the past, is suddenly changing its perception regarding corruption in the society. Also in the past corrupt behaviours were more tolerated by the society, leading to an increase of the phenomenon. The legal system is independent, however as some of the corruption cases are complex, it might take a long time for ruling on them.

The fact that the accounting system of the central government is cash basis, limits the usefulness of the financial information provided. Also, budgets are still prepared with vague targets and objectives, limiting performance evaluation. The financial and budgeting legal framework has been enforced through the recent implementation of the Fiscal Responsibility and Budget Systems Law, which introduces, among other things, increased budgetary and fiscal controls and discipline, the preparation of performance oriented budgets and the preparation of consolidated financial statements for the government.

(d) Analysis of the SAI's capacity development efforts and prospects for further improvement.

The Auditor General, who initiated the self assessment exercise, received the draft report positively and has declared his intention for improving the weaknesses identified. Although this is not provided for in the PMF framework, after consulting with the Auditor General, it was decided to include, in the report, recommendations for addressing the issues identified as weaknesses. Some of these have already been addressed and one of the aims of the peer review that is currently in progress is to assess whether the actions taken have led to an improvement in the development efforts of the SAI. The draft report has been disseminated to all members of the staff and is considered as an important tool for identifying the significant issues that limit the capacity of the SAI.

Some of the actions already taken were the preparation of a Strategic Plan for the period 2016-2018, which sets the following strategic objectives/goals:

1. Increase the audit coverage
2. Improve quality control
3. Increase the number of performance audits performed
4. Improve SAI's efficiency
5. Contribute towards the implementation of good governance practices and fight corruption
6. Improve the quality of the SAI's recommendations
7. Improve degree of implementation of SAI's recommendations.

With regards to the achievement of Strategic objective (1), the following actions were planned in the strategy:

- 1.1 To complete any outstanding audits.
- 1.2 To purchase services in order to carry out audits (outsourcing).
- 1.3 To increase human resources involved in audits.
- 1.4 To improve cooperation with the Internal Audit Units of the auditees.

From the above, actions 1.1 (partly), 1.2 and 1.3 have already been achieved.

With regards to the achievement of Strategic objective (2), the following actions were planned in the strategy:

- 2.1 To implement a self-assessment process.
- 2.2 To go through a Peer Review.
- 2.3 To review the Audit and General Directives.

All the above actions have been implemented.

With regards to the achievement of Strategic objective (3), the following actions were planned in the strategy:

- 3.1 To increase the number of employees.
- 3.2 Practical, guided training of personnel during audits (on-the-job training).
- 3.3 Better involvement and use of existing staff.

Since then an additional number of 9 auditors have been recruited

With regards to the achievement of Strategic objective (4), the following actions were planned in the strategy:

- 4.1 To improve procedures and to review its Audit Directives.
- 4.2 Introduce IT technology.
- 4.3 Matching staff skills with the tasks assigned to them.
- 4.4 Training and development of staff.

From the above actions the first one (4.1) has been completed. Also, some transfers of staff were made in order to match their skills with the tasks assigned to them (4.3).

With regards to the achievement of Strategic objective (5), the following actions were planned in the strategy:

- 5.1 To formulate recommendations for legislative changes that will lead to accountability and taking responsibility from those who exercise public authority and to introduce appropriate safeguards on how to exercise discretionary powers.
- 5.2 To examine complaints relating to corruption issues.
- 5.3 To strengthen cooperation with Internal Audit Units.

The first action has been partly fulfilled through recent legislative changes, and 5.2 is also implemented.

With regards to the achievement of Strategic objective (6), the following action was planned in the strategy:

- 6.1 To improve the clarity and acceptance/implementation of the recommendations of the Audit Office.

This is an ongoing effort on behalf of the Office.

With regards to the achievement of Strategic objective (7), the following action was planned in the strategy:

7.1 To introduce the involvement of the Audit Office in the deliberations for the approval of the Budget of the audited organisations.

(iv) SAI Management Use of Assessment Results

As mentioned above, the Auditor General initiated the self assessment exercise primarily aiming to identify opportunities to strengthen the performance of the Office relative to the ISSAIs and establish a baseline against which future performance can be measured. Following the submission of the draft report to the Auditor General, the findings and recommendations included therein have been diligently considered and discussed with middle and higher management levels, and corrective action has been designed and implemented for many weaknesses that came forward from the assessment exercise. The Office management is still in the process of studying potential remedial action to be taken to address all performance areas that have received low scores. Furthermore, the peer review currently in progress helps to assess the effectiveness of action already taken with a view of improving the Office's performance.

1. Introduction

Following the appointment of a new Auditor General in April 2014, the Audit Office of the Republic of Cyprus has decided to carry out a self-assessment, based on the pilot version of the Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) developed by the INTOSAI Working Group on the Value and Benefits of SAIs. The purposes of the assessment are (1) to provide the Audit Office with information about its strengths and weaknesses as compared to the ISSAIs and thereby identify opportunities to strengthen SAI performance, (2) evaluate the status of implementation of the ISSAIs, which have been officially adopted by the Audit Office through the revision of the Auditing Guidelines of the Office (3) establish a baseline against which future progress can be measured and (4) act as a stepping stone towards a peer review assessment, to be carried out by the National Audit Office of the United Kingdom in the fall of 2016.

The assessment was led and coordinated by Mr Akis Kikas, Senior Principal Auditor, and was carried out by a team of five Audit Officers, namely Ms Styliana Nicolaou, Ms Christina Meshiti, Ms Elena Anniva, Ms Markella Koukkoulli and Ms Xanthi Theodotou. The team was appointed for this purpose by the Auditor General, and its terms of reference, which were determined by the Auditor General, were communicated by electronic mail to all staff on 6.2.2015. The members of the team are all qualified accountants, with a collective diversity of experience in the audit field, both in the public and the private sector. Before the commencement of the project, all members of the team were provided with the relevant PMF documentation and were asked to familiarize themselves with it. Also, one of the team members attended a PMF training course, organized by the INTOSAI Development Initiative (IDI).

The assessment report was reviewed, regarding the accuracy of the facts included therein, by the Deputy Auditor General. The INTOSAI – Donor Secretariat performed an independent review of the adherence to the SAI PMF methodology, the proper application of indicators and the sufficiency of information in the report to justify the indicator scoring.

The assessment, which followed the methodology described in the SAI PMF Pilot Version (2013), has been performed as a combination of a desk review of documentation, analysis of information obtained through a questionnaire, interviews and the examination of a sample of audit files. The assessment team met regularly in order to discuss and review the work performed at each stage. The scoring of some indicators was allocated between the members of the team and then the results of the scoring were discussed/reassessed by the whole team during its meetings, therefore the final scoring reflects the assessment of the whole team. The scoring of the rest of the indicators was done collectively by the team, during meetings held for this purpose, and the writing of the report for each indicator was allocated among the members of the team. During the whole process, it was made clear that the members of the team had the right to express freely their views/opinions, and in case of disagreement with the scoring of the rest of the team, to ask for this to be recorded in the indicator report. In practice, however, consensus was reached between all members of the team and the final scorings were given unanimously by the whole team. In addition, all members of the team signed a declaration of impartiality and independence, confirming

that they have performed their work with due professionalism and care, free of bias and undue influence.

The scope of the assessment covered the whole audit mandate of the Audit Office, i.e. financial, compliance and performance audits in the Central Government and Semi Government Organisations and Local Authorities, except from the audit of Community Boards and School Committees. The reason for leaving this area outside the scope of the self-assessment is that the Audit Office acknowledged that it cannot fulfil its duties in this area without a substantial increase in the number of its staff and therefore has decided to outsource this work to the private sector. Therefore, the self-assessment would not add value, for the Office, in this area. As per the terms of reference of the assessment team, the evaluation of the Technical Audit Division of the Office was included in the scope of the assessment, however the Auditor General subsequently decided to delegate its assessment to an employee of this Division. Therefore, the work performed and methodology followed in this Division have not been evaluated and the sample selected for the purposes of evaluating Indicators “SAI-12:Financial Audit Process” and “SAI-14: Compliance Audit Process” does not include audits from the Technical Audit Division.

Since the Audit Office operates according to the anglo-saxon model, the PMF Indicators SAI-4 and SAI-7, which relate to court models, are not applicable and have therefore could not be scored as part of this assessment.

Usually, the audits performed by the Audit Office encompass all three types of financial, compliance and performance audit. For the sampling of financial and compliance audits stratification was used to ensure that audits from all Sections were selected and that the sample included audits of Central Government, Semi Government Organisations and Municipalities. A sample of 23 audits, covering financial and compliance audits, were selected from the Audit Office’s latest reported audit activities at the time of the assessment, as reflected in the Annual Audit Report for 2013, issued in November 2014. The compliance audit sample included one additional audit, which did not have any elements of financial audit. The audits were selected based on the size of the audited entity and hence the significance of the audit to the Office’s mandate. As only one purely performance audit was published during the period examined, the assessment of performance audit work was carried out by reviewing that specific audit. The assessment of audit files and working papers was allocated between the members of the team in the manner that would not compromise any member’s judgment and impartiality, by ensuring that no member would be involved in the assessment of audits performed by a Section where she, or her current supervisor, has served in the last 10 years, as indicated in the table set in Annex 4.

The final report has been subject to internal factual verification, which was completed on 4.4.2016 by an independent officer (the Deputy Auditor General) and a quality assurance review by the INTOSAI-Donor Secretariat within the INTOSAI Development Initiative, as regards the methodology used. The remarks arising from the factual review, along with the team’s comments, are presented in Annex 5.

2. Country and SAI background information

Country background¹

Cyprus is an island country in the far eastern end of the Mediterranean Sea, located south of Turkey, west of Syria and Lebanon, northwest of Israel, north of Egypt and east of Greece. With a total area of 9.251 km² and a population of 949.000 (Dec. 2013) in the government-controlled area, Cyprus is the third largest island in the Mediterranean. As a result of the Turkish invasion in 1974, 36,2% of the sovereign territory of the Republic of Cyprus remains under Turkish occupation, resulting in an artificial division of the island. In 1983 the Turkish Cypriots unilaterally declared the northern part of the Republic of Cyprus that is under Turkish military occupation, an independent “state”, which to date is recognised as an official state only by Turkey. In January 2011, the Report of the Office of the United Nations High Commissioner for Human Rights noted that the ongoing division of Cyprus continues to affect human rights throughout the island "... including freedom of movement, human rights pertaining to the question of missing persons, discrimination, the right to life, freedom of religion and economic, social and cultural rights."²

The country has a Mediterranean climate with hot dry summers and mild winters, resulting in a chronic water shortage problem, which has been attempted to be resolved by all governments over the years, primarily by investing in the construction of water dams and desalination plants.

Cyprus is a presidential republic. The President, head of state and of the government, is elected by a process of universal suffrage for a five-year term. Executive power is exercised by the government, with legislative power vested in the House of Representatives, whilst the Judiciary is independent of both the executive and the legislature. The Parliamentary Committee on Development Plans and Public Expenditure Control actively exercises oversight over public spending in all Ministries, by examining the Auditor General’s Annual Report and the reports on statutory bodies³.

A multi-party political landscape on the island, with parties covering the whole spectrum of political ideologies, ensures the functioning of a free and democratic system. Three strong parties generally dominate the political landscape, each winning 31%, 26% and 15% of the votes in the parliamentary elections of 2016⁴. These results point to the existence of strong opposition which, however, has been known to reach compromise in particular governance matters with the governing party.

The Republic of Cyprus is a member of the Commonwealth since 1961 and was a founding member of the Non-Aligned Movement, until it joined the European Union on 1 May 2004.

¹Press and Information Office, Republic of Cyprus. *The Republic of Cyprus - An Overview*, 2015

Press and Information Office, Republic of Cyprus. *Cyprus at a glance*, 2015

<http://www.aspectsofcyprus.com/> (website administered by the Press and Information Office of the Republic)

http://www.moa.gov.cy/moa/wdd/wdd.nsf/brhistory_en/brhistory_en?OpenDocument,

² United Nations General Assembly - Report of the Office of the United Nations High Commissioner for Human Rights on the question of human rights in Cyprus, Note by the Secretary-General, 7.1.2011

³<http://www.parliament.cy/easyconsole.cfm/id/353>

⁴<http://wtv.elections.moi.gov.cy/>

On 1 January 2008, the Republic of Cyprus joined Eurozone and since then its monetary policy is dictated by the European Central Bank. The Republic of Cyprus is also a member of a great number of international groups and organisations such as the United Nations, the Organisation for Security and Co-operation in Europe, the World Tourism Organisation, the International Maritime Organisation and the Council of Europe.

The official languages in Cyprus, as defined in article 3 of the Constitution, are Greek and Turkish, while English is widely spoken as a second language. There is an active body of civil society organisations operating in diverse fields, including professional associations, trade unions and employers' associations active in the public finance or related fields. The country has a corruption perceptions index⁵ of 61 (on a scale of 0 (highly corrupt) to 100 (very clean)), based on the methodology used by Transparency International, ranking 32nd out of a total of 168 countries and territories for 2015. The right to the freedom of speech is established in article 19 of the Constitution. Cyprus ranked 27th out of 180 countries on the 2016 World Press Freedom Index⁶, while, according to the Country Report on Human Rights Practices of the US Department of State for 2015⁷, “an independent press, an effective judiciary and a functioning democratic political system” combine to promote freedom of speech and press.

The country enjoys a high Human Development Index⁸, ranking 32nd out of the 188 countries and territories of the UNDP Human Development Report for 2015. Additionally, 35% of the population aged 20 and over have attained tertiary education⁹. According to the latest International Monetary Fund estimates, the per capita GDP (adjusted for purchasing power) at \$30.769 is just above the average of the European Union¹⁰.

The economy of Cyprus is described as small, open and dynamic, with services constituting its engine power (contributing 87% to the GVA in 2015). Since the accession of the country to the European Union on 1 May 2004, its economy has undergone significant economic and structural reforms. Prior to the emergence of the global economic crisis, Cyprus had enjoyed satisfactory economic growth, low unemployment and relatively stable macroeconomic conditions. Adversely affected by the Eurozone financial and banking crisis, the Republic of Cyprus submitted, in 2012, an official request to European Stability Mechanism and the International Monetary Fund for financial assistance. The Republic of Cyprus and the European Commission, the European Central Bank and the International Monetary Fund agreed on a Memorandum of Understanding in 2013, safeguarding a financial assistance programme for a three year period that would contribute to the gradual stabilisation of the national economy. In 2015, positive growth was achieved for the first time since 2011, reaching about 1,6% and economic activity is expected to gain further momentum in the following years.

⁵<http://www.transparency.org/cpi2015#map-container>

⁶<https://rsf.org/en/ranking>

⁷ United States Department of State, *Country Reports on Human Rights Practices - Cyprus*, 2015

⁸ UNDP, *Briefing note for countries on the 2015 Human Development Report*, 2015

⁹ Statistical Service of Cyprus, *Cyprus in Figures*, 2015

¹⁰ IMF World Economic Outlook Database, April 2015 - <http://www.imf.org>

The underlying reasons that have played a significant role in establishing Cyprus as an international business centre, such as its strategic location, the sophisticated infrastructure, the highly educated workforce and the favourable tax system for investments, are still present, and one of the main strategic pillars of economic policy of the present Government is to maintain those advantages and further improve the competitiveness of the economy.

The recent explorations for hydrocarbon reserves that have taken place in the Exclusive Economic Zone of Cyprus have revealed rich reserves in natural gas, which are expected to have significant revenue implications for Cyprus in the medium to long-term. The Government is in the process of exploring options of economic policy regarding the exploration, discovery and exploitation of natural gas in Cyprus.

The Public Sector in Cyprus

Structure¹¹

The public sector in Cyprus primarily comprises 11 Ministries, nine of which consist of a number of Departments and Services. In the context of decentralisation, many Departments also operate Regional Offices in the five Districts of the area under the control of the Republic. Apart from the 11 Ministries, a number of independent Services also operate, directed by government Officials appointed by the President of the Republic. There is also a large number of Statutory Bodies established by law, as well as numerous Local Authorities (Municipal and Community Councils). According to the Financial Report of the Republic for 2015, total revenue from operating and investing activities of the central government amounted to €5.821 million (mainly comprising indirect and direct tax revenue), while total expenditure amounted to €5.692 million (primarily social and other transfers and operating expenses)¹².

Detailed information on the state budget is presented in the following tables:

¹¹http://www.mof.gov.cy/mof/papd/papd.nsf/index_gr/index_gr?OpenDocument

¹²Treasury of the Republic, *Financial Report 2015*, 18.3.2016

Budget Realisation for the year

	Actual	Budget	Percentage of realisation	Actual	Budget	Percentage of realisation
	2015			2014		
	€'000	€'000	%	€'000	€'000	%
Direct Taxes	2.152.767	2.210.062	97	2.216.304	2.073.940	107
Indirect Taxes	2.692.815	2.719.689	99	2.658.263	2.636.354	101
Other Revenues	973.995	973.383	100	1.064.031	913.396	116
OPERATING REVENUES	5.819.577	5.903.134	99	5.938.598	5.623.690	106
Sales of Property, Plant and Equipment	1.899	1.700	112	1.786	1.695	105
INVESTING ACTIVITIES	1.899	1.700	112	1.786	1.695	105
Proceeds from Interest Income	19.118	23.612	81	31.184	13.076	238
Withdrawals of Loans	3.411.620	3.559.390	96	2.289.684	2.307.421	99
FINANCING ACTIVITIES	3.430.737	3.583.002	96	2.320.868	2.320.497	100
TOTAL REVENUES	9.252.214	9.487.836	98	8.261.252	7.945.882	104
Personnel Expenses	1.794.478	1.905.551	94	1.826.119	1.946.814	94
Pensions and Gratuities	599.456	605.751	99	606.248	653.876	93
Operating Expenses	851.365	1.009.020	84	832.174	965.077	86
Transfers	1.999.968	2.189.638	91	1.842.982	2.041.110	90
OPERATING EXPENDITURE	5.245.267	5.709.960	92	5.107.523	5.606.878	91
Purchase of Property, Plant and Equipment	108.268	147.359	73	101.158	137.423	74
Works	161.141	218.043	74	209.463	280.876	75
Subscriptions and Purchase of Shares	177.782	202.782	88	34.174	34.182	100
INVESTING ACTIVITIES	447.191	568.184	79	344.795	452.480	76
Servicing of Public Debt	564.229	777.857	73	479.664	785.697	61
Repayments and Issue of Loans	3.155.735	3.181.991	99	2.089.762	2.107.398	99
FINANCING ACTIVITIES	3.719.964	3.959.848	94	2.569.426	2.893.095	89
TOTAL EXPENDITURE	9.412.422	10.237.992	92	8.021.744	8.952.453	90
(DEFICIT) / SURPLUS	(160.208)	(750.156)		239.508	(1.006.571)	

**Budget Realisation for the year
per Ministry / Independent Service or Office**

	Actual	Budget	Percentage of realisation	Actual	Budget	Percentage of realisation
	2015			2014		
	€'000	€'000	%	€'000	€'000	%
Other Services *	16.702	10.807	155	9.590	11.410	84
Ministry of Defence	5.159	4.035	128	15.690	3.728	421
Min. of Agriculture, Nat.Res. & Environ.	88.365	82.907	107	85.354	96.514	88
Min. of Justice and Public Order	19.991	21.486	93	19.110	20.354	94
Min. of Energy, Commerce, Ind.&Tourism	97.372	86.123	113	91.344	101.773	90
Min. of Labour, Welfare & Social Insuranc	36.093	38.152	95	35.833	41.215	87
Ministry of the Interior	142.658	154.097	93	132.204	108.455	122
Ministry of Foreign Affairs	4.658	3.695	126	3.613	1.620	223
Ministry of Finance	4.682.323	4.747.562	99	4.719.088	4.490.541	105
Public Debt Management office	3.370.621	3.502.205	96	2.243.515	2.270.100	99
D.G. for Eur. Programmes, Coord.&Dev.	51.923	104.108	50	102.189	134.200	N/A
Treasury	405.100	424.537	95	460.204	346.320	133
Min. of Education and Culture	8.259	7.261	114	10.272	7.003	147
Min. of Communications and Works	282.119	251.031	112	261.896	258.263	101
Ministry of Health	40.871	49.828	82	71.347	54.386	131
TOTAL REVENUES	9.252.214	9.487.836	98	8.261.252	7.945.882	104
Other Services *	86.724	97.848	89	82.712	92.412	90
Ministry of Defence	295.564	319.030	93	269.694	319.008	85
Min. of Agriculture, Nat. Res.& Environ.	223.354	259.286	86	297.736	328.301	91
Min. of Justice and Public Order	241.937	268.789	90	242.179	269.856	90
Min. of Energy, Commerce, Ind.&Tourism	32.402	46.118	70	32.970	46.254	71
Min. of Labour, Welfare & Social Insuranc	912.817	957.601	95	885.049	930.331	95
Ministry of the Interior	459.911	531.972	86	439.711	529.709	83
Ministry of Foreign Affairs	66.396	73.623	90	73.790	82.939	89
Ministry of Finance	1.677.158	1.846.693	91	1.477.342	1.651.784	89
Public Debt Management office	3.680.620	3.900.098	94	2.513.307	2.834.782	89
D.G. for Eur. Programmes, Coord.&Dev.	28.513	68.243	42	28.270	45.863	62
Treasury	52.424	57.963	90	67.162	69.814	96
Min. of Education and Culture	940.686	997.944	94	879.160	925.671	95
Min. of Communications and Works	225.253	266.744	84	231.126	280.359	82
Ministry of Health	488.665	546.037	89	501.537	545.370	92
TOTAL EXPENDITURE	9.412.422	10.237.992	92	8.021.744	8.952.453	90
(DEFICIT) / SURPLUS	(160.208)	(750.156)		239.508	(1.006.571)	

Public Financial Management - Legal Framework¹³

The management of public finances has recently been placed in a new context, that will ensure that all available resources are used effectively, efficiently and with transparency. The centrepiece of the reform of the public financial system is the Fiscal Responsibility and Budget Systems Law (Law 20(I)/2014), voted by Parliament in February 2014. The Law provides, inter alia, for the introduction of modern principles for budgeting and ensuring financial transparency on the basis of public finance management best practices. Based on this framework, all Ministries will implement new procedures when drafting their budgets including the formulation of a Strategic Plan and a three year budget for achieving their strategic goals, as well as progress monitoring through key performance indicators.

In order to coordinate the new Strategic Planning and Budgeting, a Coordination Team has been established and the new procedure is already being implemented on a pilot basis in selected Ministries and Services.

Implementation of National Budgetary Rules¹⁴

The net lending/borrowing targets of the general government are set in accordance with the provisions of the revised Stability and Growth Pact, as well as any recommendations issued by the ECOFIN Council. The government monitors the general government balance consistently (on a quarterly basis), and also tracks relevant economic indicators.

The Ministry of Finance annually issues broad policy guidelines to all Ministries and Independent Services for the budget formulation, specifying budgetary ceilings or cuts to be made. Budget proposals are submitted to the Ministry of Finance, who, in turn, submits the consolidated budget to the House of Representatives. All investment projects are described in the explanatory memorandum accompanying the budget. A limited number of expenditure subheads in the budget's development part are marked with a dagger (+), indicating that expenditure cannot be incurred until satisfactory details have been provided to the Minister of Finance and an "Authority to incur Expenditure" has been issued.

While a general review of macroeconomic policies is reflected in the Finance Minister's budget speech and the accompanying report on international and domestic economic developments, and a broad consensus exists on the macroeconomic goals, the budget remains essentially based on an incremental budgeting mechanism for expenditure items and only a consolidated revenue forecast based on existing tax policies is prepared.

The Treasury of the Republic has implemented a financial and management accounting system (FIMAS), that provides the ability to monitor expenditure on a monthly basis and on a programme basis. The system also has the capacity to check payments against budget allocations and record commitments. In combination with strict payment authorization procedures, this ensures strong ex-ante control.

¹³ <http://www.dgepcd.gov.cy>

¹⁴ Ministry of Finance, *Stability Programme of the Republic of Cyprus 2012-2015*, April 2012.

Accounting standards

As per Law 20(I)/2014, the Accountant General issues guidelines defining the accounting standards to be applied in preparing the financial statements of all general government entities. These guidelines are yet to be issued and the state financial statements (Budget Execution Statement included in the annual Financial Report) are currently prepared on a cash basis. By decision of the Council of Ministers, dated 5.2.2013, transition to the accruals basis is planned within 3-5 years, in order to achieve compliance with Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States¹⁵. Statutory Bodies and Municipalities currently prepare their financial statements on the basis of the IFRSs, while the financial statements of Community Boards are prepared on a cash basis.

Submission of financial statements

According to Law 20(I)/2014 and the Constitution, the Financial Report is submitted to the House of Representatives within three months of the end of the financial year, and this deadline is generally adhered to. However, instances of late submission, to the Auditor General, of financial statements of Statutory Bodies and Local Authorities, contrary to provisions of relevant legislation, have repeatedly been observed. Such instances are duly noted in the Annual Report of the Audit Office of the Republic.

Internal audit

Law 20(I)/2014 provides that all Ministries should set up internal audit units, which may deal with internal control issues, investigations and inspections, and are accountable to the relevant Minister. It is also provided that each entity (Ministry, Department, Independent Services included in the Budget of the Republic) shall make the necessary arrangements for the establishment and operation of a system of internal controls relating to its activities. Further to these legal provisions, most statutory bodies have established internal audit units as part of their organisational structure.

The internal control system is supplemented by the Internal Audit Service which was established by law in 2003 and has the authority to conduct secondary internal audit in government agencies under its control (Public Service, Public Education Service, Police, Army and National Guard). The Commissioner, as the head of the Service, acts under the direction of the Internal Audit Council, the members of which are appointed by the Council of Ministers.

The Audit Office of the Republic has not performed an explicit assessment of the operations of the Internal Audit Service and individual internal audit units in audited entities, so far. Despite the fact that the establishment of internal audit functions is expected to have contributed to the strengthening of internal controls in the public sector, numerous

¹⁵ Article 3(1) of the Directive stipulates that “Member States shall have in place public accounting systems comprehensively and consistently covering all sub-sectors of general government and containing the information needed to generate accrual data with a view to preparing data based on the ESA 95 standard”.

weaknesses and omissions in the individual internal control systems are still being identified through the audits performed by the Audit Office, as is evident in the Annual Reports. In particular, numerous significant instances of deviations from established public procurement procedures and budget execution processes are repeatedly noted in the Annual Report of the Office. For instance, the recovery of revenue in arrears or overpayments is in many cases not judiciously monitored, stock control systems are weakly implemented, certain expenditure is incurred with no compliance to relevant legislation, the necessary records to track expenditure, revenue, public procurement processes and assets are not always maintained and full implementation of the budget is not achieved, in particular with regard to development expenditure¹⁶.

The Audit Office of the Republic of Cyprus

History

The history of Cyprus' Supreme Audit Institution (SAI) goes back to the pre-independence era. Following the annexation of the island in 1878 by Great Britain, the first Auditor General under the colonial regime was appointed in February 1879. He was at the same time the Accountant General and a member of the Executive and Legislative Councils of the island. Five years later, the regime decided to separate the duties of the Auditor and the Accountant General. The official title of the auditor at that time was Director of Audit, and the appointed person was always a British officer. The local Audit Office, then called the Audit Department, was placed under the administration of the Comptroller and Auditor General of Great Britain. In 1910, following organizational and administrative changes in Great Britain, a new unit, the Overseas Audit Office, was formed and the Audit Department was placed under its jurisdiction. This arrangement lasted until 1960, when Cyprus became an independent state and Mr R. M. Tatar was appointed as the first Auditor General of the Republic of Cyprus on 16 August 1960.

Legal framework

The Auditor General, who, in accordance to the Constitution, is appointed directly by the President of the Republic, is an independent Officer. The powers and duties of the Auditor General are laid down in the Constitution of the Republic and may be exercised by him personally or by officers who act in accordance with his instructions. On the basis of this and other relevant legislation (Financial Audit of Statutory Bodies Laws of 1983 and 1984 (Laws 40/83 and 73/84), Municipalities Laws of 1985 to 1997, Local Authorities Law 86(I)/99, as well as specific laws governing the operation of individual statutory bodies), the Auditor General is responsible for the audit of the accounts of Central Government, Statutory Bodies, Local Authorities, Special Funds and other agencies. For this reason, the Auditor General has the right to inspect and audit all the relevant books, archives and statements, and the locations where the above assets are kept.

In accordance with Law 113(I) of 2002 (Provision of Evidence and Information to the Auditor General) the Auditor General has the power to request evidence and information from auditees in any form and any person who refuses to give the required information or who

¹⁶Audit Office of the Republic of Cyprus, *Annual Report 2014*, 1.12.2015

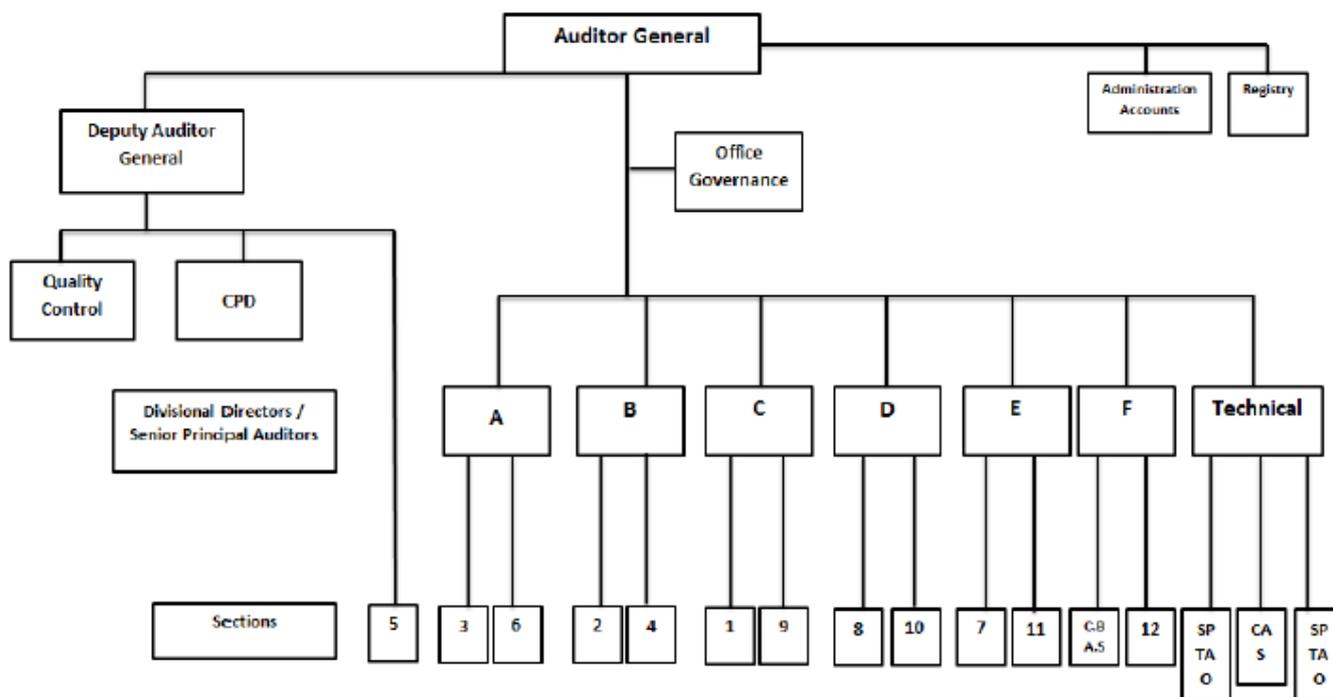
gives false or inaccurate evidence and information or incites any person to withhold or cover up evidence and information is perpetrating an offence and is liable, if found guilty, to a fine and/or imprisonment. Also under this Law, the Auditor General has the power to request any person, natural or legal, receiving a state subsidy or guarantee or loan to provide all the necessary evidence regarding its disbursement.

Organisation and functioning

The Office is divided into seven Divisions. Six Divisions are mainly responsible for financial, compliance and performance audits. Each of these Divisions is headed by a Director of Audit or a Senior Principal Auditor. The seventh Division, headed by the Director of Technical Audit, is mainly concerned with technical audits of capital projects and also incorporates the Computer Audit Service which deals with IT audits.

There are 13 Sections under the six Divisions, each headed by a Senior Audit Officer. The approved permanent (audit staff) posts of the Audit Office are 113. In addition to the 102 permanent and temporary staff (86 auditors and 16 support staff) currently employed in the Office, a total of 13 employees have been seconded to the Office from other government services in the past two years.

The organizational chart is shown below:



C.A.S = Computer Audit Service
 S.P.T.A.O=Senior Principal Technical Audit Officer

The areas of responsibility (auditees) assigned to each Section are presented in pages 26-28.

The majority of audits performed by the Office incorporate elements of financial, compliance and performance audits. The Audit Office bases its work on the ISSAIs and ISAs, and on

internal Auditing Guidelines, which are currently in the process of being revised by a specially appointed internal committee.

The Office's vision is to contribute to effective and efficient management of public funds, and its mission is to promote the highest standards in public sector financial management and reporting, accountability and value for money. Its primary values in carrying out work are independence, objectivity, professionalism and reliability.

Through its audits and reports, which cover the audit of central government, public organisations, local authorities and other public bodies and funds, the Audit Office provides citizens and their representatives, that is, the House of Representatives, with the objective and reliable information needed to evaluate the performance of the Executive in relation to the management of public resources. In this way the Office contributes to transparency, public accountability and the fight against corruption, concepts inherent in good public administration. The Annual Report of the Auditor General is submitted to the President of the Republic, and is laid before the House of Representatives by the President.

Office budget

In 2015, total receipts by the Office amounted to €950.988, with total payments amounting to €4.878.173, according to the financial statements prepared by the Office for the first time in 2016. The respective budgeted amounts for 2015 were €700.000 for receipts and total payments of €5.505.426, of which €5.0009.708 relate to staff salaries.

Work Distribution in the Office Sections

Section 1	Section 2	Section 3
<p>Ministry of Finance - Administration Department of Public Administration and Personnel Department of Information Technology Services Government Printing Office Statistical Service Government Purchases and Supplies Services Cyprus Academy of Public Administration Cyprus State Lottery Horse Racing Bets Football Bets Consolidated Financial Statements of the General Government Financial Report for the State Directorate General for European Programmes, Coordination and Development Management of European Structural Funds Treasury of the Republic Public Loans Fund Office of the Commissioner for State Aid Control Privatization Unit Internal Audit Service Central Bank Cyprus Stock Exchange Cyprus Securities & Exchange Commission Central Agency for Equal Distribution of Burdens Research Promotion Foundation Housing Finance Corporation The Cyprus Institute Provident Fund of the Securities & Exchange Commission Provident Fund of the Regular Hourly-Paid Government Workers Bank Deposits Protection Fund Cooperative Credit Institutions Deposits Protection Fund Investors Compensation Fund for Customers CIF National Investment Fund Fiscal Council National Scholarships Foundation Memorandum of Understanding with the Troika Pensions National Betting Authority Financial Ombudsman Independent Agency for Social Support Cyprus Investment Promotion Agency</p>	<p>Ministry of the Interior Town Planning and Housing Department (All Districts) Office of the Commissioner for Personal Data Protection District Administrations Civil Defence Department Civil Registry and Migration Department Asylum Service Service for the Displaced Persons Refugees' Review Body Council for Deviations in Town Planning & Housing Solidarity Funds Council for Reconstruction and Resettlement Town-Planning & Housing Council Turkish-Cypriot Properties Management (All Districts) Game Fund Pancyprian Union of Refugees Political Parties Cyprus Land Development Corporation</p>	<p>Ministry of Agriculture Department of Agriculture Department of Veterinary Services Forestry Department Department of Water Development Geological Survey Department Meteorological Service Land Consolidation Department The Mines Service Department of Environment Agricultural Research Institute Department of Fisheries & Marine Research Agricultural Insurance Corporation Cyprus Agricultural Payments Organization Water Boards Cyprus Grain Commission Pensions and Gratuities Fund of Employees of Cyprus Grain Commission Workers Provident Fund Cyprus Grain Commission</p>

Section 4	Section 5	Section 6
<p>Department of Land & Surveys Tax Department Customs & Excise Department Tax Tribunal</p>	<p>Ministry of Energy, Commerce Industry and Tourism Department of Registrar of Companies & Official Receiver Cyprus Handicraft Service Cooperative Societies Service Electricity Authority of Cyprus Cyprus Hydrocarbon Company Provident Fund of regular hourly-paid staff of CTO Pension and Gratuities Fund for CTO employees (with contribution of employees) Pension and Gratuities Scheme for CTO employees (Same as Government Pension Fund) Cyprus Organization for Storage & Management of Oil Stocks Commission for the Protection of Competition Cyprus Energy Regulatory Authority Transmissions Systems Operator</p>	<p>Supreme Court District Courts Rent Control Tribunals Industrial Disputes Tribunals Family Court Military Court Ministry of Defence Cyprus Army National Guard - National Guard Units Defence Expenditure Ministry of Justice and Public Order Police (Headquarters, District Divisions) Fire Department Prisons Youth Board of Cyprus Pension Fund of Lawyers State Archives Pancyprian Marathon Fund for Missing Persons Public Service Commission</p>
Section 7	Section 8	Section 9
<p>Ministry of Transport, Communications & Works Department of Public Works Department of Merchant Shipping Department of Electrical & Mechanical Services Department of Civil Aviation Department of Postal Services Department of Electronic Communications Department of Road Transport Department of Antiquities Cyprus Telecommunications Authority Cyprus Ports Authority Licensing authority Office of the Commissioner of Telecommunications and Post Licensing Review Authority Council for the Registration of Building & Civil Engineering Contractors Cyprus Scientific & Technical Chamber Museum Construction Fund</p>	<p>Municipalities (30) Occupied Municipalities (9) Municipalities Provident Fund (11)</p>	<p>Educational Service Commission Ministry of Education and Culture (including numerous divisions and councils) Secondary Technical & Vocational Education School for the Blind Provident Fund of the School for the Blind School for the Deaf Special Schools State Institutes of Further Education Evening State Institutes of Further Education Cultural Services Cyprus Library Elpinikios Library National Modern Art Gallery Cyprus Research Centre Cyprus Sports Organization Cyprus Theatre Organization University of Cyprus Technological University of Cyprus Open University of Cyprus Fund in Memory of the EOKA Struggle Cyprus Research and Academic Network Cyprus Symphony Orchestra Foundation Cultural Services</p>

		The National Struggle Museum Folk Art Museum School Committees Provident Fund Pension Fund of the Cyprus Sports Organisation Cyprus Olympic Committee
Section 10	Section11	Section 12
Ministry of Labour, Welfare & Social Insurance Department of Labour Social Insurance Services Social Insurance Fund Annual Holidays Subsidy Cyprus Productivity Centre Social Welfare Services Department of Labour Inspection Department of Labour Relations Human Resource Development Authority Higher Hotel Institute Cyprus Christos Stelios Ioannou Foundation Assistance through the Welfare Lottery Fund Fund for Mentally Retarded Persons Advisory Committee on preventing and combating violence in the family Fund for Special Needs Redundancy Fund Fund for the Protection of Employees in case of Insolvency Mobility Allowance Special Fund for the Rehabilitation Centre for the Disabled Department for Social Inclusion of Persons with Disabilities Service for the Administration of Welfare Benefits Relief Fund for War Affected Persons	Ministry of Health Medical & Public Health Services (Headquarters, Hospitals and Urban and Rural Health Centres) Mental Health Services Dental Services Pharmaceutical Services State General Laboratory Heath Care Plan for Hourly-Paid Staff Cyprus Research Foundation for Muscular Dystrophy Cyprus Antidrug Council Clinical Laboratory Fund Health Insurance Organization Bank of Cyprus Oncology Centre Karaiskakio Foundation	Presidency of the Republic of Cyprus Council of Ministers House of Representatives Legal Service Ombudsman Press & Information Office Ministry of Foreign Affairs Office for the Cyprus Talks Office of the Law Commissioner Cyprus News Agency Cyprus Broadcasting Corporation Cyprus Radiotelevision Authority Social Welfare Fund Diplomatic Missions Independent Authority for the Investigation of Allegations and Complaints Against the Police Sewerage Boards Internal Audit of the Audit Office of the Republic Solid Waste Management
Section 13		
Community Councils Central Services for Community Councils School Committees Government Water Projects Provident Fund for the employees of the government water projects		

3. Assessment of the SAI's Environment, Capability and Performance

Indicator SAI-1: Financial Audit Results¹⁷

According to the Performance Measurement Framework (PMF), the following dimensions within Indicator SAI-1 were examined:

- (i) Financial audit coverage.
- (ii) Submission of financial audit results.
- (iii) Publication and dissemination of financial audit results.
- (iv) Follow-up on the implementation of the financial audit observations and recommendations.

Calculation assumptions.

Statutory bodies: For the purpose of calculating the financial audit coverage rate, the audit reports sent by the end of the audit year (30.6.2014), relating to financial statements pending for audit at the beginning of the audit year (1.7.2013) and those submitted for audit within the audit year (1.7.2013-30.6.2014), were taken into account.

It is noted that the financial statements for all years submitted were taken into account and not the number of audited entities which submitted these financial statements, i.e. each year of the financial statements was counted as a separate audit. In the cases where the audit commenced before the submission of the financial statements, it was presumed that draft financial statements were obtained upon commencing the audit. It is noted that, in most cases, draft financial statements are submitted to the Office before the beginning of the audit.

For the purpose of determining the time elapsed from the submission of the financial statements until the completion of the audit (dimension (ii)), the financial statements audits pending at the beginning of the audit year (1.7.2013) were taken into account, as well as the financial statements submitted within the audit year (1.7.2013-30.6.2014), even if the audit report was sent after the end of the audit year. This was deemed necessary to ensure a more representative result.

¹⁷For the purpose of assessing the Indicator, it has been assumed that all audits carried out by the Office include elements of financial and compliance audits. As a result, dimensions (ii) - (iv) of Indicators SAI-1 and SAI-2 have been jointly assessed.

Government entities: In the case of government entities, the audits for the year 2012 which were conducted / completed within the audit year 2013-2014, were not taken into account, but in compensation, the management letters relating to the year 2013 which were sent by 31.10.2014 were taken into account. This was decided on the assumption that on 31.1.2014, which was the closing date for the computerised accounting system (FIMAS) for the year 2013, all government Departments had submitted, to the Office, their financial statements for 2013, the year concerning the Annual Report that was delivered to the President of the Republic on 27.11.2014.

For the assessment of dimension (ii) regarding the audits of government entities, the audits for which no management letter was prepared due to the absence of findings were not taken into account, as in such cases it was not possible to document the date of completion of the audit.

Community Councils and School Committees: The Community Councils and School Committees were excluded from the scope of the self-assessment, as explicitly stated in the terms of reference of the assessment team. This was decided in view of the decision of the Office to assign these audits to the private sector following public procurement procedures, as well as of the significant delays in the completion of the audits due to understaffing issues that were not addressed since the audit of the Community Councils and School Committees was assigned to the Audit Office in 1999.

From the assessment, the following were noted:

Strengths.

The main audit results are published through the Annual Report and other special reports, on the Office website, immediately after the submission of the above reports to the relevant bodies (President of the Republic and the House of Representatives, as appropriate).

Furthermore, a follow-up system has been established for the implementation of the recommendations of the Office by the audited entities, which has been strengthened further by the amendment, in 2013, of the Provision of Evidence and Information to the Auditor General of the Republic Laws (L.137(I)/2013). Specifically, it is required that, along the submission of the state budget or the budgets of statutory bodies to the House of Representatives, the responsible officials submit, to the House of Representatives and to the Auditor General, a detailed report regarding compliance and implementation of the observations of the Auditor General of the Republic included in the last issued annual report concerning the responsibilities and activities of services related to the budget being approved, is submitted by the legally competent officials for the preparation of the said budgets,."

Weaknesses.

The main weakness of the Office in relation to the Indicator under consideration, relates to the financial audit coverage of the audited entities within the audit year, as well as to the timely submission of the results of the audits to the competent Authorities.

In particular, during the audit year 2013-2014, which was used as a base year for the assessment, the audit of 29,1% (160 audits completed out of 550 auditees) of the audited entities (government departments and statutory bodies) was completed by sending a letter/report. The calculation was based on the assumptions described in detail below.

The results of 45,4% (157 audits completed within 6 months from the receipt of the financial statements out of total 346 audits completed) of the audits completed within the audit year, were submitted within the established legal timeframe or, where this is not defined, within twelve months of the receipt / preparation of the financial statements. It is noted that, for statutory bodies, for which the provisions of the Statutory Bodies (Audit of Financial Statements) Laws of 1983-2007 apply, the deadline for the submission of the Auditor General's report to the House of Representatives is the 15th June of the year following the year to which the financial statements relate, and this deadline has been complied with in all cases. Specifically, the reports for the Electricity Authority of Cyprus, the Cyprus Telecommunications Authority, the Cyprus Transmission System Operator, the Cyprus Sports Organization, the Agricultural Payments Organisation, the Cyprus Dairy Industry Organisation and the Cyprus Broadcasting Corporation, were submitted to the House of Representatives on 13.6.2014. An exception was noted concerning the Olive Products Council, the operation of which was terminated on 24.10.2013 and was therefore not taken into account in analysing the data.

The low score in dimension (ii) is due to a delay of more than twelve months, in the completion of audits of the financial statements of a large number of statutory bodies for which there is no defined timeframe for preparation and submission of financial statements, nor for their audit by our Office, as well as for several Government Departments/Services.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

(i) Financial audit coverage: The percentage of the financial statements for which the audit was completed, based on the above assumptions, amounted to 29,1%. Due to the low completion rate of the financial audits within the audit year, the resulting score is **1**.

(ii) Submission of financial audit results: There was a delay of more than twelve months in the completion of audits, beginning with the preparation and submission of financial statements, particularly in the case of government

entities. The management letter and/or the audit report was submitted to the competent authorities within the prescribed time frames, or, where such timeframes were not defined, within twelve months of the receipt of the financial statements or the closing date of the computerized accounting system of the central public sector (31.1.2014 for 2013), for 45,4% of the audited entities. The resulting score is therefore **2**.

(iii) Publication and dissemination of financial audit results: The Annual Report and other special reports are posted on the Office website on the day of their submission to the competent authorities. Therefore, the resulting score is **4**.

(iv) Follow-up on the implementation of the financial audit observations and recommendations: As described above, there are established procedures for following up the implementation of the Office recommendations, the effectiveness of which, however, is affected by the current understaffing of the Office due to the current budgetary constraints. Information is received from the audited entities regarding the corrective actions taken or justification for not taking corrective actions. Detailed follow up usually takes place during the field work of the following audit which may take years until it is carried out. This issue is expected to be resolved with the submission of the auditees' compliance report to the Parliament according to new legislation that has been established. Score is **3**.

The overall score for the Indicator “Financial Audit Results” is 3 out of 4.

Indicator SAI-1				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Financial Audit Coverage			1	29.1% of financial statements are audited within the time limit set before.
(ii) Submission of financial audit results			2	For 45.4% of financial audits, the audit report is submitted within 12 months of receipt of financial statements.
(iii) Publication and Dissemination of Financial Audit Results.			4	The reports are available on the Office website.
(iv) SAI Follow –up on implementation of financial audit observations and recommendations	b, c, d	a	3	Nearly all audits performed involve a follow-up of the recommendations of the last audit report. Findings of follow-up audits are included in the annual report (which is submitted to the President/House of Representatives), as deemed appropriate according to their significance. Detailed follow up usually takes place

				during the field work of the following audit which may take years until it is carried out. This issue will be resolved with the submission by the auditees to the Parliament of their compliance reports together with their budget.
<u>Overall score</u>			<u>2</u>	

Other important issues.

It was observed that, for a number of audits completed within the audit year under review, no management letter marking the completion of the audit was sent. In addition, there were cases of late submission of financial statements by the audited entities (e.g. the financial statements of the Anti-Drugs Council for the year 2008 were submitted in July 2013 and those of the Special Fund for Granting Mobility Allowances to Persons with Disabilities for 2011, were submitted in July 2014). There were also incidents where audited entities have never submitted financial statements for audit (e.g. the Joint Compensation Fund and the Fund for Legal Assistance to Investors).

Reservation.

The data for the evaluation of dimensions (i) and (ii) were obtained through questionnaires that were sent to all Sections of the Office. The above scoring is subject to the reliability, comprehensiveness and comparability of the data supplied by the Sections, as recorded and analysed by the members of the self- assessment team, as well as the assumptions made for the purpose of data analysis.

Conclusion.

The Office displays a significant delay in the completion of audits, and therefore presents low financial audit coverage within acceptable timeframes. This has a negative impact in detecting possible errors or irregularities and therefore Parliament will not be informed in time.

Recommendations.

From the analysis of the data collected and considering the normal practice of the preparation and submission of the Annual Report, it is noted that the audits of each calendar year are completed at around the third quarter of the following calendar year, i.e. when the Annual report is submitted to the President of the Republic, and not by the end of the defined audit year. It is also noted that, more than a third of the audit year examined was used for the completion of audits included in the previous audit year plan. There appears to be a need to alter the audit year timeframe. Based on a recent review of the

Office Auditing Guidelines, the audit year has been altered and it now begins on 1st October and ends on 30th September of each year.

In addition, it is suggested that, in all cases, even where significant findings do not arise, a report is prepared to document the completion of each audit. The Office will need to take more drastic measures to deal with statutory bodies with significant delays in the submission of their financial statements.

The inability of the Office to timely execute all audits assigned, is primarily due to its significant understaffing. This problem is expected to be temporarily dealt with by assigning a large number of audits of statutory bodies to the private sector, and in future, by reinforcing the Office with additional personnel. It is noted that, towards this direction, nine vacancies for the position of Audit Officer, have recently been announced (in December 2015) and are in the process of being filled.

Indicator SAI-2: Compliance Audit Results¹⁸

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-2 were examined:

- (i) Compliance audit coverage.
- (ii) Submission of compliance audit results.
- (iii) Publication and dissemination of compliance audit results.
- (iv) Follow-up on the implementation of compliance audits observations and recommendations.

Assumptions used.

Same assumptions apply as to indicator SAI-1.

Strengths.

The same observations as for Indicator SAI-1 apply.

Weaknesses.

The main weakness of the Office concerns the delay in reporting compliance audit results to the competent Authorities, according to the information given in chapter SAI-1, as well as the lack of recorded risk assessment procedures for the selection of compliance audits. As a result, despite the fact that, under the assumptions made, 100% of the audits conducted by the Office include elements of compliance audits, the maximum score is not achieved, since the PMF requires the existence of a documented process for the selection of compliance audits. In this regard, it is stated that, during the audit year 2013-2014, which was the base year for the assessment, the audits of 29,1% of the audited entities (government departments and statutory bodies) which are included in the Office mandate, were concluded.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

(i) Compliance audit coverage: Due to the low rate 29,1%(160 audits completed out of 550 auditees)of completion of compliance audits within the audit year, as well as due to the absence of recorded compliance audits selection procedures, the resulting score is **1**.

(ii)Submission of compliance audit results: There is a delay in the completion of compliance audits, particularly in the case of government entities. Overall, the management letter and/or the audit report for 45,4%(157 audits completed within 6 months from the receipt of the financial statements

¹⁸For the purpose of assessing the Indicator, it has been assumed that all audits carried out by the Office include elements of financial and compliance audits. As a result, dimensions (ii) - (iv) of Indicators SAI-1 and SAI-2 have been jointly assessed.

out of total 346 audits completed) of the audited entities was submitted to the competent bodies within the prescribed timeframes, or, where these have not been defined, within twelve months of the receipt of the financial statements or the closing of the computerized accounting system of the central public sector (31.1.2014 for the year 2013). The resulting score is therefore **2**.

(iii) Publication and dissemination of compliance audits: The Annual Report and other special reports are posted on the Office website on the day of their submission to the competent authority. Therefore, the resulting score is **4**.

(iv) Follow-up on the implementation of compliance audit observations and recommendations: As described above, there are established procedures for following up the implementation of the Office recommendations, the effectiveness of which, however, is affected by the current understaffing of the Office due to the current budgetary constraints. Information is received from the audited entities regarding the corrective measures taken or justification for not taking corrective measures Detailed follow up usually takes place during the field work of the following audit which may take years until it is carried out. score is **3** .

The overall score for the Indicator “Compliance audit results” is 2 out of 4.

Indicator SAI-2				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Compliance Audit Coverage			1	All audits performed by the Office involve a compliance audit element. During the audit year 2013-2014, 29,1% The lack of documented risk based process for selecting compliance audits, is also noted.
(ii) Submission of Compliance Audit Results			2	For 45,4% of compliance audits, the audit report is submitted within 12 months of receipt of financial statements - based on aggregate results from questionnaires. (Note: According to the Auditing Guidelines issued by the Office, the annual report should be ready to submit to the President by the end of September.)
(iii) Publication and Dissemination			4	The reports are available on the Office website.

of Compliance Audit Results				
(iv) SAI Follow-up on implementation of compliance audit observations and recommendations	b, c, d	a	3	Nearly all audits performed involve a follow-up of the recommendations of the last audit report. Detailed follow up takes place during the field work of the following audit which may take years until it is carried out. This issue will be resolved with the submission of the auditees to the Parliament of their compliance reports together with their budget.
Overall score			2	

Other important issues.

It was found that, for a number of audits completed within the audit year under review, no management letter marking the completion of the audit was sent. Also, the compliance audits conducted by the Technical Services of the Office, (which are an important part of the compliance audits regarding the legislation on public procurement and contracts), were not taken into account since, as stated in the introduction, although these were originally included in the terms of reference of the self-assessment team, it was decided that their assessment would be assigned to an Officer of the Technical Services.

Reservation.

The same reservation concerning the reliability, completeness and comparability of data, as described in detail for Indicator SAI-1, applies.

Conclusion.

The Office displays significant delays in the completion of audits in relation to the defined audit year, and therefore presents low compliance audit coverage within acceptable timeframes.

Recommendation.

According to the assumptions underlying the assessment, all audits carried out by the Office include elements of financial and compliance audit, and, therefore, the same recommendations which were made for Indicator SAI-1 apply.

Indicator SAI-3: Performance audits results¹⁹

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-3 were examined:

- (i) Coverage, selection and objectives of performance audits.
- (ii) Submission, publication and dissemination of performance audit reports.
- (iii) Follow-up on the implementation of performance audit observations and recommendations.

From the assessment of the above, the following were noted:

Strengths.

The Office submits performance audit reports promptly, to ensure that the information they contain does not become obsolete and, in every case, these are submitted on the day the reports are completed. The reports are published through the Office website, as well as with relevant announcements and are understandable to the general public. Through the publicity given, academic and public interest in the audit findings is encouraged.

Weaknesses.

The main weakness identified under the PMF, lies in the small number of performance audits completed and the inadequate coverage of important topics for the improvement of the public sector, such as defence, education, infrastructure, health, etc. During the last five years (2009-2013), which were examined under the PMF, reports were issued for two audits that focused on environmental and financial management. It has also been noted that there is an absence of follow-up of the implementation of the recommendations made.

Moreover, weaknesses have been identified in relation to the process of selecting performance audit topics (involvement of auditors in the risk analysis process at a strategic level and documenting the reasons for selecting topics), the recognition of important stakeholders and the establishment of effective communication with them.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

- (i) **Coverage, selection and objectives of performance audits:** Three of the six criteria set out in the PMF are met. Specifically, audit work focuses on improving management, with emphasis on the principles of economy, efficiency and effectiveness. However, there is no documentation on whether the selection of performance audit topics is based on the significance of the topic, on the Office mandate and on their auditability, or that the choice of topic is made with a view to maximizing the impact of the audit. During the

¹⁹For the purpose of assessing the Indicator, the performance audits which were considered were those included as such in the relevant chapter of the Annual Reports of the Office for the years 2009-2013.

last five years, the Office has carried out only two performance audits, without covering important areas of public administration. In the past three years, one performance audit has been reported, with less than 20% of audit staff involved (three auditors). Moreover, no documented strategic plan for the selection of audit topics through risk analysis techniques exists and there is no identification and communication process with the main stakeholder groups in order for their needs and expectations to be understood. As a result of the above, the resulting score is **0**.

(ii) Submission, publication and dissemination of performance audit reports: The reports are submitted in time (upon completion of the audit) so that the information they contain does not become obsolete. Adequate publicity is given on the Office website, through public announcements and presentations, and, the reports are accessible to the public via the Office website. Public and academic interest for the most important findings is encouraged through publication of the report, press releases, public presentations and forwarding printed report copies to universities and NGOs. As all the criteria are met, the resulting score is **4**.

(iii) Follow-up on the implementation of performance audit observations and recommendations: For both of the performance audits that were carried out in the last five years, no follow-up of the implementation of the Office recommendations has been carried out. The resulting score is therefore **0**.

The overall score for the Indicator “Performance audits results” is 1 out of 4.

Indicator SAI-3				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Coverage, Selection and Objective of Performance Audits	b	a, c, d, e, f, g	0	The principles of economy, efficiency and effectiveness are considered in performance audits. However, few purely performance audits have been performed in the past, and shortcomings exist in documenting the process of topic selection and communication with stakeholders.
(ii) Publication and Dissemination of Performance Audit Reports	a, b, c, d, e	-	4	Performance audit reports are submitted in a timely manner, are easily available to the public and public and academic interest is actively encouraged.

Indicator SAI-3				
Dimension	Criteria met	Criteria not met	Score	Comment
(iii) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations	-	a, b, c, d	0	No follow-up has so far been performed for the performance audits in the period examined.
Overall score			1	

Conclusion.

Weaknesses are identified in relation to the number and scope of audits conducted by the Office, as well as with the selection process of the relevant topics and the follow-up of findings.

Recommendation.

The Office's involvement in other areas of public administration, the increase in the number of performance audits, the improvement of the process of selection of topics and its documentation, and in monitoring the implementation of the recommendations arising from performance audits, could contribute in the increase of the score of the Office for this Indicator. It is noted that, during the audit year 2014-2015, audits have been conducted in the areas of defence (confidential), town and planning and management of Turkish Cypriot properties, while environmental audits in relation to the management of water resources and waste also commenced.

Indicator SAI-5: Annual Report and other reports

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-5 were examined:

- (i) Content and submission of the Annual Report.
- (ii) Publication and dissemination of the Annual Report.
- (iii) Measuring and reporting on the Audit Office performance.
- (iv) Reporting on the provision of value added services by the Audit Office and other mandatory functions.

From the assessment of the above, the following were noted:

Strengths.

The Annual Report is the most important and obvious result of the Office's work. The Report includes the main issues that were addressed by the Office as well as the relevant audit findings along with recommendations for the necessary corrective measures. In accordance with the Constitution of the Republic, the Annual Report is submitted annually to the President of the Republic, who shall ensure for its submission before the House of Representatives. It is subsequently posted on the Office website and is accessible to all citizens. The information provided is objective, reliable and understandable to the general public. The issues raised are extensively covered by the media and include, apart from financial audits, environmental, technical, performance and ex-ante audits, as well as audits of information technology systems.

Weaknesses.

Although in the Annual Report for 2013 the methodology followed in conducting the audit work was briefly described, there was no reference to the auditing standards followed, nor an assessment of the performance of the Office in connection with its strategies and objectives, as laid out at the start of the audit year. In addition, the Office has not been assessed by independent (international) organizations regarding its work and its function. It is noted that, in the Annual Report for 2014, in addition to the brief reference to the methodology applied the Auditing Standards followed are also disclosed.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

- (i) **Content and submission of the Annual Report:** In the Annual Report, which is submitted to the President of the Republic for submission to the House of Representatives, the main findings of audits conducted during the audit year are included, along with recommendations for taking the necessary corrective measures with a view to improving the management of public

resources and combating corruption. It is noted that audits relating to confidential matters, are not disclosed. In cases where not all Departments of a Ministry are audited due to insufficient resources, the Annual Report includes a reference in the relevant section for the audit of the Ministry. In Chapter E of the Report, a separate reference to the State Budget and its implementation is made. Since the Audit Office Budget is part of the State Budget, no separate reference regarding its implementation is made. The funds allocated to the Audit Office are part of the State Budget which is published in the Official Gazette of the Republic. Financial statements are not prepared by the Audit Office, and the implementation of its Budget is not subject to an independent financial audit, thus five of the six elements of this dimension are met and the score is **3**.

(ii) Publication and dissemination of the Annual Report: Following its submission to the President of the Republic and to the House of Representatives, the Annual Report is posted on the Office website in a format understandable to the general public and the issues raised receive extensive media coverage. Major findings of the Report are presented, by the Auditor General, in various television and radio programmes and interviews, so that the public can better understand the value and benefits derived from the independent audits carried out by the Office. The recommendations and observations are examined at regular meetings at the House of Representatives Committee on Development Plans and Public Expenditure Control. The highest score of **4** is achieved, since all the criteria are met.

(iii) Measuring and reporting on the Audit Office performance: According to ISSAI 20, the Annual Report should refer to the performance of the Office in relation to its strategy and its objectives and preferably to relevant predetermined performance indicators. Also, it is customary to implement a process for obtaining and utilizing feedback received from stakeholders (from the public, the House of Representatives and from the Executive), in relation to its contribution, through its work, in achieving its role, as well as the publication of statistics regarding the impact of its audits (e.g. achieving savings). The basic audit methodology and standards followed in conducting audits should also be included in the Annual Report. The only criterion which is met partially in this category is the publication of the methodology followed and the score is **1**.

(iv) Reporting on the provision of value added services by the Audit Office and other mandatory functions:

The Office examines issues and submits reports regarding the efficient management of national assets and the strengthening of environmental stewardship, for example a performance audit was conducted on coastal management, and an audit on adapting to climate change, both reports made available to the public through the Office's website. Also a performance audit was conducted on the general plan for the computerisation of Public Services.

Evaluation of public policy is integrated in our core audits. Nonetheless the Office has conducted an evaluation of public policy on water management and waste management. It also carries out ex-ante audits on the invitation and award of public tenders, whilst many of the Office’s findings assist the Legal Office and the Police in their work against corruption. At several times auditors assisted the police in reviewing cases of suspected fraud and corruption. The scoring for this category is **3**, since relevant reports are submitted for six of the subjects listed in the criteria.

The overall score for the Indicator “Annual Report and other reports” is 3 out of 4.

Indicator SAI-5				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Content and Submission of SAI Annual Report	a,b,c,d,e	f	3	The Office prepares a report with the main findings of audits conducted during the audit year which is submitted to the President of the Republic for submission to the House of Representatives. The report includes recommendations for taking the necessary corrective measures with a view to improving the management of public resources and combating corruption and also a separate reference to the State Budget and its implementation.
(ii) Publication and dissemination of the Annual Report	a, b, c, d,e,f		4	Following its submission to the President of the Republic and to the House of Representatives, the Annual Report is posted on its website in a format understandable to the general public. Issues raised receive extensive media coverage. The Auditor General, when asked, presents major findings in television and radio programmes. The recommendations and observations are examined at regular meetings at the House of Representatives Committee on Development Plans and Public Expenditure Control.
(iii) Measuring and reporting on the Audit Office performance	g	a,b,c,d, e,f	1	The Annual Report does not contain information on the Office’s performance in relation to its strategy and its objectives and preferably to relevant predetermined performance indicators. Also, the SAI does not

				implement a process for obtaining and utilizing feedback received from the public, the House of Representatives and from the Executive, in relation to its contribution in achieving its role. The only criterion met is the publication of the audit methodology and standards followed in conducting audits.
(iv) Reporting on the provision of value added services by the Audit Office and other mandatory functions	a,c,e,j,k,l	b ,d,f,g, h ,i,m	3	The Office examines issues and submits reports regarding the strengthening of environmental stewardship, the efficient management of national assets and the reliable operation of information technology systems. It also carries out ex-ante audits on the award of public tenders, whilst many of the Office's findings assist the Legal Office and the Police in their work against corruption.
Overall score			3	

Conclusion.

Through the Annual Report and other reports, the Audit Office provides objective and reliable information to the public and their representatives, which is necessary in order to evaluate the performance of the Executive in relation to the management of public resources, and the Office contributes to the improvement of the public sector through its work.

Recommendations.

The score received could be improved if a process to compare its results against the objectives of the Office was established and use was made of feedback from its stakeholders. We also recommend that the Office considers its involvement in evaluating the systems for generating national statistics, the privatization of statutory bodies, the country economic and financial environment etc., which are considered to add value to the services it offers.

Indicator SAI-6: Independence of the Audit Office

Under the Performance Measurement Framework, within Indicator SAI-6 the following dimensions were examined:

- (i) Appropriate and effective constitutional and legal framework.
- (ii) Financial independence/autonomy.
- (iii) Organizational independence/autonomy.
- (iv) Independence of the Auditor General and the officials of the Audit Office.

From the assessment of the above, the following were noted:

Strengths.

The existing legal framework gives a high degree of independence to the Audit Office with regard to its decision-making for the execution of its mandate. Also, the constitutional provisions regarding the Auditor General's appointment, duration of term and removal process sufficiently ensure his independence and protect him from influences from the Executive.

Weaknesses.

The Office Budget is subject to the approval of the Executive, which, in theory, is able to limit the resources available, in order to avoid effective audits. Also, the organization and management of the Office are regulated by Laws and Regulations that apply to the Public Service, which limit its autonomy in decision-making in this area.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

(i) Constitutional and legal framework: The Office meets all the criteria in this dimension, since its establishment is based on constitutional provisions and its independence is guaranteed by the Constitution itself. Also, both the Constitution and the Law on the Provision of Information to the Auditor General, ensure a high degree of initiative and autonomy in the execution of its duties. Finally, the appointment, duration of term and removal of the Auditor General, as well as the independence of his decision-making powers, are guaranteed by the Constitution. Based on the above, the maximum score of 4 points has been given.

(ii) Financial independence/autonomy. Under the existing legal framework, the Budget of the Office is submitted to the Ministry of Finance for approval and inclusion in the State Budget, since it is part of the State Budget which is submitted for approval to the Council of Ministers. Therefore, the Office does not enjoy financial independence, while the Executive can essentially control its resources. The financial independence of the Audit

Office is further limited by the fact that the law does not allow the use of the budgeted financial resources for a different purpose than the one recorded in the Annual Budget and is also limited due to the fact that the Audit Office is obliged to apply Treasury instructions regarding the preparation of its budget (e.g. freezing positions, reducing budgeted amounts, freezing salary advances for car purchase etc.). In practice, however, in recent years, there has been no interference by the Executive in the budget of the Office, beyond the limitations set under the Memorandum of Understanding with the Troika. Based on the above, the score of the dimension is only **0** point.

(iii) Organizational independence/autonomy. The existing legal framework does not allow the Audit Office to fill vacant posts, amend its Schemes of Service or decide on staff matters without getting approval from other Services of the public sector, which significantly affect its organizational independence. The relations of the Office with the Executive and the legislative authority are clearly defined and regulated by the Constitution, whilst the Office has the power to make decisions regarding its internal procedures and the purchase of services from experts. Under the provisions of the Constitution, all powers of the Auditor General, including the power to make decisions, are exercised by him personally and are taken in a personal capacity and may be delegated to officers under his authority. However, the fact that the Office is not independent of direction or interference from the Executive or the Legislature in issues of organization and management, reduces the score to **1** point.

(iv) Independence of the Auditor General and of the officials of the Audit Office. The independence of the Auditor General is guaranteed by the Constitution (appointment, duration of term, removal), but the lack of transparency in the Auditor General's appointment process limits the rating given to **3** points.

The overall score for the Indicator "Independence of the Audit Office" is 2 out of 4.

Indicator SAI-6				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Appropriate and effective constitutional and legal framework	a,b,c,d,e,	--	4	The establishment of SAI and its independence lay down in the Constitution. The independence of the SAI guarantees a very high degree of initiative and autonomy. Constitution also guarantees the appointment, term, removal, dismissal of the

				SAI as well as his independence in decision making. Legal protection be a supreme court against any interference with SAI's independence is adequate.
(ii) Financial Independence	d	a, b, c,, e, f	0	The SAI has no financial independence or autonomy since its budget is submitted to the Ministry of Finance and the house of Representatives for approval.
(iii) Organisational independence	b, c, d	a, e, f, g	1	The relationship between the SAI and parliament and also the executive is clearly defined by the Constitution. SAI has the power to decide on its audits. Scheme of services and audit manuals give clear description as to the way of how decisions are made.
(iv) Independence of the head SAI and its officials	a, b, c, e	d	3	According to Cyprus Constitution the Head of the SAI is appointed by the President and shall not be retired or removed from office until retirement. However there is no legal immunity and the process of appointment is not transparent.
Overall score			2	

Conclusion.

The existing legal framework provides the Audit Office with the independence required to perform its work without interference and influence. However, the lack of financial and (to a large extent) organisational autonomy, and the lack of immunity for the Auditor General in the normal discharge of his duties, significantly limits its independence.

Recommendation.

To enhance the independence of the Audit Office, financial and organisational independence should be promoted. Legal immunity for the Auditor General should be adopted.

Indicator SAI-7: Mandate of the Audit Office

According to the Performance Measurement Framework, the following dimensions within Indicator SAI 7 were examined:

- (i) Sufficiently broad mandate
- (ii) Access to information.
- (iii) Right and obligation to report.
- (iv) Existence of effective follow-up mechanisms.

From the assessment of the above, the following were noted:

Strengths.

The existing legal framework gives a high degree of independence to the Audit Office with regard to its decision-making for the execution of its mandate. Also, the Constitutional provisions on the appointment, duration of term and removal process, sufficiently safeguard the independence of the Auditor General and protect him from interferences from the Executive.

Weaknesses.

The Budget of the Office is subject to the approval of the Executive, which could, in theory, be able to limit the resources necessary for carrying out effective audits. In addition, the organization and management of the Office are regulated by laws and regulations that apply to the Public Service, which limit its autonomy in decision-making in this area.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

(i) Sufficiently broad mandate: The scope of the Audit Office mandate, as evidenced by the Constitution (PART VI, CHAPTER II, Article 116(1)) and several laws, is quite large and gives the Auditor General the power to carry out any financial, compliance or performance audits in all of the activities of the public and semi-public sector. The audits are planned annually, in accordance to internal procedures included in the Auditing Guidelines of the Office. After reviewing the annual planning documents obtained for the year under review, the team did not find any evidence of interference in the selection of audit clients or audit subjects, in a way that may compromise the Office independence. The team did not find any cases of interference, which may have affected the Office independence, or any tasks that the Office has been given or taken during the past three years, that might have influenced the independence of its mandate. All criteria of the dimension are met, so a score of **4** points is given.

(ii) Access to information: Both the Constitution (PART VI, CHAPTER II, Article 116(1)) and the Law No. 113(I)/2002 on the Provision of Evidence and Information to the Auditor General, ensure the unrestricted access of the Auditor General to books, records and information, as well as to the premises of the audited entities in order to conduct on-site audits. Furthermore, Law No. 113(I)/2002 provides for resolution mechanisms when access to information is refused or restricted. It is noted that, according to Attorney General Opinion, the Auditor General is free to decide what information is considered necessary for the audits. All criteria of the dimension are met, so a score of **4** points is given.

(iii) Right and obligation to report: The Constitution (PART VI, CHAPTER II, Article 116(4)) provides for the preparation and submission to the President of the Republic of an Annual Report regarding the exercise of the functions and duties of the Auditor General during the year. The Annual Report, according to the same article, is laid by the President before the House of Representatives. The content of the Annual Report is decided exclusively by the Auditor General, since there is no restriction in the law regarding the content of the Annual Report. In addition, there is no restriction in the Constitution or law regarding the timing and frequency of reporting of significant findings during the year. Nevertheless, Article 172 of the Constitution provides that the Republic shall be liable for any wrongful act or omission causing damage in the exercise or purported exercise the duties of officers or authorities of the Republic. Therefore, seven of the eight criteria of the dimension are met, so a score of **3** points is given.

(iv) Implementation of effective follow-up mechanisms: The Audit Office implements two follow-up mechanisms on outstanding audit issues. According to internal procedures, a follow-up system of a reactive, rather than a proactive nature, is applied whereby letters and reminders are sent to the audited entities, requesting responses/comments on the observations and recommendations resulting from audits. The system's effectiveness is affected by the current understaffing of the Office(due to the current budgetary constraints), since the follow-up is not conducted promptly and at least annually on all pending issues. Another follow-up mechanism has been enforced under the amendment of Law 137 (I)/2013, where audited entities are required to submit a "Report of Compliance and Implementation" stating the actions taken on the issues raised in the last Annual Report, upon submitting their Budget for approval to the House of Representatives. Finally, the Audit Office, when requested, provides its expertise in the form of comments/views to the House of Representatives and to the management of the audited entities on various issues, such as draft bills. Due to the weaknesses identified in the existing follow-up mechanisms, three out of four criteria are met, so a score of **3** is given to this dimension.

The overall score for the Indicator “Mandate of the Audit Office” is 3.

Indicator SAI-7				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Sufficiently broad mandate	a,c,d,e,f,g,h,i,j (b) N/A (was not rated)	-	4	The law does not place any limitations on the Office's mandate. The Office plans and performs audits in accordance with a self-determined program that is free from direction and interference.
(ii) Access to information	a, b, c, d	-	4	Both constitution and law include the unrestricted right of access to records, documents and information and access to the premises of audited bodies. The SAI has the right to decide which information it needs for its audits and the law provides for any resolution mechanisms when access to information is refused or restricted.
(iii) Right and obligation to report	a,b,c,d,e,g,h	f	3	The legal framework establishes a right and an obligation to report annually to the President of the Republic, who shall cause it to be laid before the House of Representatives. There is no restriction in the law regarding the context, frequency and timing of the reporting.
(iv) Existence of Effective Follow-up Mechanisms	b,c,d	a	3	The Office has internal follow-up procedures. Recently, a Law Amendment has passed (N137(I)/2013) that requires entities to accompany the annual budget with a “Report of Compliance and Implementation” when submitted to the House of Representatives for approval. Both mechanisms are of a re-active, rather than a pro-active nature.
Overall score			3	

Conclusion.

The powers given to the Audit Office by the Constitution and other Laws provide the Audit Office with a satisfactory scope of responsibilities and access to the necessary information for the audits. Also, the Audit Office has the right and the obligation, as provided in the Constitution, for the preparation and submission of an Annual Report on the exercise of its functions.

Recommendation.

The current follow-up mechanism for pending audit issues could be improved, by designing a more proactive follow – up system.

Indicator SAI-8: Strategy for organizational development

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-8 were examined:

- (i)** Content of the strategic plan.
- (ii)** Strategic planning process.
- (iii)** Content of the annual plan.
- (iv)** Annual planning process.

From the assessment of the above, the following were noted:

Strengths.

The Annual Report of the Office includes references to its strategic objectives. However, due to the lack of a strategic plan (dimensions (i) and (ii)) and therefore the inability to prepare an annual plan on the basis of the requirements of such a plan, no strengths arise when examining Indicator SAI-8.

Weaknesses.

According to the «IDI Strategic Planning Handbook for Supreme Audit Institutions», the development of a strategic plan is the first key step in the strategic development of Audit Services. Despite the above, the Audit Office has not yet developed, nor is in the process of developing, a strategic plan.

Scoring.

Scoring per dimension (with the highest score being 4), is as follows:

(i) Content of the strategic plan. In view of the absence of a strategic plan, the resulting score is **0**.

(ii) Strategic planning process. In view of the absence of a strategic plan, the resulting score is **0**.

(iii) Content of the annual plan. According to the “IDI Strategic Planning Handbook for Supreme Audit Institutions”, there should be an annual program / plan, to reflect the requirements of a strategic plan and assist in its implementation. The annual plan is not linked to any strategic plan, does not contain a risk assessment, measurable indicators at the outcome and output level and baselines of current performance and milestones for major indicators. In view of the absence of a strategic plan, the resulting score is **0**.

(iv) Annual planning process. In view of the absence of an annual program/plan to reflect the requirements of a strategic plan and assist in its implementation, the resulting score is **0**.

The overall score for the Indicator “Strategy for Organizational Development” is 0.

Indicator SAI-8				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Content of the Strategic Plan	---	(a) – (g)	0	None of the criteria are met. No strategic plan has been developed.
(ii) Strategic Planning Process	---	(a) – (g)	0	None of the criteria are met. No strategic planning process has been developed.
(iii) Content of the Annual Plan	---	(a) – (g)	0	None of the criteria are met. The annual plan is not linked to any strategic plan, does not contain a risk assessment, measurable indicators at the outcome and output level and baselines of current performance and milestones for major indicators.
(iv) Annual Planning Process	---	(a) – (d)	0	None of the criteria are met.
Overall score			0	

Conclusion.

The Audit Office has not yet developed, nor is in the process of developing, a strategic plan. Therefore, no annual programs / plans have been prepared to assist in the implementation of a strategic plan.

Recommendations.

The Office should proceed with the development of a strategic plan (dimensions (i) and (ii)) and draw up an annual plan based on its needs (dimensions (iii) and (vi)). Specifically:

(i) A strategic plan should be developed based on the requirements of the Office, which should cover the major functions of the Office and should identify the areas that need to be improved. The strategic plan should also include a framework and Indicators measuring the desired deliverables, identifying the work to be carried out, in order of importance, to achieve the goals of the strategic plan, while recognizing the risks that may arise in case of failure.

(ii) The strategic plan, which should be published, should be prepared by the Management of the Office, while giving all staff the opportunity to participate to a certain extent in its preparation. An annual monitoring process of the implementation of the strategic plan should be determined. The process of developing the plan should include clear responsibilities, actions and a timetable and should take into account the implementation of the previous strategic plan.

(iii) The annual plan should include:

- clearly defined activities, timeframes and responsibilities,
- all main support services, such as financial management, human resources management and training, computerization, etc.,
- a clear connection to the strategic plan,
- risk analysis,
- measurable results indicators, and
- baselines of current performance and milestones for major Indicators.

Indicator SAI-9: Overall audit planning and quality management

The following dimensions within Indicator SAI-9 under the Performance Measurement Framework were examined:

- (i) Audit planning process.
- (ii) Audit plan content.
- (iii) Quality control system.
- (iv) Quality assurance system.

From the assessment of the above, the following were noted:

Strengths.

The Office has established a procedure for the preparation and approval of the annual audit plan (Audit Guideline 1). During the preparation of the annual plan, all audited entities which, under the Constitution or other legislation, are required to be audited by the Audit Office, are taken into account and, depending on the importance and risk assessment of each audit, the available man-days of each Section are allocated to individual audits. Possible deviations of the annual plan from the Office mandate are justified in relevant memos.

Weaknesses.

The most fundamental weakness appears to be the absence of a quality assurance system through the review of samples of completed audits by independent officers with the appropriate experience and authority. Furthermore, there is no documentation of the risk-based methodology followed to prepare the annual plan and no set procedure for the evaluation and recording of risks arising from the non-implementation of the plan, the evaluation of the implementation of the annual plan is not documented beyond the preparation of a report comparing actual and budgeted man-days, and the causes of the deviations from planned man-days are not recorded. In the majority of cases, approval of excess man-days for individual audits, is obtained by an oral arrangement between the Senior Audit Officer and the Senior Principal Auditor or the Director of Audit and is not recorded. A quality control system has also been established through the review of working papers by immediate superior officers (usually Senior Audit Officers), however this is not always documented and there are no quality standards against which the audit work is compared during the review process.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

(i) Audit planning process: Audit Guideline 1 sets out the process for the preparation and approval of the annual audit plan and defines the responsibilities for the preparation, implementation and monitoring of the plan. In particular, the Sections, in cooperation with the Directors of Audit and the Senior Principal Auditors, prepare the Annual Plan which is submitted to the Auditor General. According to the Guideline, the budgeted number of days is estimated considering the number of available staff, the volume and significance of the work involved, the internal control environment of the auditee and the actual time taken to complete the audit in the previous audit year. However, despite the provisions of the Guideline which state that the importance of the work and the internal control systems should be taken into account and despite the fact that this is taken into account informally, the risk analysis methodology for the selection of audits to be included in the annual plan is not documented. The degree of achievement of the Plan is evident through the completed form AO3B which is submitted along with next year's annual Audit Plan, however the assessment of its achievement is not otherwise documented. Therefore, three of the five criteria of this dimension are met and the resulting score is 1.

(ii) Audit plan content: The annual audit plan does not define the objectives of each audit nor the officers under whose responsibility these audits are carried out. However, this is defined for each audit individually through the completion of form AO7. The annual audit plan includes an estimate of the necessary man-days per audit and statements are attached of the audits which have not been included in the annual audit plan due to lack of man-days. However, no timeframe is given for the performance of these audits, nor an assessment of the risks of non-implementation of the plan is performed. Also, the necessary financial resources are not specified. Based on the above, two of the five criteria of this dimension are met and the resulting score is 1.

(iii) Quality control system: A quality control system has been established in the Office through the Auditing Guidelines, which provide for the reviewing and overseeing of the work of the officers by Senior Audit Officers and Senior Principal Auditors. The supervisory role of the senior personnel is also specified in the relevant schemes of service. However, the review of audit work is not always documented and no quality standards have been established against which to review audit work. In recent years, better documentation of the review of the audit work has been facilitated through the use of an audit documentation software (TeamMate), although this is not used in all cases. However, there is no system for assessing risks to the quality of the work of the Office, nor is there a procedure in place for the prioritization of work on a general level, taking into account the need to maintain quality, despite the fact that this is performed informally during the preparation of the annual plan by the Sections. In this regard, it is noted that there have been cases of reducing budgeted man-days following oral instructions from senior

officers, without the documentation of risk assessment and the impact on the quality of work. Based on the above findings, the resulting score is **zero**.

(iv) Quality assurance system: In the absence of a quality assurance system, as described in more detail in Indicator SAI-10, the resulting score is **zero**.

The overall score for the Indicator “Overall audit planning and quality management” is 0 out of 4.

Indicator SAI-9				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Audit Planning Process	a, c, e	b, d	1	There are written procedures and clear responsibilities for the overall audit planning process taking into account available resources. However, no risk based methodology was followed at the time of the assessment and there was no documentation of an assessment of the achievement of the plan.
(ii) Audit Plan Content	a, c	b, d, e	1	The objective of each audit is defined and any differences between the SAI’s mandate and the audit plan are explained. An implementation schedule is not prepared, the necessary financial resources are not specified in the plan and risks to delivery of the plan are not assessed.
(iii) Quality Control System	-	a, b, c, d, e (f is N/A)	0	The quality control procedures are not consistently applied and there are no set standards against which to assess the audit work. Risks to the quality of work do not seem to be considered and there is no formal system to prioritize work taking into account the need to maintain quality.
(iv) Quality Assurance System	-	a, b, c, d, e	0	There is no quality assurance system currently in place.
Overall score			0	

Conclusion.

The Office appears to meet several of the criteria specified for the Indicator under examination, particularly in relation to the overall planning of audits. Serious shortcomings in the management of the quality of Office work are however identified, resulting in score of nil.

Recommendation.

We recommend that, in the context of annual audit planning, the risk-based approach followed is documented, an indicative timeframe for carrying out the audits therein is prepared and the evaluation of the implementation of the annual plan at the end of each audit year is documented. Furthermore, the development of system evaluating potential risks for the non-implementation of the audit plan and the prioritization of work on a general level, in a manner that takes into account the need to maintain quality, will contribute in ensuring a standard of quality that is appropriate to the work of the Office. The review of audit work should be done against clearly established quality standards and should be appropriately documented. Finally, for purposes of applying the provisions of ISSAI 40, it is appropriate to establish a quality assurance system, in accordance with the detailed recommendations made for Indicator SAI-10.

Indicator SAI-10: Quality assurance of audit processes

The following dimensions within Indicator SAI-10 under the Performance Measurement Framework were examined:

- (i) Quality assurance of financial audits.
- (ii) Quality assurance of compliance audits.
- (iii) Quality assurance of performance audits.
- (iv) Quality assurance of outsourced audits.

From the assessment of the above, the following were noted:

Weaknesses.

The Office has not adopted a mechanism for a periodic review of a sample of the work performed, by independent officers, for quality assurance purposes, for any type of audits carried out (financial, compliance and performance audits).

Scoring.

In the absence of a quality assurance system of audits as described above, the scoring for all the above dimensions is **zero**, as none of the 31 criteria defined by the PMF are met. It is noted that, during the audit year examined (2013-2014), no audit work was outsourced.

The overall score for the Indicator “Quality assurance of audit processes” is 0 out of 4.

Indicator SAI-10				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Quality Assurance of Financial Audit	-	a, b, c, d, e, f, g, h	0	At the time of the assessment, the Office had no quality assurance system in place. As a result, none of the criteria are met.
(ii) Quality Assurance of Compliance Audit	-	a, b, c, d, e, f, g, h	0	
(iii) Quality Assurance of Performance Audit	-	a, b, c, d, e, f, g, h	0	

Indicator SAI-10				
Dimension	Criteria met	Criteria not met	Score	Comment
(iv) Quality Assurance of Outsourced Audits	-	a, b, c, d, e, f, g, h	0	
Overall score			0	

Conclusion.

The quality assurance of audit work carried out by the Office, presents a serious weakness since none of the criteria set out in the PMF are met.

Recommendation.

For the purpose of the implementation of ISSAI 40, it is necessary to establish a quality management system of audits carried out by, or on behalf of, the Office.

According to the PMF, reviews of samples of completed audits should be performed at least annually, based on specified selection criteria, for the purpose of ensuring the quality of audit work. In accordance with the International Standards of Supreme Audit Institutions (ISSAI 40), the officers designated to select the sample for review and to conduct these reviews should be independent, i.e. not involved in the audit work or in any quality control process of the work.

According to the standard, it is imperative that there are written procedures and/or quality assurance programs for all types of audits carried out. These documents should determine the frequency of quality assurance reviews, which should be respected. The responsibility for the quality assurance procedures should be assigned to an officer or group of officers with sufficient and appropriate experience and authority in the Office. The review should result in clear conclusions and, where appropriate, include recommendations for corrective actions in case of deficiencies detected. The results should be forwarded promptly to the Auditor General, while the examination of the conclusions of the reviews should be documented by senior levels of management. In the context of the above activities and according to the provisions of ISSAI 40, the Office may consider the possibility of assigning the independent review of its procedures to a suitable external body.

In the case of assigning the performance of audits to third parties (e.g. hiring services), ISSAI 40 provides that policies and procedures should be established, providing reasonable assurance that the parties who carry out the audits comply with relevant ethical requirements and are bound by signing confidentiality agreements. The Office should also ensure, through its procedures, that the parties possess the necessary competence and are

committed to the required ethical principles in order to perform the work of the Office in accordance with the relevant standards and legislation and assist the Office in issuing appropriate, under the circumstances, reports. It should be ensured that all documentation (e.g. working papers) is the property of the Office, regardless of whether the work is carried out by external auditors and that those entrusted with audit work operate an effective quality control system. The established procedures for the selection of firms/persons entrusted with audit work by the Office, should be based on their competence to carry out the outsourced audits and the Office should implement a system to prevent and manage conflicts of interest between the external auditor and the audited entity, which should be included in the written contract.

Indicator SAI-11: Financial audit foundations and Indicator SAI-13: Compliance audit foundations

For the purpose of evaluating the above indicators, it has been assumed that the financial audits carried out by the Office also contain elements of compliance audits. As a result, the assessment of the following dimensions for Indicators SAI-11 and SAI-13, has been jointly conducted.

Under the Performance Measurement Framework, the following dimensions within the Indicators SAI-11 and SAI-13 were examined:

- (i)** Adoption of Auditing Standards.
- (ii)** Ethics and Independence during the audit²⁰.
- (iii)** Quality control of an audit.
- (iv)** Skills of the audit team and its management.

From the assessment of the above, the following were noted:

Strengths.

The Audit Office has recently (24.7.2015) revised the Office's Auditing Guidelines, to explicitly state that audit work should be conducted in accordance with International Standards on Auditing, International Standards of Supreme Audit Institutions (ISSAIs) of the International Organization of Supreme Audit Institutions (INTOSAI) and the Code of Ethics and Professional Conduct of the Audit Office. Also, the Auditing Guidelines have been enhanced with guidelines on audit planning.

According to the Code of Ethics, which has been prepared and adopted by the Audit Office on 14.5.2015, integrity, independence, professional secrecy and competency , are required by the audit officers.

The Audit Office is organized into groups ("Sections") and each of them is charged with responsibility for the audit of specific Ministries/Departments/Services/Organizations etc. Sections are staffed by officers with the experience and professional qualifications and, as a whole, possess the necessary knowledge and skills for conducting the audits. The audit work is carried out by the officers of each Section, reviewed by the heads of the Sections and the issues raised are viewed by the Senior Principal Auditors, so that the quality of the audit is assured.

Weaknesses.

The main weakness is the low level of support offered to audit officers, in relation to training, guidance material, and access to experts and/or information from external sources.

²⁰"Audit" includes financial audit and compliance audit.

Also, a major weakness in relation to quality control is that no policy has been formed regarding the engagement of quality control review by experts not involved in the audit.

Scoring

Scoring per dimension (with the highest score being 4) is as follows:

(i) Adoption of Auditing Standards: As mentioned above, the Audit Office has adopted Auditing Standards, which form the basis of how audit work should be conducted. Further guidance regarding the implementation of audits is also provided through the Office Auditing Guidelines, particularly with regard to the definition of materiality, the preparation of working papers, risk analysis and obtaining sufficient audit evidence through audit work and from independent sources. However, the weakness observed in relation to the technical support offered to audit officers, restricts the score to **2** points.

(ii) Ethics and independence during the audit: The adopted Code of Ethics and Professional Conduct, the compliance of which is mandatory for all Audit Office staff, meets the provisions of ISSAI 30, especially in relation to integrity, independence, professional secrecy and professional competence of the auditors. As a result, this dimension has received the maximum score of **4** points.

(iii) Quality control of an audit: Currently, the quality control procedure in place is that audit work carried out is reviewed by the Section Heads and audit findings included in management letters and the reports prepared, are viewed by the Senior Principal Auditors. All letters and reports are also overviewed by the Auditor General, who approves them before they are sent. However, the absence of a policy regarding quality review of audits by experts not involved in the audit limits the scoring to **2** points.

(iv) Skills of the audit team and its management: The assessment team acknowledges that the structure of each Section ensures that all the criteria set out in this dimension are collectively met, because the Office's personnel have the required qualifications and experience. These, refer, inter alia, to the understanding and practical experience in audits, understanding of professional standards and the relevant legal requirements, technical training, particularly in accounting and auditing. As a result, the dimension scored the maximum of **4** points.

Other important issues.

Although the Annual Report 2013 makes a brief reference to the methodology used, the fact that the audit work was conducted in accordance with the International Standards on Auditing and with the ISSAIs is not disclosed. It is noted that, the Annual Report 2014 makes reference to both the audit methodology and the auditing standards used during the year.

The overall score for the Indicator 11 “Financial Audit-Foundations” is 3 out of 4.

Indicator SAI-11				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Financial Audit Standards and Guidance	a,b	c	2	The Audit Office has adopted ISAs and ISSAIs as stated in the Office Audit Guidelines. The Office has adopted policies and procedures on materiality, documentation, extent of audit procedures and sufficient and appropriate evidence, which, according to the team, need improvement. Technical support in the form of training, guidance material, access to experts/information from external resources is limited/poor.
(ii) Ethics and independence in Financial Audit	a, b, c, d	-	4	The Audit Office has put in place a Code of Ethics that covers the areas of integrity, independency, professional secrecy and competence.
(iii) Quality control in Financial Audit	b,c,e	a,d	2	Although there is a review process generally in place, there is no system or mechanism to ensure that this is always and fully carried out. Currently, there is no procedure for third party quality review.
(iv) Financial Audit Team Management and Skills	a,b,c,d,e,f	-	4	The Sections, together with the Senior Principal Auditors, who are considered part of the audit teams, have, collectively, the appropriate skills and capabilities.
Overall score			3	

The overall score for the Indicator 13 “Compliance Audit-Foundations” is 3 out of 4.

Indicator SAI-13				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Compliance Audit Standards and Guidance	a,b	c	2	The Audit Office has adopted ISAs and ISSAIs as stated in the Office’s Audit Guidelines. The Office has adopted policies and procedures on materiality, documentation, extent of audit procedures and sufficient and appropriate evidence, which, according to the assessment team, need improvement. Technical support in the form of training, guidance material, access to experts/information from external resources is limited/poor.
(ii) Ethics and independence in Compliance Audit	a, b, c, d	-	4	The Audit Office has put in place a Code of Ethics that covers the areas of integrity, independency, professional secrecy and competence.
(iii) Quality control in Compliance Audit	c,d,f	a,b,e	2	Although there is a review process generally in place, there is no system or mechanism to ensure that this is always and fully carried out. Currently, there is no procedure for third party quality review.
(iv) Compliance Audit Team Management and Skills	a,b,c,d	-	4	The Sections, together with the Senior Principal Auditors, who are considered part of the audit teams, have, collectively, the appropriate skills and capabilities.
Overall score			3	

Conclusion.

Although the Office has adopted the International Standards on Auditing and the International Standards of Supreme Audit Institutions, the necessary technical support to audit officers is not provided. Also, the internal procedures for quality control need to be strengthened.

Recommendations.

The Office can improve the quality and technical support offered to its audit officers by organizing more training seminars at regular intervals in collaboration with experts, and by allowing for more training time, within the capacity of the Office. Also, we recommend that the setting up of a quality control team is considered, which will examine, on a sample basis, the procedures followed and the working papers in order to ensure the quality of audit work. Alternatively, the assigning of this work to other Professional Bodies (e.g., ICPAC, ICAEW, ACCA) could be considered, while the assigning of independent review of the overall system of quality control (such as a peer review) to other Supreme Audit Institutions, at regular intervals (e.g. every 5 years) could also be considered.

Finally, we recommend that, wherever possible, an officer with a professional qualification in accounting should participate in the groups carrying out audits of financial statements which are prepared on an accrual basis.

Indicator SAI-12: Financial audit process

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-12 were examined:

- (i)** Planning financial audits.
- (ii)** Implementing financial audits.
- (iii)** Evaluating audit evidence, concluding and reporting in financial audits.

For the evaluation of the above, a sample of audits carried out during the audit year 2013-2014 was selected. Specifically, 23 audits were selected from 12 Sections (out of a total of 13 Sections under the Financial Audit Divisions). It is noted that the sample did not include the audits of Section 13 for the reasons mentioned in the introduction. Also, the following results are not related to the Information Technology Systems Audit Service, nor to the Technical Services, since, as mentioned in the introduction, although their evaluation was initially included in the terms of reference of the assessment team, subsequently it was decided by the Auditor General that this would be carried out by an Officer of the Technical Services.

Each selected audit was evaluated based on the criteria contained in the above dimensions and the results were consolidated. For positive answers corresponding to more than 90% of the sample, it was considered that this is generally met across the Office (only isolated examples for non-compliance were excused).

From the assessment of the above, the following were noted:

Strengths.

(i) Planning financial audits.

The Office considers the financial reporting framework, under which the financial statements of the government and of the wider public sector are prepared, as acceptable.

As part of the planning of the audit work, it is normal practice to communicate with the competent persons at the audited entities, regarding the purpose and timing of the audit. The assignment of the audit to our Office is provided by law and therefore there is no obligation to agree on the terms of the audit engagement with the audited entities.

(ii) Implementing financial audits.

Only part of one of the ten criteria, relating to securing sufficient appropriate evidence from third parties is fulfilled for this dimension.

(iii) Completion of financial audits.

In all cases of the sample, the competent persons of the audited entities were informed of the audit findings and of any necessary adjustments, and, where

applicable, an independent auditor's report was issued. Also, in all cases, except one, management letters with the audit findings have been sent and the procedure of discussion and of commenting by the auditee has been complied with. Sample management letters examined were considered comprehensible, objective and fair with no vague comments. The observations and recommendations of all audit letters examined were considered concise and clear and were addressed to those responsible for taking corrective measures.

The layout of the independent auditor reports, issued for audits of financial statements, is in line with International Standards on Auditing. It is noted that the financial results for Government Departments are consolidated in the financial statements of the Republic, which are prepared on a cash basis. The opinion of the Auditor General regarding the true and fair view of the financial statements is included in the Annual Report. It is noted that the opinion is not given in accordance with International Standards on Auditing, but on the basis of the Constitution.

Weaknesses.

(i) Planning of financial audits.

At the stage of planning, the definition of the materiality level, both for the overall financial results and for the specific classes of transactions, is not documented. In the majority of the audit files reviewed, the strategy and planning of the audit, the evaluation of the internal control environment and the risk assessment (environmental, entity and control), so that audits focus on critical areas and the nature and extent of audit procedures are identified effectively, are also poorly documented. Also, working papers which relate to the evaluation and audit procedures addressing the risks arising from potential fraud and non-compliance with laws and regulations, have been identified only in a few cases.

A general observation is that there is no evidence in the audit planning documents of the understanding of the audited organization by the audit team. Although, there are other factors, such as the composition of the audit team by experienced staff with knowledge and understanding of the activities of the audited entities, this is not apparent in all cases from the examination neither of the working papers and the management letter, nor of the permanent audit files with information related to the audited entities. On the basis of the assumptions of the assessment team members, it is concluded that, understanding of the audited activities is not documented.

Where the audit is carried out by private auditors, the audit program does not seem to have been agreed upon with our Office and there is no fixed procedure for the minimum audit to be carried out by the officers of our Office and the minimum audit evidence which must be obtained, in accordance with auditing standards.

(ii) Conducting financial audits.

Due to the above mentioned weaknesses which were identified at the planning stage, there is no evidence that the selection of audit procedures performed, focused on the key audit areas and that their nature and their scope was sufficient to draw appropriate conclusions. Although a standard audit program for Government Departments and Municipalities with detailed and clear audit steps has been adopted by the Office, the choice of audit steps to be implemented is not based on documented risk analysis. Therefore, the selection of appropriate audit procedures cannot be substantiated, with the risk of either excessive audit in non-essential areas or limited or no control in critical areas. In addition, audit work in relation to the assessed risk of the existence of material errors in the financial statements due to fraud, is documented only in a small percentage of the cases considered.

In the standard audit program for Government Departments, there are audit steps for the confirmation of compliance of the audited entity with laws and regulations that significantly affect the financial results (e.g. budget implementation). However, in most cases, the performance of the relevant audit steps is not sufficiently documented in the working papers.

In several cases no audit work was recorded in relation to the audit evidence provided by third parties, analytical procedures and sampling techniques.

Since the standard audit programs are not used in all audits of the Central Government and the Municipalities, and due to the delay in the adoption of a standard program for other audits (such as the audits of Semi Government Organizations, Community Authorities, School Boards and other Councils and Funds and performance audits), the possibility of uniformly structured audit work is limited. It was noted that in some cases, in electronic or paper documentation of audit work, the work performed was not adequately described. Additionally, working papers are not always numbered and are not always cross-referenced, hindering the review process. In some cases, summary working papers were not prepared and the audit evidence was not easy to review in order to draw conclusions.

Finally, most files examined show a weakness in gathering audit findings and summarizing them in a way to assist the formation of an audit opinion and ensure that all planned audit procedures were performed.

(iii) Evaluation of audit evidence, drawing conclusions and reporting.

In many cases, compliance with the procedures for the timely preparation, the format and the integration of the working papers at the audit completion stage, is not documented. It is noted that, regarding the audits of the Central Government and the Municipalities, the use of the software TeamMate has

been promoted and a standard audit program as well as special audit steps have been integrated into it, in order to enable structured audit work to be carried out.

The examination of the sample revealed that, in several audit files, documentation of the audit work is not considered to be sufficient to enable an experienced auditor to understand the whole process of the audit (planning, execution and completion) and draw conclusions based on the audit work that was carried out. Moreover, in most cases of financial statements audit, the relevance of the evaluation of the audit findings with the audit opinion given, is not documented in the working papers.

There is no clear distinction between financial audit, compliance audit and performance audit in the notes / working papers and, as a consequence, it is difficult to form an opinion for each of the above audits.

Shortcomings were identified in the way the documentation of the review of the audit work by the Section heads. Also, in most cases, there were no written explanations in the working papers prepared by the officers, on the planned audit procedures that were not carried out.

There was not always evidence in the working papers regarding the evaluation of errors identified during the audit. Specifically, no working papers were completed to record misstatements and assess their overall significance. Also, in certain cases, no working papers were completed to record the corrections of misstatements identified during the audit.

Only in a few cases there is evidence that uncorrected misstatements were evaluated whether they were material, individually or in aggregate. Additionally, in many cases there was no evidence that the auditor formed an opinion based on an evaluation of the conclusions drawn from the audit evidence obtained and whether the financial statements as a whole were prepared in accordance with the applicable financial reporting framework. Moreover, in a few cases there was evidence that the form of audit opinion provided was appropriate.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

(i) Planning of financial audits: Given the strengths and weaknesses explained above, two of the ten criteria of the dimension are met and the resulting score is **0**.

(ii) Conducting financial audits: Based on the above, none of the seven criteria of this dimension are met, while the criterion relating to the audit of the whole of the government financial statements does not apply to the individual audits examined. Therefore, the resulting score is **0**.

(iii) Evaluation of audit evidence, drawing conclusions and reporting: Based on the strengths and weaknesses described in this dimension, four of

the 11 criteria are met, while criteria regarding the conditions for the acceptance of the financial reporting framework and the cases of reporting on special purpose financial statements do not apply to the individual audits examined. Therefore, the resulting score is 2.

The overall score for the Indicator (with the maximum score being 4) is as follows:

Indicator SAI-12				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Planning Financial Audits	(a) and (c)	(b) and (d) – (j)	0	A sample of 23 audits was examined. For positive answers corresponding to more than 90% of the sample, it was considered that this is generally met across the Office. It is noted that in Dim(ii), criterion (e) was N/A and in Dim(iii) criteria (j) and (k) were N/A.
(ii) Implementing Financial Audits	---	(a) – (d), (f) and (g)	0	
(iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits	(c), (d), (h) and (i)	(a), (b) and (e) – (g)	2	
Overall score			1	

Conclusion.

Weaknesses regarding the documentation of the audit work at all three stages of the audit were identified, thus weakening the level of quality of the audits conducted by the Office. Most weaknesses were identified in the planning stages and in conducting the audits and fewer at the stage of the evaluation of audit evidence, drawing conclusions and submission of corresponding reports.

The practice of discussion and communication of audit findings to the audited entities is noted as a strength.

Recommendations.

As mentioned in chapter "Indicators SAI-11 and SAI 13", the technical support offered to the officers needs to be improved and strengthened in order to address the shortcomings presented above.

The documentation process of documenting audit work at all stages should be improved, in order to comply both with the applicable auditing standards, and the issued Auditing Guidelines. The Auditing Guidelines are in need of an update, which is expected to be addressed by their revision by the Working Group set up for this purpose. We suggest that, within the revision of the Guidelines, quality assurance procedures are defined, as described in detail in chapter "SAI-10", in order to monitor compliance with the respective applicable auditing standards and Auditing Guidelines in all cases.

There is a need to provide adequate evidence in the audit planning documents of the understanding of the audited organization by the audit team.

The Office may consider the possibility of hiring expert services for further improvement of the audit procedures and the possibility of performing market research into financial audit manuals and audit software, in addition to the existing TeamMate software. In particular, we propose examining the possibility of utilising an audit software and manual, which would define the audit steps and would provide guidance on the audit work to be carried out in accordance with auditing standards, and the presentation of this work in the audit files. Also, there are audit software options and manuals which give guidance on the presentation of financial statements. It would also be useful to consider hiring services regarding to the establishment of sampling techniques. It is stressed that, as stated above the implementation of quality assurance procedures will be vital, so as to monitor the uniform application and use of the available software by the Office.

Auditors should evaluate whether or not uncorrected misstatements are material, individually or in aggregate.

Documentation procedures must be followed in all cases and, where applicable, we recommend that the processes of documenting audit work at the stages of planning, carrying out and completion of an audit, are distinct for each type of audit, such as financial, compliance and performance audit. Additionally, compliance with the procedures for the timely preparation and the format of the working papers must be documented at the completion stage. Moreover, audit reports must contain all required elements and auditors must provide adequate evidence that the audit opinion formed is based on evaluation of the conclusions drawn from the audit evidence obtained. As mentioned above, the revision of the Auditing Guidelines of the Office is currently in process. It is expected that many of the weaknesses mentioned will be addressed through the adoption of the revised Guidelines, some of which have already been put into practice. Specifically, revised Audit Guideline No. 1, which was put into effect on 24.7.2015, provides that, for the selection of audit areas and the audit scope (given the available man-days), the risk-assessment, the materiality level and the evaluation of internal control systems, should be taken into account, among other factors. In addition, a working paper should be prepared, containing the audit topics selected by the Section heads, in cooperation with the Directors of Audit/Senior Principal Auditors, to be audited during the planned audit. It is also explicitly mentioned in the Guideline, that the completion of the programs should be done electronically using the TeamMate software.

Further specific recommendations arising from the sample examined, for each dimension tested, are listed below:

(i) Planning financial audits.

- The standard audit programs should be improved so that the planned audit procedures are in line with the risk assessment and address the risk of fraud and non-compliance with laws and regulations.

(ii) Implementing financial audits.

- The approval and implementation of the standard program prepared for statutory bodies will facilitate the application of uniform audit procedures.
- The final signed financial statements (together with the independent auditor's report) the letter of representations, the letter of pending legal cases, as well as the final management letter should be included in the audit file, with references to the audit work done.
- In cases where planned audit procedures are not performed, relevant explanations should be recorded in the working papers, properly reviewed by the Section Heads.

(iii) Evaluating audit evidence, concluding and reporting in financial audits.

- The guidance regarding the form and content of working papers (in printed and/or electronic form) should be revised so as to ensure uniformity and quality in presenting and assembling audit findings, and their summary in a way that the expressed audit opinion, where an auditor's report is issued, is verified. At the same time, it is necessary to specify the requirements for numbering and referencing of working papers, in order to facilitate their review and improve the audit file presentation.
- In order to substantiate the audit opinion, the preparation of a working paper with the audit conclusions and the duly documented opinion on the financial statements, would be useful.
- In cases involving independent auditors, there should be an established procedure that ensures the process of reviewing their work, in accordance with auditing standards.
- A working paper with all the adjusting entries should be recorded in the audit file. Also, uncorrected misstatements that were identified during the audit should be collectively evaluated based on their aggregate materiality.
- The review of the audit work by the Section Heads should be adequately documented. Additionally, where the audit is carried out with the use of TeamMate software, the process of electronic "completion" of the audit should be followed, so that no changes are permitted in the final working papers.

- It would be good practice to complete Part II of the Audit Planning form(AO7), in which the date of the audit completion, and any discrepancy between the actual and budgeted man-days, as well as relevant comments, are recorded. As a result, information will be included in the audit file regarding the implementation of the plan, which is necessary for the evaluation of the audit and/or of the auditors, as well as for planning the following audit.
- Where there no significant audit findings, we recommend that a letter is sent to the audited entity, informing them, in writing, of the completion of the audit and of the fact that there were no significant observations..

Indicator SAI-14: Compliance audit process

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-14 were examined:

- (i)** Planning compliance audits.
- (ii)** Implementing compliance audits.
- (iii)** Evaluating audit evidence, concluding and reporting in compliance audits.

In order to evaluate the Indicator, the same sample of audits which was selected for evaluating Indicator SAI-12 was used. An additional audit which did not contain elements of a financial audit, was included in the sample. As stated above, Section 13, the Information Technology Systems Audit Service and the Technical Services were not evaluated.

The methodology with respect to the evaluation and scoring of the criteria which was applied, is the same as the methodology applied for Indicator SAI-12.

It is noted that the Office does not issue a separate auditor's report for compliance audits. In the case of financial statements audits, reference to compliance with the relevant legislation is made in the auditor's report. Also, in significant cases of non-compliance with the law and/or the defined procedures, reference is made in the management letter.

From the evaluation of the sample, the following were noted:

Strengths.

(i) Planning compliance audits.

Within the context of planning audit work, it is normal practice to communicate with the responsible persons at the audited entities.

(ii) Implementing compliance audits.

No strengths were identified in this area.

(iii) Evaluating audit evidence, concluding and reporting in compliance audits.

There is good communication between the Office and the audited entities upon completion of the audit, and there is also a specified procedure for receiving comments and recommendations from the auditees on the Office's findings/observations/conclusions.

Auditors base their conclusions on audit evidence collected from different sources. However, there is no evidence that the selection of audit procedures performed focus on critical areas and a determined materiality level. Moreover, the relevant management letters are based on the principle of completeness and objectivity, are easy to understand, fair, comprehensive,

unambiguous and include information that can be supported with sufficient and appropriate audit evidence.

Weaknesses.

Specific weaknesses identified from the evaluation of a sample against the criteria of this Indicator, are listed below:

(i) Planning compliance audits.

No audit strategy is prepared before the start of an audit, and the documents used for audit planning need to be improved. Specifically, in the audits examined, the calculation/determination of the materiality level and the risk assessment, on the basis of which the audits should focus on the most important areas, are not documented. Therefore, it appears that the selection of appropriate audit procedures is not ensured, with the risk of either carrying out excessive audit in non-essential areas, or limited or no audit in critical areas. Additionally, at this stage, in many cases, the main regulatory framework, under which the compliance audit will be conducted, is not determined.

(ii) Implementing compliance audits.

Compliance audits in the area of public procurement are carried out primarily by the Directorate of Technical Audit. However, no communication is documented in the Sections' audit files and there are no working papers in the files regarding the audit work carried out, its scope and extent, methodology used or findings, which may affect the planning and/or the conclusions of the audits carried out by Sections,. This is particularly important in the cases of the audit of financial statements, where an opinion is given on all the financial activities of the Organization, a substantial part of which may be the result of contracts.

Many audits that were examined were conducted in a manner that was not consistent with the planning of the audit work and were not supported by audit evidence.

Where planned audit procedures are not carried out, there is not always an explanation in the audit file regarding the reasons for which they have not been carried out.

(iii) Evaluating audit evidence, concluding and reporting in compliance audits.

In many cases, documentation was not in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the relationship between the subject matter, the criteria, the scope of the audit and the audit plan and the nature, timing and extent and the results of procedures performed, as well as the audit evidence obtained to support the auditor' s conclusion, opinion or report. In addition, in many cases, there was not sufficient documentation to support

reasoning on all significant matters that required the exercise of professional judgement and related conclusions.

In some cases, the Office' s requirements for audit documentation were not followed and it was not documented whether sufficient and appropriate audit evidence was obtained.

Conclusion.

The Office's weaknesses regarding the compliance audit process, focus primarily on the audit planning stage and relate to the non-assessment of risk, the non- determination of materiality and the non-preparation of an audit strategy, as well as to the lack of information regarding the work carried out by the Directorate of Technical Audit.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

(i) Planning compliance audits: A factor that was positively evaluated was the good communication with audited entities. In effect, two of the ten criteria of the dimension are met. Failure to meet the other criteria, such as assessing risk, as well as the lack of information regarding the work carried out in the area of public procurement by the Directory of Technical Audit, do not allow the positive rating of this dimension.

(ii) Implementing compliance audits: Based on the above, none of the five criteria of this dimension are met, while the criteria relating to instances of non-compliance and external experts do not apply to the individual audits examined. Therefore, the resulting score is 2.

(iii) Evaluating audit evidence, concluding and reporting in compliance audits: Findings are communicated to the auditees and there are procedures in place to ensure that findings are subject to procedures of comment and the recommendations are subject to discussions and responses from the audited entity, therefore two of the ten criteria of this dimension are met. The criterion relating to the issue of the audit opinion is not applicable since the Office does not issue a separate opinion on compliance audits, so the resulting score is 2.

The overall score for the Indicator (with the maximum score being 4) is as follows:

Indicator SAI-14				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Planning Compliance Audits	(d)	(a) - (c) and (e) - (j)	0	A sample of 24 audits was examined. For positive answers corresponding to more than 90% of the sample, it was considered that this is generally met
(ii) Implementing Compliance Audits	---	(d) and (e)	2	

(iii) Evaluating Audit Evidence, Concluding and Reporting in Compliance Audits	(d) and (e)	(a) – (c), (f) and (g)	2	across the Office. It is noted that in Dim(ii), criteria (b and (c) were N/A and in Dim(iii) criteria (j) was N/A.
Overall score			1	

Recommendations.

The weaknesses concerning risk assessment and the determination of the materiality level is expected to be resolved with the implementation of the revised Audit Guideline no. 1, regarding audit programs, which was put into effect on 24.7.2015.

As mentioned in chapter “SAI-11 and SAI-13”, the technical support offered to officers needs improvement and strengthening.

The Office may consider the hiring of expert services and encourage cooperation with other Supreme Audit Institutions, in order to improve the audit procedures further.

Also, we recommend that, during the review of the Auditing Guidelines, quality assurance procedures in relation to compliance audits should be established, as described in detail in chapter “Indicator SAI-10”, so that, in all cases, compliance is monitored, with the Auditing Standards and Auditing Guidelines.

Where possible, we suggest that the documentation procedures of audit work at the stages of planning, performance and completion of an audit, are distinguished into the different types of audit, i.e. financial audit, compliance audit and performance audit.

Additional specific recommendations arising from the sample assessment, for each dimension examined, are listed below:

(i) Planning compliance audits.

- The standard audit programs should be improved so that the planned audit procedures comply with the risk assessment and address the risks of fraud and non-compliance with laws and regulations. Also, the audit strategy should include, inter alia, the main audit areas and the relevant legislation to be examined.
- Procedures for informing the Sections regarding the work carried out by the Directorate of Technical Audit should be established.

(ii) Implementing compliance audits.

- Where planned audit procedures are not carried out, justified explanations should be recorded in the working papers, properly reviewed by the Heads of the Sections.

(iii) Evaluating audit evidence, concluding and reporting in compliance audits.

- The review of the audit work by the Section Heads should be adequately documented.
- It would be good practice to complete Part II of the Audit Planning Form (AO7), in which the date of audit completion, any discrepancy between actual and budgeted man-days, as well as relevant comments would be recorded.
- Where there are no significant audit findings, we recommend that a letter informing the audited entity that the audit was completed and no significant observations were identified, is sent.

Indicator SAI-15: Performance audit foundations

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-15 were examined:

- (i) Performance audit standards and guidance.
- (ii) Ethics and independence in performance audits.
- (iii) Quality control in performance audits.
- (iv) Performance audit team management and skills.

Considering that performance audits at the Audit Office are limited, the evaluation of the above identifies the following:

Strengths.

The Audit Office has recently modified its Auditing Guidelines, to explicitly state that the audit work should be conducted in accordance with the International Standards on Auditing, the International Standards of Supreme Audit Institutions (ISSAIs) of the International Organization of Supreme Audit Institutions (INTOSAI) and the Code of Ethics of the Audit Office.

As mentioned above, the Audit Office has prepared and adopted the Code of Ethics, which requires integrity, independence, professional secrecy and competency from audit officers.

The Audit Office is organized into groups ("Sections"), the audit work of which is reviewed by hierarchically higher-level officers, to ensure the quality of audits.

All audit groups are considered to have, collectively, analytical skills, skills of communication and objectivity, because the Office's personnel have the required qualifications and experience. Furthermore, they build up on their knowledge of the audited entity' activities from every audit engagement they attend to.

Weaknesses.

The main weaknesses in relation to the adoption of Auditing Standards, is that the Audit Office has not developed policies and principles to ensure the application of auditing standards in performance audits. Furthermore, the support provided to audit officers, in the form of guidance material, training and access to experts and/or information from external sources, is limited.

Also, a major weakness of the Audit Office in relation to quality control is that there is no policy regarding quality review of audits by experts not involved in the audit.

The Sections of the Office consist of officers who have experience and professional qualifications, which, collectively, provide the necessary knowledge and skills for the financial and compliance audits; however not all

officers have experience and specialized technical knowledge for performance audits or for applying performance evaluation methods.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

(i) Performance audit standards and guidance: As explained above, the Audit Office adopted auditing standards for carrying out audit work and, through the Office Auditing Guidelines, a general guidance is given regarding the carrying out of audits. Due to the absence of policies and principles on performance audit in the Office Auditing Guidelines and the weakness of technical support, as the Office does not have any technical material for the implementation of performance audit, the score is limited to **1**.

(ii) Ethics and independence in performance audits: The Code of Ethics has been adopted, which satisfies the provisions of ISSAI 30, and gives a full score of **4**.

(iii) Quality control in performance audits: Currently, quality control is exercised by reviewing the audit work done.. The absence of a policy regarding quality review by third parties, results in a score of **2**.

(iv) Performance audit team management and skills: The composition of the Sections does not meet all the criteria laid down in this dimension, because the Office does not have expertise in performance audit. Few performance audits have been performed, based on team’s personal skills, work experience, competence and qualifications of the team. Therefore, the resulting score is **2**.

The overall score for Indicator 15 “Performance Audit- Foundations” is 2 out of 4.

Indicator SAI-15				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Performance Audit Standards and Guidance	a	b,c	1	The Audit Office has adopted ISAs and ISSAIs as stated in the Office’s Audit Guidelines. The Office has not adopted any policies and procedures on performance audit. Currently, there is no technical support in the form of training, guidance material and access to experts/information from external resources.
(ii) Ethics and independence in Performance	a, b, c, d	-	4	The Audit Office has put in place a Code of Ethics that covers the areas of integrity, independency, professional

Audit				secrecy and competence.
(iii) Quality control in Performance Audit	b,c,e	a,d	2	Although there is a review process generally in place, there is no system or mechanism to ensure that this is always and fully carried out. Currently, there is no procedure for third party review.
(iv) Performance Audit Team Management and Skills	c,d	a,b	2	The Audit Office does not have expertise in the area of performance audit. Few performance audits have been performed, based on personal skills, work experience, competence and qualifications.
Overall score			2	

Conclusion.

The Office has not developed policies and principles to ensure the application of auditing standards for performance audits. In addition, the necessary technical support to audit officers is not provided. Furthermore, the internal procedures for quality control need to be strengthened.

Recommendations:

The Audit Office should take strategic decisions in relation to performance audits. With advice from experts it can shape policies and principles for the implementation of these audits, as well as improve the quality and technical support and training offered to audit officers. It is suggested that, at a later stage, purposes, visits by other Supreme Audit Institutions (SAIs) for quality monitoring, is planned at regular intervals (e.g. every three years).

Indicator SAI-16: Performance audit process

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-16 were examined:

- (i) Planning performance audits.
- (ii) Implementing performance audits.
- (iii) Reporting in performance audits.

Although the Office audits in their great majority involve elements of performance audits, for the purpose of evaluating this indicator only the purely performance audits completed in the period 2013-2014 were taken into account, i.e. those included in the 2013 Annual Report as performance audits. Based on this assumption, the only performance audit carried out by our Office concerned coastal management in Cyprus and aimed to establish whether the competent institutions take all necessary measures for the protection, enhancement and rational economic and environmental management of beaches, within the current legal framework. It also examined whether appropriate action is taken to address risks that threaten our beaches, as well as to whether the arising opportunities for better management are properly exploited. Since the audit was led by the same person who led the self-assessment team, in order not to compromise the independence of this examination, he did not participate in the scoring of the Indicator. From the assessment of the above audit, the following were noted:

Strengths.

The audit findings, as summarized in the report, are significant, are based on adequate, reliable and appropriate audit evidence and clearly address the audit questions. The report includes specific and necessary data for understanding the topic and the audit conclusions are easy to understand, are logically structured and comprehensive. Specific, clear recommendations are made regarding the main findings, the implementation of which will contribute to the improvement of the management of our beaches and their further enhancement.

Weaknesses.

While the report details the methodology followed in conducting the audit, it does not refer to the auditing standards used. Also, the audit program does not include an activity plan specifying the budgeted days and a timeframe of carrying out the key aspects / parts of the audit.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

- (i) **Planning performance audits.** In planning the audit, research and analysis of the strengths and weaknesses in the management of beaches and

of the related issue of opportunities and threats were made and the aspects of the audit which were considered to add the greatest value were selected. The purpose of the audit was clear and an extensive questionnaire was prepared covering a wide range of beach management issues (environmental, economic and general management) which was sent to a large number of Local Authorities. The criteria which, in addition to considering the financial aspects, also involved the examination of scientific and legal aspects of the matter, as well as of the best practice, were objective, reasonable and feasible. Surprise inspections on the site, at a number of beaches were also scheduled. The methodology of the audit included the collection of information through a review of relevant documents and studies, as well as oral interviews of competent officers of various stakeholders.

The audit was conducted in parallel with other audits of the working group and a time schedule including a communication program with auditees, the budgeted days and audit risk assessments, was not prepared for the carrying out of the audit. There is no written decision to carry out the audit by the auditor general. For this reason, criteria e and f of the dimension are not met, so the score is **1**, since four of the six criteria are met.

(ii) Implementing performance audits.

The audit team worked consistently and collected audit evidence from different institutions (local authorities and municipalities) and information sources, including on-site inspections at a number of beaches. Audit evidence is relevant, reliable, complete and provides adequate explanation for the conclusions drawn. Conclusions are cross-referenced to supporting documentation.

While conducting the audit, there was good and constructive cooperation with the officials and officers of the audited entities. For the collection of data, questionnaires were sent, there was telephone communication and electronic correspondence, personal interviews took place, satellite images were used and relevant documents and information were reviewed.

All of the criteria of the dimension are met. However, the sub-criterion of the sixth criterion, relating to the regular monitoring of the progress of the audit by management is not documented, so the score is **3**.

(iii) Reporting in performance audits.

Before the report was published, the opportunity was given to the audited entities to comment on the findings and conclusions of the audit so that their views were included in the final version of the report. The report contains the necessary information and is sufficiently detailed to enable understanding of the issue and the audit conclusions, as well as the methodology followed. The findings are significant, based on adequate, reliable and appropriate audit evidence and clearly address the audit questions. Constructive, clear and practical recommendations/suggestions for the weaknesses/shortcomings identified were made and were addressed to the competent authorities for

taking measures. The report is easy to understand, logically structured and comprehensive.

All of the criteria of the dimension are met except for the sub-criterion of the second criterion which concerns the auditing standards used, for which there is no specific reference in the report, so the score is **3**.

Conclusion.

The report warrants serious consideration and, with a positive response to the recommendations by the stakeholders, will contribute to the improvement of the management of beaches.

Scoring.

The overall scoring of the Indicator (with the highest score being 4), is as follows:

Indicator SAI-16				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Planning performance audits	a, b ,c, d	e, f	1	In planning the audit, the audit team studied relevant legislation, conducted swot analysis and prepared an extensive questionnaire to be sent to a large number of authorities, to enable the understanding of the auditees and to assess the problem and risk. The criteria were objective, reasonable and feasible and addressed the principles of economy, efficiency and effectiveness. The methodology of the audit included the collection of information through the review of relevant documentation and studies, as well as oral interviews of competent officers of various stakeholders, and on-site inspections. There is no written approval for the audit by the auditor general and no time schedule with key project time frames and staffing requirements.
(ii) Implementing performance audits	a, b, c, d,e,f		3	The audit team collected audit evidence from different institutions and information sources, including on-site inspections at a number of beaches. Documentation includes questionnaires sent, notes of telephone communications and electronic

				correspondence, personal interviews and satellite images. Audit evidence is relevant and reliable, and provides adequate support for the conclusions. While conducting the audit, there was good cooperation with the officials and officers of the audited entities. However, there is no documentation of the regular monitoring of the progress of the audit by management.
(iii) Reporting in performance audits	a, b, c, d, e, f g		3	The report is sufficiently detailed to enable an understanding of the issue and the audit conclusions, includes the methodology followed and the views of the auditees. The findings are significant and are based on adequate, reliable and appropriate audit evidence. Recommendations made for the weaknesses identified are clear and practical. The report is easy to understand, logically structured and comprehensive.
Overall score			2	

Recommendation.

We recommend that an activity plan is prepared for each performance audit, specifying the budgeted days, the timeframe for carrying out the audit, and the members of the audit staff who will be conducting the audit. Performance audit reports should make reference to the auditing standards used and in addition, the follow-up procedures should be formally documented.

Indicator SAI-18: Ethics, management and internal control

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-18 were examined:

- (i) Code of ethics and integrity.
- (ii) Management of Staff.
- (iii) Financial management.
- (iv) Internal control environment.

From the assessment of the above, the following were noted:

Strengths.

On 14.5.2015, the Office adopted the Code of Ethics and Professional Conduct for the preparation of which, the International Standard of Supreme Audit Institutions 30 (ISSAI 30), was used as a model.

There is a defined organizational structure and reporting lines and a clear assignment of responsibilities to staff. In addition, a system for recording and allocating of the working time of employees (excluding Senior Audit Officers and Senior Principal Auditors), as well as a costing system for the audits of statutory bodies, exists. The internal control policies are specified in the General and Auditing Guidelines, while for information security purposes, the Guidelines for Computer Information Security issued by the Information Technology Services Department are applied and there is an electronic access control system in the building and in the archives storeroom.

For the purpose of the review, inter alia, of the quality control system of the Office, an independent review of the operations of the Office by the National Audit Office of the United Kingdom is planned and is expected to begin in late 2016.

Weaknesses.

Despite the adoption of the Code of Ethics, a monitoring system to ensure compliance with the Code and a system of taking corrective measures in case of non-compliance, has not yet been established. Also, an integrity policy in accordance with IntoSAINT²¹ or a similar tool has not been adopted and the

²¹IntoSAINT is a self-assessment tool that SAIs can use for analysing their integrity risks and assessing the maturity of their integrity management systems. The self-assessment is conducted during a structured two-day workshop moderated by a trained facilitator. The tool is targeted at preventing corruption and generates a list of management recommendations for supporting the integrity of the organisation in question. It is a management tool enabling the user to design a tailor-made integrity policy and at the same time to raise integrity-awareness among its staff. It can be an important tool for the implementation of ISSAI 30 (Code of Ethics).

vulnerability and resilience of the Office to integrity violations has not been assessed in the last five years.

The Office has no defined job rotation policy in order to avoid potential conflicts of interest (with the exception of a limited number of cases), nor has a quality control policy of been applied.

Based on the PMF, the Auditor General should sign a statement regarding the implementation of an effective internal control system in the Office, which should be published in the Annual Report, however, this is not applied in the case of our Office. In addition, no annual assurance process is applied by the heads of Sections/Divisions that they have carried out their risk management responsibilities. Furthermore, a review of the internal control environment has not been conducted over the past five years, and no identification, mitigation and monitoring system of major business risks is operated and no internal control responsibility within the Office has been assigned.

Scoring.

The rating per dimension (with the highest score being 4) is as follows:

(i) Code of Ethics and Integrity: The Code of Ethics and Professional Conduct has been published on the Office website and communicated via e-mail to all staff in May 2015 and is planned to be reviewed every five years. The weaknesses in relation to ensuring compliance with the Code and the absence of an integrity policy and of relevant evaluation based on a specialized tool, restrict the score to **2**, as four of the eight criteria are met.

(ii) Management of staff: An organizational structure has been established and responsibilities are assigned to staff through the Schemes of Service and internal assignments of audit projects. There is a system in place for recording the working time of employees for each audit assignment and an independent evaluation of the Office by the National Audit Office of Great Britain is currently in progress. However, there is no policy for periodic staff rotation and there are shortcomings in quality control and cost recording. Particular weaknesses are noted in the review of work by senior staff and procedures to ensure adherence to ethical requirements, while cost calculations are only performed where audit work is invoiced (i.e. statutory bodies and local authorities). Based on the above, seven of the nine criteria of this dimension are met, so the resulting score is **3**.

(iii) Financial management: Financial management is carried out under the regulatory framework of the central government, on the basis of laws and circulars issued by the Ministry of Finance and the Treasury. Financial management responsibilities within the Office have been clearly assigned and compliance with approved financial ceilings is controlled via the electronic financial reporting system of the public sector. However, no Management Information System exists. Failure to prepare financial statements by the Office makes three of the eleven criteria of this dimension inapplicable.

According to the guidelines of the PMF, if more than two criteria do not apply, the entire dimension (iii) **cannot be scored**.

(iv) Internal control environment: The Office implements adequate internal control policies. Auditing and General Guidelines have been issued, giving explicit guidance on audit issues (e.g. planning, documentation, reporting etc) and administration matters (e.g. time recording, staff leave, asset management etc). Financial internal control policies are documented in the Fiscal and Accounting issued by the Treasury. Information Security Guidelines issued by the Department of Information Technology Services of the Ministry of Finance are also applied. However, weaknesses are observed in relation to the assurance of the adequate functioning of the internal control system, as described in the weaknesses section above. Based on the above, three criteria are met and the resulting score is **2**.

Conclusion.

The adoption of the Code of Ethics and Professional Conduct and the issuance of Auditing and General Guidelines, form the basis for the existence of an internal control system that ensures the quality of the work of the Office. It is noted that the Auditing Guidelines are being revised and are expected to be completed soon. Weaknesses are however observed in relation to the integrity policy and in ensuring the effectiveness of the internal control environment of the Office.

The overall score for the Indicator “Ethics management and internal control” is 2 out of 4.

Indicator SAI-18				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Code of Ethics and Integrity	a, b, c, d	e, f, g, h	2	A code of ethics has been recently adopted, however no system is in place to ensure annual compliance monitoring or taking corrective measures, and no integrity policy has been adopted and no vulnerability assessment has been carried out.
(ii) Management of Staff	a, b, c, e, g, i	d, f, h	3	The organisational structure, reporting lines and job descriptions are clearly defined and a staff time recording system is in place. A peer review is currently in progress. No formal job rotation policy is implemented, there are weaknesses in quality control procedures and a cost recording system is not universally applied.

(iii) Financial Management	a, b, c, d, e, f, h	g	N/A	Financial management responsibilities are clearly assigned to skilled staff and relevant procedures are in place. However there is no functioning management information system. Criteria l, j and k are N/A since no financial statements are prepared.
(iv) Internal Control Environment	a, e, f	b, c, d, g, h, i, j	1	Internal control procedures are clearly documented, there is a whistle blowing is protected by law and there are information security procedures in place. However, there is no internal audit function, no review of the Office's internal control environment has been undertaken, no statement of internal control is issued by the Auditor General and there is no system for monitoring business risks.
Overall score			2	

Recommendations.

The Office should establish an effective system of ensuring compliance with the Code of Ethics and determine corrective actions to be taken in case of non-compliance. The establishment of a periodic rotation policy for staff will contribute in avoiding potential conflicts of interest and it would be useful to assess the vulnerability and resilience of the Office to violations of the principle of integrity.

Dealing with the weaknesses regarding the documentation of the review of the audit work, as explained in chapter SAI-12, the evaluation of the internal control environment and the establishment of clearly defined system for identifying, mitigating and monitoring major business risks, would help to further improve the performance of the Office in relation to this Indicator.

Indicator SAI-19: Asset management and support services

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-19 were examined:

- (i) Planning and effective use of assets and infrastructure.
- (ii) Administrative support services.

From the assessment of the above, the following were noted:

Strengths.

The Audit Office has developed and implemented a long-term strategy regarding its premises and infrastructure, by moving out of rental and moving into premises built under BOT contract some years ago. The Office implements its short and medium term plans, through the annual and three-year budget, which includes the needs in information technology systems, software or other assets.

The electronic filing system (eoasis) used by the Office, provides secure access to files, which are electronically archived for the period required by the law. The same applies with files in printed form, which are archived in storerooms with controlled access, that meet all safety measures.

Regarding administrative support services, the Office has qualified personnel, who are well-trained to cover the needs for IT support. The same applies to the staff of the Registry, who manage the Office archive, as well as for the person in charge of building maintenance.

Weaknesses.

The weakness of the Audit Office in relation to the administrative support functions is that these have not been reviewed within the past five years in order to identify any requirements for enhancement and improvement.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

(i) Planning and effective use of assets and infrastructure: The Audit Office, as explained above, has developed and implemented the long-term strategy regarding the infrastructure for its premises and implements on a yearly basis its short term plans regarding IT systems and archive facilities. The use of existing assets is reassessed through the annual budget. The resulting score is **4**.

(ii) Administrative support services: Administrative support functions are assigned to qualified personnel in the Technical Audit Division of the Office, who have qualification in IT. Nevertheless, the assessment team has not found any

documents relating to any review for improvement of these functions within the past five years. This limits the score to **3**.

The overall scoring for the Indicator 19 “Asset management and support services” is 4 out of 4.

Indicator SAI-19				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Planning and Effective Use of Assets and Infrastructure	a,b,c,e (d) N/A (was not rated)	-	4	The Audit Office has developed and implemented its long term strategy on infrastructure, by moving out of rental and moving into premises built under BOT contract. Short term needs are addressed through annual budgeting. The Office has secured and appropriate archiving facilities.
(ii) Administrative Support Services	a,b,c	d	3	Administrative support functions are assigned to qualified personnel, but have not been reviewed within the past five years in order to identify any needs for improvement.
Overall score			3	

Conclusion.

The Office has developed and is implementing its plans relating to the use of its assets and infrastructure and has assigned administrative support to qualified personnel.

Recommendation.

The Office may delegate responsibilities for asset management and administrative support functions to a Committee, which would meet at least annually and study suggestions for improvements, proposed either by its members or others. The Committee’s decisions should be supported by financial and qualitative data, properly documented. Important decisions could be included in the Annual Report, for transparency.

Indicator SAI-20: Human resource leadership and management

Within Indicator SAI-20, in accordance with the Performance Measurement Framework, the following dimensions were examined:

- (i) Leadership of human resources.
- (ii) Human resources strategy.
- (iii) Human resources function and recruitment.
- (iv) Remuneration, promotion and staff welfare.

According to the human resources management framework in the public sector, the Office does not have the power to determine remuneration levels and staff appraisal procedures or manage recruitment and promotion procedures, since these fall within the mandate of other bodies such as the Public Service Commission and the Public Administration and Personnel Department. Therefore, dimensions (iii) and (iv) cannot be scored as part of this evaluation, since the majority of the PMF criteria relate to actions and parameters outside the jurisdiction of the Office. Although this Indicator cannot be scored in its entirety, it was considered important to score the criteria managed by the Office, due to the impact of an effective management of human resources in the performance of the Office.

From the assessment of the above, the following were noted:

Strengths.

The values on which the Office operates have been established by the management, have been communicated to all staff and published on the website and in the Annual Report of the Office. Important decisions which are taken by management are communicated directly to all staff (e.g. the adoption of the Code of Ethics and Professional Conduct, the decisions to conduct a self-assessment of the operations of the Office and the review of Auditing Guidelines and the assignment of audits to the private sector). The responsibilities of the levels of management are clearly specified in the relevant Schemes of Service and there is internal delegation of responsibilities.

Weaknesses.

Meetings of the middle and upper levels of management are held when the need to resolve an issue arises, on an ad hoc rather than regular basis. The design and implementation of financial incentives for improving staff efficiency is not within the jurisdiction of management, however, no other type of incentive strategy has been drawn up. Finally, there is no internal human

resources function and no human resources strategy which would include, inter alia, the establishment of indicators and targets.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

(i) Leadership of human resources: Important decisions are generally notified to staff in a timely manner (e.g. adopting the Code of Ethics, recent outsourcing decisions, the performance of a self-assessment and the review of the Auditing Guidelines). The Office has identified its core values and communicated these to staff through its website and extensive references in the annual report. The approved Schemes of Service clearly define authority in the various management levels and are supplemented by internal delegation arrangements within the Office. Due to the weakness in conducting periodic management meetings (ad hoc meetings are held as the need arises) and the lack of an incentives strategy for staff, the score is limited to **3**, since three of the five criteria are met.

(ii) Human resources strategy: There is no human resources strategy or a strategy for the professional development of staff and indicators and targets in relation to human resources (e.g. rotation, vacancies, sick leave) are not identified. The criterion relating to monitoring of the human resources strategy targets is not applicable, since no targets have been set. Based on the above, the resulting score is **1**.

(iii) Human resources management and recruitment: As a large number of the human resource management activities in the public sector are the responsibility of entities outside the Office, four of the nine criteria set out in the dimension cannot be scored. According to the PMF guidelines, the entire dimension **cannot be scored**, if more than two criteria do not apply. It is noted, however, that there is no internal human resources function, no documented analysis of Office needs in manpower and no procedure for handling conflicts and disputes.

(iv) Remuneration, promotion and staff welfare: The last staff appraisal, relating to 2014, included an assessment of the performance of employees under the relevant Schemes of Service. Staff welfare issues are defined by the Public Service legislation and collective agreements and the staff has the opportunity to express an opinion on issues related to the work environment, which are resolved when possible. However, this dimension **cannot be scored** as three of the eight criteria concerning the process of determining remuneration and promotions cannot be scored, as explained above.

Conclusion.

Human resource leadership in the Office has considerable strengths, with room for improvement in the procedure of notifying staff of decisions and in providing incentives for performance improvement. There are also shortcomings in relation to the preparation of a human resource strategy.

Due to the inability in scoring more than one dimension, pursuant to the PMF, the whole of the Indicator cannot be scored.

Indicator SAI-20				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Leadership of Human Resources	b, c, d	a, e	3	The Office's values as well as key decisions made by the leadership are communicated to staff and there is an effective delegation and accountability system. Decision making meetings are not held periodically and no incentives strategy has been developed.
(ii) Human Resources Strategy	g	a, b, c, d, f	1	There is no human resource strategy, however human resource needs are continuously reviewed in the light of the workload. Criterion e is N/A.
(iii) Human Resources Function and Recruitment	e, h	a, f	N/A	The staff selection process involves five Committee members and internal human resources are supplemented by outside expertise as needed. There is no structured human resource management function in the Office and no formal analysis of staff needs has been performed. Criteria b, c, d, g that relate to recruitment are N/A since the recruitment process is beyond the jurisdiction of the Office, therefore the dimension cannot be scored.
(iv) Remuneration, Promotion and Staff Welfare	a, b, f, g, h	-	N/A	There are established performance appraisal procedures performed once a year and welfare policies are defined in collective bargaining agreements with trade union and in the relevant public service legislation. Furthermore, employees have the opportunity to express their views on the work environment and issues arising are addressed by the management where possible. Criteria c, d, e are N/A since remuneration and promotions procedures lie beyond the jurisdiction of the Office, therefore the dimension cannot be scored.

Indicator SAI-20				
Dimension	Criteria met	Criteria not met	Score	Comment
Overall score			N/A	N/A since two dimensions cannot be scored.

Recommendations.

We suggest that a procedure for holding (e.g. monthly) management meetings for decision-making purposes is established. Additionally, we suggest that periodic meetings of the management with all staff are held, e.g. on a quarterly basis or at a frequency deemed necessary, in order to inform the staff about issues the Office is confronted with and to timely communicate management decisions which have a direct impact on staff (e.g. decisions of announcing vacancies, staff secondments to other Services, proposed changes in the structure of the Office etc.). It would be important to develop training strategies for professional development and incentives for improving staff performance, as well as to define key indicators in relation to human resources and establish a monitoring system to assess annually the achievement of the targets in the human resource strategy.

Indicator SAI-21: Professional development and training

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-21 were examined:

- (i) Plans and processes for professional development and training.
- (ii) Professional development and training in relevant audit disciplines.

From the assessment of the above, the following were noted:

Strengths.

The necessary academic qualifications and skills required by each level of staff have been determined and are specified in the approved Schemes of Service. Furthermore, there is an established practice for the selection of staff to participate in training programs, which includes a written application and a selection procedure of candidates by upper management, based on the needs to acquire or develop specific skills.

Weaknesses.

A main weakness is the absence of a comprehensive annual plan for professional development and training of personnel, both collectively and at group level, per professional staff group (e.g. accountants, IT technicians, engineers, mechanics), but also on a personal level per employee. In accordance with current practice, personal training of staff is based on guidance provided by more experienced staff during the performance of audits (on-the-job training). In addition, a monitoring and evaluation mechanism regarding the results of training programs in which staff participate has not been established.

Finally, despite the fact that the necessary professional groups for carrying out the Office work appear to have been determined and established through the Schemes of Service, the need for professional development of these groups has not been considered and the responsibility for the development of each profession has not been assigned to a person with appropriate experience and authority.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

- (i) Plans and procedures for professional development and training:** According to existing practice, newly recruited staff are given material on the structure and functioning of the Office and there are specified selection practices for participation in training programs through the submission of relevant applications and selection of candidates by top management, based

on the competences needed. However, there is a lack of an integrated plan of professional development and training, as well as of an evaluation mechanism of the results of the professional development of staff. As a result, one of the five criteria is satisfied and the resulting score is 1.

(ii) Professional development and training in relevant audit disciplines:

The professional groups and competences necessary for the implementation of Office work are determined through the relevant Schemes of Service, however, the need for their professional development has not been examined and their training is not monitored. As a result, only one of the four criteria of the dimension is met and the score is 1.

Conclusion.

Deficiencies are observed in the design and monitoring of the results of professional development and training of the Office staff, both collectively and individually, as well as on a professional group level.

The overall score for the Indicator “Professional development and training” is 1 out of 4.

Indicator SAI-21				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Plans and Processes for Professional Development and Training	c	a, b, d, e	1	There are established procedures for the selection of staff to participate in training. However, no professional development plan has been developed and there is no mechanism to monitor and evaluate the result of professional development and training.
(ii) Professional Development and Training in Relevant Audit Disciplines	c	a, b, d, e	1	Appropriate competency requirements have been developed for different staff grades. The necessary professions have not been formally identified and responsibility for the development of each profession has not been assigned.
Overall score			1	

Recommendations.

It is recommended to develop and implement an annual plan for professional development and training, which will be in line with the strategic objectives of the Office. The plans should be based on training needs of staff, identified in the annual staff appraisals, and be linked to training needs of the audit teams within the Office.

Indicator SAI-22: Communications strategy and internal communication

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-22 were examined:

- (i) Communications strategy.
- (ii) Good practices regarding internal communication.

From the assessment of the above, the following were noted:

Strengths.

According to internal procedures, upon completion of the audits, the Office prepares letters to the audited entities, which include the audit findings with recommendations/observations upon which the audited entities are asked to comment and express their views. At the end of the audit year, the major issues identified are selected for inclusion in the Annual Report of the Auditor General and are sent to the audited entities for comments.

According to Article 116 of the Constitution, the Annual Report is submitted by the Auditor General to the President of the Republic, who lays it before the House of Representatives. The topics of the Annual Report receive extensive coverage by the media. The entire text of the Annual Report is posted on the Audit Office website and is accessible to all citizens of the Republic. This ensures the transparency of the findings and recommendations of the Audit Office.

The recommendations and observations of the Audit Office are examined at regular meetings of the House of Representatives "Standing Committee on Development Plans and Public Expenditure Control". These meetings are one of the main tools for monitoring the response of the audited entities to the observations and recommendations of the Audit Office.

Additionally, almost all of the Committees of the House of Representatives regularly seek the assistance of the Audit Office on issues that fall under its mandate.

The medium-term strategies of the Audit Office for 2016-2018, are stated in the Annual Report 2014 and include:

1. Improvement of the accountability and review of the audited entities and increase in the transparency of management of public resources.
2. Consolidation of good governance and fight against corruption in the wider public sector.
3. Improvement of the recommendations of the Audit Office and increase in the degree of their acceptance and adoption.
4. Increase efficiency of the Audit Office.

Based on the above, the main communication tool of the Office with the Executive, the House of Representatives and the public, is the Annual Report, which includes references to its strategic objectives.

Management communicates the Office vision, goals and values underlying the conduct of audits to staff, through the Annual Report, the Code of Ethics and internal meetings, memos and circulars. The technical infrastructure of the Office provides access to intranet, email and electronic archives, through which, documents and information of common interest are released to the staff. Senior Audit Officers call, when they think is necessary, for informal briefings, in relation to team's audit engagements. There is two-way communication between staff and management, which, currently, is on an ad-hoc basis.

Weaknesses.

Communication, as means that have been used throughout the years, are in line with the strategic goals set. Nevertheless, no formal communications strategy, which is assessed on a regular basis, has been established.

Internal communication lacks regular and structured meetings, which would bring together senior, middle and lower level employees, with respect to organizational and unit wide issues faced by the Office. Additionally, regular meetings between senior employees and senior management with a specific agenda would assist in the monitoring of the implementation of strategic goals set.

Scoring.

Scoring per dimension (with the maximum score being 4) is as follows:

(i) Communication strategy: The main tool of communication of the Office with the Executive, the House of Representatives and the public is the Annual Report, which includes references to its strategic goals. However, due to the fact that the Office has not produced a formal Strategic Plan on Communication, the scoring of the dimension is **zero**.

(ii) Good practices regarding internal communication: The Office applies good internal communication practices, as described in "strengths" above. The lack of regular and structured communication, as described in "weaknesses" above, limits the score to **2**.

The overall score for Dimension 22 “Communication strategy and internal communication” is 1 out of 4.

Indicator SAI-22				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Communications strategy	-	-	0	The Audit Office has not developed a communications strategy.
(ii) Good practices regarding internal communication	a, c, e	b,d	2	The Audit Office applies good internal communication practices. It uses appropriate tools (email, intranet and electronic office automated system of filing). Nevertheless, it has no structured and regular organizational/ unit-wide meetings, nor an effective two-way communication system.
Overall score			1	

Conclusion.

The Office does not have a formal communications strategy, linked to the Strategic Plan and organizational objectives, which is periodically monitored. Currently, there is two-way communication between management and staff, but not under a communication system that is structured and regular.

Recommendations.

We recommend the establishment of a formal communications strategy plan, which will be assessed at regular intervals by the interested parties, with respect to its effectiveness. In this way, the communications strategy will be continuously adjusted and improved.

We also suggest that the Audit Office reviews the existing internal communication procedures and sets up regular management meetings, as well as regular organizational and unit-wide briefings to middle and lower level staff. Internal communication procedures should include elements for effective two-way communication throughout the Office.

Indicator SAI-23: Communication with the Legislature, the Executive and the Judiciary

According to the Performance Measurement Framework, the following dimensions within Indicator SAI-23 were examined:

- (i) Good practices regarding communication with the Legislature.
- (ii) Good practices regarding communication with the Judiciary, prosecuting and investigating agencies.
- (iii) Good practices regarding communication with the Executive.

Strengths.

(i) Relationship with the Legislature.

According to Article 116 (4) of the Constitution, the Auditor General submits his Annual Report each year regarding the performance of his mandate to the President of the Republic, who then submits it to the Legislature, i.e. the House of Representatives. In the Annual Report, the Auditor General includes anything which, in his opinion, should be brought to the attention of the President and the House of Representatives, regarding the management of public finances of the Republic. It is noted that for the topics included in the Annual Report, the competent Ministries are informed in advance and are asked to submit their comments and views. There is a close working relationship with the House of Representatives. In particular, the House of Representatives Committee on Development Plans and Public Expenditure Control, addresses the issues included in the Annual Report, and requests answers from the relevant Ministers on the observations/recommendations. Also, the Auditor General or his representative is often invited to attend meetings of other House of Representatives Committees, on matters relating to the Office's competencies.

When planning its audits, the Audit Office takes into account issues raised by the Legislature. This does not necessarily mean that a request/complaint has already been submitted to the Office for investigation. The Office contributes to the legislative process with suggestions for amendments to legislation, to improve the public management system.

(ii) Relationship with the Judiciary.

Regarding the / prosecution and investigating agencies (e.g. Legal Office, Police, etc.), if there is suspicion of a criminal offense having been committed, the Audit Office has the responsibility to contact the Legal Office. As stated in the press release of the Attorney General dated 12.10.2015, if in the exercise of the powers and responsibilities of the Auditor General or otherwise, a possible criminal offense comes to his attention, he has the right and duty, having collected the relevant information, documents or other details, to refer the matter to the Attorney General, who will decide whether or not an issue of

criminal offense arises so as to give instructions to the police for investigation of the matter.

Also, when necessary, meetings are held with representatives of the Attorney General and/or other authorities/services (e.g. Police) in connection with matters arising which involve suspected serious illegalities/irregularities.

(iii) Relationship with the Executive.

Under the Code of Ethics and Professional Conduct of the Audit Office, when the auditors provide advice or services other than audit work to audited entities or make recommendations in the context of an audit, they need to ensure that the advice, services or recommendations given do not lead to a conflict of interest and should ensure that the advice or services do not include responsibilities or powers of the management, which must remain exclusively with the management of the audited entity.

The Audit Office maintains its independence, refraining from interference in the management of the audited entities and its role is limited to identifying errors/omissions and making recommendations for improving the financial management framework. It is noted that, in isolated cases, there have been allegations under which the Office interventions were seen as interference in the Executive's responsibilities.

The functions and responsibilities of the Auditor General are set out in Articles 115-117 of the Constitution of the Republic, in the Provision of Evidence and Information to the Auditor General Laws 2002 to 2014 and in other Laws. Nonetheless, the Office recognizes the importance of raising awareness among the executive of what to expect during an audit and this is achieved, usually, during various meetings, before and during conducting an audit. Additionally, Office's role, mission and values are laid down in its website

Observations/findings arising from the audits are presented in meetings held with senior staff of the audited entities. Also, when considered appropriate, other meetings, usually informal, also take place to discuss issues related to common concerns.

Weaknesses.

No feedback process operates between the Office and the Judiciary, prosecuting and investigating agencies and the Executive regarding the role and purpose of the Audit Office, including issues relating to the performance and value of the audit work, communication and audit management. The Office does not have access to information on files in process from the Judiciary, prosecuting and investigating agencies (e.g. Legal Office, Police, etc.).

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

(i) Good practices regarding communication with the Legislature: As it is clear from the above, seven of the eight criteria of the dimension are met, while the criterion relating to the feedback from members of the Legislature about the performance of the Office is not applicable. Therefore, the resulting score is 4.

(ii) Good practices regarding communication with the Judiciary and prosecuting and investigating agencies: The right and obligation to refer matters to the Attorney General and communication with the investigating authorities, result in two of the five criteria of the dimension being met. The absence of a feedback process and the lack of access to information for cases in progress, limit the score to 1.

(iii) Good practices regarding communication with the Executive: Three of the four criteria are satisfied, because of the strengths explained above. The failure to apply a process of feedback from the Executive limits the score to 3.

The overall score for the Dimension (with the maximum score being 4) is as follows:

Indicator SAI-23				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Good practices regarding communication with the Legislature	(a) – (d) and (f) – (h)	- - -	4	Questions raised during public debates are taken into account when planning the audits. Audit Office has many opportunities to present relevant audit reports/results and contributes to the legislative process, proposing recommendations or amendments aiming at the improvement of the public management system. The audit reports identify the weaknesses of the Government and suggest measures to rectify them and those which are published are distributed to the members of the relevant Parliamentary Committees. Additionally, there is a very close cooperation between the Audit Office and the Parliament. It is noted that Criterion (e) is N/A.
(ii) Good practices regarding communication with the Judiciary, prosecuting and investigating agencies	(b), (d)	(a), (c) and (e)	1	According to a recent press release of Attorney General, dated 12.10.2015, in cases where, if, during performance of his duties, Auditor General would become aware of the possibility of the commitment of a criminal offense, he has the right and duty to communicate it to the Attorney General. In some cases, Audit Office communicates with the Judiciary,

				prosecuting and investigating agencies to explain matters relevant to illegal or similar cases. Also, Office's mandate includes the audit of the Judiciary (i.e. Courts), persecuting and investigating agencies (e.g. Office of the Attorney General, Cyprus Police, etc) and relevant audit reports are communicated to them.
(iii) Good practices regarding communication with the Executive	(a) – (c)	(d)	3	The Code of Ethics and Professional Conduct of the Audit Office provides that care should be taken when offering any advices, services or recommendations so that they do not lead to a conflict of interest or include management responsibilities and powers, which must remain firmly with the management of audited entities and that such services do not lead to a conflict of interest. In particular, auditors should ensure that such advice or services do not include management responsibilities or powers, which must remain firmly with the management of the audited entity. It's noted though, that rarely, there are cases where Audit Office is seen to be involved in the management of the audited organisations. Also, the powers and duties of the Auditor General are laid down in the Constitution of the Republic (articles 115 - 117) and Law No. 113(I)/2002, as well other legislation. Nonetheless, the Office considers important to raise awareness among the executive of what to expect during an audit and this is achieved usually during various meetings before and during conducting an audit. Additionally, it's Audit Office's regular practice to meet with senior management of the executive to discuss audit findings.
Overall score			3	

Conclusion.

Overall there are good communication channels with the Legislature, the Judiciary and the Executive and weaknesses are mostly limited to the lack of a feedback process from the Judiciary and the Executive in matters relating to the role and work of the Audit Office.

Recommendations:

(i) The Audit Office should ensure that is not involved or seen to be involved, in any manner, in the management of the organizations they audit.

(ii) The possibility of adopting a formal procedure of receiving feedback from the Judiciary and the Executive, in matters relating to the role and the work of the Audit Office, should be considered.

Indicator SAI-24: Communication with the media, citizens and civil society organizations

According to the Performance Measurement Framework, within the Indicator SAI-24 the following dimensions were examined:

- (i) Good practices regarding communication with the media.
- (ii) Good practices regarding communication with citizens and civil society organizations.

Strengths.

The Office communicates openly with the media, through which it achieves publicity of its findings and recommendations, which are also accessible to all citizens through its website, on which its Annual Reports are posted. This ensures the transparency of the findings and recommendations of the Office.

Weaknesses.

No strategy or specific communication plan with the media and citizens has been defined and no process of receiving feedback, by citizens, on the issues of the Office reports, is applied.

Scoring.

Scoring per dimension (with the highest score being 4) is as follows:

(i) Good practices regarding communication with the media.

The media spokesperson of the Office is the Auditor General. The Office held a press conference regarding the launch of its Annual Report for 2013 (but not for 2014) while, during the audit year, it issued several press releases on important issues identified. The full text of each Annual Report is posted on the Office website and the topics covered receive extensive media coverage.

However, a specified communication practice/plan, which can be periodically monitored and evaluated using performance indicators, has not been established and requested content analysis to determine how the Office is depicted by the media has not been performed. For the above reasons, the fourth and fifth criteria of the Dimension are not met. The final score is **3**, since four of the six criteria are met.

(ii) Good practices regarding communication with citizens and civil society organizations.

The entire text of the Annual Report is published on the Office website and is accessible to all citizens of the Republic. Both in the Annual Report and in other reports, tools such as summaries, charts and graphs, are used to make the information understandable to the general public. Access to the reports is free of charge.

The Auditor General presents the role and activities of the Office to interested parties and in public debates relating to good governance issues and the fight against corruption. Meetings are also held with representatives of academic and professional bodies to exchange views on the role of the Office.

Social media is used to inform the public about the findings of the Office on matters relating to current affairs, while encouraging public interest in issues of public accountability and the management of public resources. Social networks (e.g. Facebook) include comments made by the Office on public accountability issues raised. The number of complaints and reports submitted by citizens regarding various irregularities, matters of project execution, tender award, etc., has greatly increased. All of the criteria of the dimension are met, except the sixth criterion, relating to receiving feedback on the reports from the public, with a view to improving recommendations in future and increasing the degree of their acceptance and adoption. Therefore, since seven of the eight criteria are satisfied, the score is 4.

Indicator SAI-24				
Dimension	Criteria met	Criteria not met	Score	Comment
(i) Good practices regarding communication with the media.	a,b,c,f	d,e	3	The Office held a press conference regarding the launch of its Annual Report for 2013. During the audit year, the Office issued several press releases on important issues identified. The full text of each Annual Report is posted on the Office website and the topics covered receive extensive media coverage. However, there is no specified communication plan and the Office does not perform a content analysis to determine how its work is depicted by the media.
(ii) Good practices regarding communication with citizens and civil society organizations.	a, b, c, d,e,g,h	f	4	The Annual Report and several special investigation reports are posted on the Office's website and are accessible by all citizens of the Republic free of charge. The Auditor General presents the role and activities of the Office to interested parties and in public debates relating to good governance issues and the fight against corruption. Meetings are also held with representatives of academic and professional bodies. Social media is used to inform the public about current findings on public

				accountability issues, encouraging the public to get interested. However there is no established procedure for receiving feedback on the reports from the public.
Overall score			3	

Conclusion.

The Office communicates openly with the media and other interested parties about its activities and its audit reports are comprehensible and easily accessible by the public. Public and academic interest has also been encouraged regarding audit findings.

Recommendation.

We recommend that the establishment of a strategy/plan regarding communication with the media, the public and other interested parties is considered. This should be monitored and evaluated on a periodic basis and include a process of feedback from citizens on the issues of the Office reports, with the aim to improve the recommendations and to increase the degree of their acceptance and adoption.

4. SAI Capacity Development Process

4.1 Description of recent and on-going reforms

Numerous of the weaknesses identified during the assessment exercise have been addressed through the recent revision of the Audit Guidelines issued by the Office, which was completed in September 2016. The revised Guidelines address many methodological weaknesses and gaps and aim to achieve uniformity in the work of the Office. In order for the effectiveness of this revision to be assessed, the set-up of a quality assurance system will be vital, and is currently being studied by the Auditor General.

Additional recent and on-going reforms include the following:

- Action is being put forward by the Auditor General to improve the Office's financial independence from the Executive. In particular, in November 2016, the Auditor General addressed the Parliamentary Committee on Development Plans and Public Expenditure Control regarding the issue, which is currently under legal and procedural consideration by the Ministry of Finance.
- A strategic plan of the Office has been formulated.
- The financial results of the Office were subjected to an independent audit, and the results have been incorporated in the Auditor General's Annual Report for 2015.
- In order to deal with the accumulation of overdue audit work, a legislative amendment was enacted in 2014, allowing the outsourcing of audit work by the Office to the private sector. During the past two years, the audit of a large number of Community Boards and statutory bodies has been delegated to private audit firms.

4.2 Use of SAI Results by External Providers of Financial Support

The results of the work of the Office are primarily prepared as a response to the Auditor General's obligations under the Constitution, that is, in order to be submitted to the President of the Republic and be laid before the Parliament. As such, the results are not targeted for use by external providers of financial support, which mainly comprise foreign financial institutions (European Investment Bank, Council of Europe Development Bank, European Stability Mechanism, International Monetary Fund, private financial institutions), foreign governments and private legal entities²².

²² Treasury of the Republic, *Financial Report 2015*, 18.3.2016

Nevertheless, there are occasionally instances where the reports and findings of the Office are requested by relevant authorities as part of their investigation or audit assurance processes. Recent examples include the following:

- Submission of financial statements of urban Sewerage Boards and local Authorities, audited by our Office, to foreign banks that provided loans to those institutions.
- Use of our reports by the Troika (the European Commission, the European Central Bank and the International Monetary Fund) during the period of implementation of the Memorandum of Understanding between the Institutions and the Republic.
- Recent request by the Commissioner of Internal Audit, as the audit authority for EU Structural Funds programmes, for the Office to submit any findings relative to audits regarding the Structural Funds and the Cohesion Fund, that might affect the opinion due to be issued by the Commissioner in her role as the audit authority.

ANNEX 1: Performance Indicator Summary

Indicator	Description	Dimension score				Overall score
		(i)	(ii)	(iii)	(iv)	
DOMAIN A: SAI Reporting						
SAI-1	Financial audit results	1	2	4	3	2
SAI-2	Compliance audit results	1	2	4	3	2
SAI-3	Performance audit results	0	4	0		1
SAI-4	Judgment results					N/A
SAI-5	Annual report and other reports	3	4	1	3	3
DOMAIN B: Independence and Legal Framework						
SAI-6	Independence of the SAI	4	0	1	3	2
SAI-7	Mandate of the SAI	4	4	3	3	3
DOMAIN C: Strategy for Organizational Development						
SAI-8	Strategy for organizational development	0	0	0	0	0
DOMAIN D: Audit Standards and Methodology						
SAI-9	Overall audit planning and quality management	1	1	0	0	0
SAI-10	Quality assurance and audit processes	0	0	0	0	0
SAI-11	Financial audit foundations	2	4	2	4	3
SAI-12	Financial audit process	0	0	2	1	1
SAI-13	Compliance audit foundations	2	4	2	4	3
SAI-14	Compliance audit process	0	2	2		1
SAI-15	Performance audit foundations	1	4	2	2	2
SAI-16	Performance audit process	1	3	3		2
SAI-17	Judgment process					N/A
DOMAIN E: Management and Support Structures						
SAI-18	Ethics, management and internal control	2	3	N/A	2	2
SAI-19	Asset management and support services	4	3			3
DOMAIN F: Human Resources and Leadership						
SAI-20	Human resource leadership and function	3	1	N/A	N/A	N/A
SAI-21	Professional development and training	1	1			1
DOMAIN G: Communication and Stakeholder Management						
SAI-22	Communications strategy and internal communication	0	2			1
SAI-23	Communication with the Legislature, the Executive and the Judiciary	4	1	3		3
SAI-24	Communication with the media, citizens and civil society organizations	3	4			3

ANNEX 2: Sources of Information

Legal documents:

Annual Budget Laws

Civil Service Laws 1990-2015

Constitution of the Republic of Cyprus

Financial Audit of Statutory Bodies Laws of 1983 and 1984 (Laws 40/83 and 73/84)

Fiscal Responsibility and Budget Systems Law (Law 20(I)/2014)

Law on Auditors and Statutory Audits of Annual and Consolidated Accounts (Law 42(I)/2009)

Laws on the Provision of Evidence and Information to the Auditor General (Laws 113(I) of 2002 and 137(I)/2013)

Local Authorities Law 86(I)/99

Municipalities Laws of 1985 to 1997

Statutory Bodies (Audit of Financial Statements) Laws of 1983 to 2007

Reports and other documents:

Audit Office of the Republic of Cyprus, Annual Report 2014, 1.12.2015

Audit Office of the Republic of Cyprus, Annual Report 2015, 15.12.2016

Audit Office of the Republic of Cyprus, Auditing Guidelines (versions 31.3.2015, 28.1.2016, 19.9.2016 and 22.12.2016)

Audit Office of the Republic of Cyprus, Code of Ethics and Professional Conduct, 14.5.2015

Audit Office of the Republic of Cyprus, General Guidelines, 5.2.2009

The Republic of Cyprus - Treasury of the Republic, Financial Report of the Republic for 2015, 18.3.2016

<http://wtv.elections.moi.gov.cy/>

<http://www.aspectsofcyprus.com/> (Press and Information Office of the Republic)

<http://www.courtsofaudit.nl/english/Publications/Topics/IntoSAINT>

<http://www.dgepcd.gov.cy>

http://www.moa.gov.cy/moa/wdd/wdd.nsf/brhistory_en/brhistory_en?OpenDocument

http://www.mof.gov.cy/mof/papd/papd.nsf/index_gr/index_gr?OpenDocument

http://www.mof.gov.cy/mof/papd/papd.nsf/index_gr/index_gr?OpenDocument

<http://www.parliament.cy/easyconsole.cfm/id/353>

<http://www.transparency.org/cpi2015#map-container>

<https://rsf.org/en/ranking>

IMF World Economic Outlook Database, April 2015 - <http://www.imf.org>

Ministry of Finance, Stability Programme of the Republic of Cyprus 2012-2015, April 2012.

Press and Information Office, Republic of Cyprus. Cyprus at a glance, 2015

Press and Information Office, Republic of Cyprus. The Republic of Cyprus - An Overview, 2015

Statistical Service of Cyprus, Cyprus in Figures, 2015

UNDP, Briefing note for countries on the 2015 Human Development Report, 2015

United Nations General Assembly, Report of the Office of the United Nations High Commissioner for Human Rights on the question of human rights in Cyprus, Note by the Secretary-General, 7.1.2011

United States Department of State, Country Reports on Human Rights Practices - Cyprus, 2015

Other sources of information:

Completed questionnaires by the Office Sections regarding audit coverage.

Interviews with personnel of the Audit Office as deemed necessary during the file review stage.

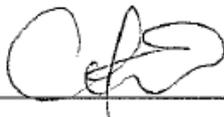
Audit files including planning documents, working papers (in paper and electronic form) and management letters of selected sample of audits.

ANNEX 3: Declarations of impartiality and independence

DECLARATION OF IMPARTIALITY AND INDEPENDENCE

I, the undersigned, Kiras Arcis
(Last Name, First Name),

hereby confirm that I have carried out my work, as part of the self assessment team, impartially, with due professionalism and care, free of bias and undue influence. In carrying out my duties I have familiarized myself with the Supreme Audit Institutions Performance Measurement Framework (PMF) and all the relevant International Standards for Supreme Audit Institutions (ISSAIs), and I have followed the methodology set in the PMF.

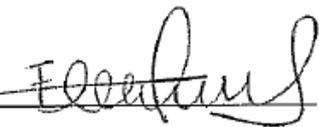
Signature: 

Date: 8/2/2016

DECLARATION OF IMPARTIALITY AND INDEPENDENCE

I, the undersigned, Anniwa Elena,
(Last Name, First Name),

hereby confirm that I have carried out my work, as part of the self assessment team, impartially, with due professionalism and care, free of bias and undue influence. In carrying out my duties I have familiarized myself with the Supreme Audit Institutions Performance Measurement Framework (PMF) and all the relevant International Standards for Supreme Audit Institutions (ISSAIs), and I have followed the methodology set in the PMF.

Signature: 

Date: 8.2.2016

DECLARATION OF IMPARTIALITY AND INDEPENDENCE

I, the undersigned, Meshiti Christina
(Last Name, First Name),

hereby confirm that I have carried out my work, as part of the self assessment team, impartially, with due professionalism and care, free of bias and undue influence. In carrying out my duties I have familiarized myself with the Supreme Audit Institutions Performance Measurement Framework (PMF) and all the relevant International Standards for Supreme Audit Institutions (ISSAIs), and I have followed the methodology set in the PMF.

Signature: 

Date: 8.2.2016

DECLARATION OF IMPARTIALITY AND INDEPENDENCE

I, the undersigned, Nicolau Styliana
(Last Name, First Name),

hereby confirm that I have carried out my work, as part of the self assessment team, impartially, with due professionalism and care, free of bias and undue influence. In carrying out my duties I have familiarized myself with the Supreme Audit Institutions Performance Measurement Framework (PMF) and all the relevant International Standards for Supreme Audit Institutions (ISSAIs), and I have followed the methodology set in the PMF.

Signature: Styliana Nicolau

Date: 8/2/2016

DECLARATION OF IMPARTIALITY AND INDEPENDENCE

I, the undersigned, Theodorou Kourthippi
(Last Name, First Name),

hereby confirm that I have carried out my work, as part of the self assessment team, impartially, with due professionalism and care, free of bias and undue influence. In carrying out my duties I have familiarized myself with the Supreme Audit Institutions Performance Measurement Framework (PMF) and all the relevant International Standards for Supreme Audit Institutions (ISSAIs), and I have followed the methodology set in the PMF.

Signature: 

Date: 8/2/2016

DECLARATION OF IMPARTIALITY AND INDEPENDENCE

I, the undersigned, Koukkoulli Markella
(Last Name, First Name),

hereby confirm that I have carried out my work, as part of the self assessment team, impartially, with due professionalism and care, free of bias and undue influence. In carrying out my duties I have familiarized myself with the Supreme Audit Institutions Performance Measurement Framework (PMF) and all the relevant International Standards for Supreme Audit Institutions (ISSAIs), and I have followed the methodology set in the PMF.

Signature: M Koukkoulli

Date: 8.2.2016

ANNEX 4: Factual review comments and team responses

Factual review comments	Assessment Team comments
PI SAI-1	
<p>Dimension (iv): The recommendations follow-up system cannot be described as effective given that it is not structured. Sending reminders for responses to management letters is not enough by itself. Detailed follow up usually takes place during the field work of the following audit which may take years until it is carried out. Furthermore, the effect of the compliance reports submitted to the Parliament by the auditees together with their budgets is limited, given that they relate to the auditees' situation two years before and that our Audit Office does not have the resources to confirm on time all the corrective actions claimed by the auditees.</p> <p>Therefore criterion (a) is not considered to be in place and the score should be 3.</p>	<p>The Dimension in question assesses the existence of a follow-up system rather than its effectiveness (this is assessed in indicator SAI-7, Dimension (iv)). The existing system is considered sufficiently structured, given that the specimen audit programme used for all audits concerning the central government, includes a specific step to follow up previous years' recommendations. However, this is not always performed, primarily due to staff shortage. It is agreed to modify the report by removing references to an <i>effective</i> follow-up system and adding further information on staff shortage concerns and the consequences on the system's effectiveness.</p>
PI SAI-2	
Dimension (iv): As per my comments in PI SAI-1.	see comments above
PI SAI-3	
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PI SAI-5	
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PI SAI-6	
<p>Dimension (iii): Criterion (d) refers to whether the SAI has clear governance structures documenting how decisions are made. The report does not comment on this – instead it states that the Audit Office has the ability to regulate the decision making procedures – which is different.</p> <p>It is noted that there is no effect on the score because of this discrepancy.</p>	<p>The Constitution (Article 116) bestows all powers personally on the Auditor General and clarifies that such powers may be exercised in person or through subordinate staff. There are therefore "clear governance structures documenting how decisions are made". It is agreed to modify the report by adding reference to the above and removing references to the <i>possibility</i> provided to the Office to define its decision-making procedures.</p>
PI SAI-7	
<p>Dimension (iii): It is not true that the Auditor General and the Deputy Auditor General are immune to any prosecution for any act that results from the normal discharge of their duties. Thus the score should be 3.</p>	<p>Agreed. The score sheets will be modified accordingly. It is noted that, Article 172 of the Constitution provides that the Republic shall be liable for any wrongful act or omission causing damage committed in the exercise or purported exercise of the duties of officers or authorities of the Republic.</p>

Factual review comments	Assessment Team comments
Dimension (iv): As per my comments in PI-SAI1 with regard to criterion (a).	see response above
PI SAI-8	
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PI SAI-9	
Dimension (ii): Criteria (b) and (e) are not in place, therefore only 3 out of the 5 criteria are met. It should be noted that this does not affect the score (1).	Criterion (b) has already been scored as not met. Regarding criterion (e), it is agreed that, although the primary constraint to the delivery of the audit plan are the available man days, and this factor appears to be taken into account during the preparation of the plan, there is no structured procedure of recording risks to the delivery of the audit plan . It is also noted that instances of modifying the plan due to changes in staff numbers that affect the ability to deliver the plan have been recently noted. The lack of a structured assessment of risks and constraints to delivery of the plan will be added to the report and the score sheet amended accordingly.
Dimension (iii): There is no effective system of quality control in place, especially for financial audits. Available man days are indeed allocated to various audits in accordance with the relative importance and risks involved; however, the minimum no. of man days necessary to carry out the financial audits within an acceptable level of quality is not usually taken into consideration. Furthermore working papers are not always reviewed and even if they are, there are no set standards against which they are compared to assess the quality level of the work. Thus the score should be nil. It should be noted that adopting a quality assurance system is necessary, however it will not have any meaning if a quality control system is not put in place first.	The team considers that the purpose of this Dimension is to assess the existence of a quality control system rather than its effectiveness, which is evaluated in subsequent indicators (SAI-12, SAI-14, SAI-16). The team retains its original view, and the report will not be modified.
PI SAI-10	
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PI SAI-11 + SAI-13	
Although the International Standards on Auditing have been adopted by the Office, there is no system or mechanism and no procedures to ensure that these are adhered to during financial audits.	The indicators evaluated refer to the adoption/development of standards rather than the effectiveness of their implementation - this is assessed in indicators SAI-12 and SAI-14.

Factual review comments	Assessment Team comments
<p>Although there is a review process generally in place, there is no system or mechanism to ensure that this is always and fully carried out.</p>	<p>As above - the requirement to carry out a review is defined. Its effectiveness has been evaluated separately, in indicators SAI-12 and SAI-14.</p>
<p>Generally speaking, reviewers concentrate on the findings of compliance audits to be included in the management letters and less emphasis is given to financial audit reviews.</p>	<p>This cannot be evidenced through the sample of audit files examined during the self-assessment work.</p>
<p>Although all Sections have at least one qualified accountant, it is possible that some engagement teams carrying out financial audit field work may not include a qualified accountant. In addition none of the Section Leaders, who have an important role in supervising the audit teams, are qualified accountants.</p>	<p>Article 3(2) of the Law on Auditors and Statutory Audits of Annual and Consolidated Accounts (42(I)/2009) explicitly excludes audits performed by the Auditor General from its scope. In effect, it is not required by law to include professionally qualified accountants in every engagement team. It is also noted that, the approved Schemes of Service for Audit Officers, does not require them to hold a professional qualification in accounting, therefore the Office does not consider this a prerequisite for carrying out financial audits. Moreover, the Senior Principal Auditors, who are required to hold a professional qualification in accounting, have the overall responsibility for supervising the audit work performed.</p>
<p>Dimension (iv): Taking into consideration the above, criteria (b) and (c) are not always in place (with regard to engagements teams).</p> <p>Thusthescoresshouldbe 2.</p>	<p>The assessment team retains its original scoring. A suggestion will be added that, where possible, a qualified accountant will be included in audit teams performing audits of accrual basis financial statements.</p>
PI SAI-12	
<p>It has been determined that if there are positive observations in more than 50% of the sample, it is assumed that the issue examined holds for the whole of the Audit Office. This might have to be reconsidered given that the issues examined are part of the system and a system which does not function as expected 49% of the time cannot be normally considered as satisfactory. Deviations from the system should be rare exceptions if we are to accept that the system works as designed.</p>	<p>This has been an assumption made in order to evaluate the results obtained from the sample examined. The assumption is explicitly stated in the report. It was agreed not to modify the report.</p>

Factual review comments	Assessment Team comments
<p>Satisfactory reviews are usually carried out only with regard to the findings of compliance audits to be included in the management letters, but not with regard to the evidence supporting the audit opinion on the financial statements.</p>	<p>This cannot be evidenced through the sample of audit files examined during the self-assessment work. Weaknesses in the review process were noted with regard to both financial and compliance audits.</p>
<p>The audit report issued for the central government accounts are not in accordance with the International Standards on Auditing.</p>	<p>This report is issued in accordance with the Constitution and not based on IASs. It is agreed to make reference of this in the report.</p>
<p>The report refers to unrecorded misstatements detected during the audit. It should be clarified (possibly by means of a review of the working papers) whether misstatements were indeed detected but not recorded or whether no misstatements were detected.</p>	<p>The criterion assessed is whether unrecorded misstatements are evaluated with respect to their materiality. The team was not in a position to assess whether misstatements were identified during the audit but not recorded. It has been agreed that the report is sufficiently clear.</p>
<p>Dimension (iii): Although there is no separate audit report for each government ministry/department, an audit report is nonetheless issued for the government as a whole. Thus the criteria regarding the auditor's opinion and auditor's report are also applicable in the case of the central government.</p> <p>Given that 6 out of 11 criteria are in place, 2 out of 11 criteria are not applicable but criterion (f) is not in place, the score should be 2.</p>	<p>Since no separate audit report is issued for each government Department, the team considered the criteria regarding the auditor's opinion and report as non applicable for each individual central government audit selected as part of the sample assessed.</p>
<p>It is noted that the relevant appendix referred to in the report has not been attached to the report.</p>	<p>The appendix will be attached to the final report.</p>
<p>PI SAI-14</p>	
<p>Dimension (ii): In section "Strengths", part (iii), 2nd paragraph, the report states that "...however there is no evidence that the selected audit procedures address the critical areas and do so on the basis of materiality". Furthermore, in section "Weaknesses", part (ii), 2nd paragraph, the report states that "where programmed audit procedures are not carried out, an explanation as to why they haven't been carried out is not always documented in the working papers".</p> <p>The above are not consistent with the position of the report that criteria (a), (d) and (e) are in place and this should be re-examined.</p> <p>From my experience criteria (a) and (e) at least, are usually not in place.</p>	<p>Based on the assumption made by the team that a criterion is considered as met if in place in more than 50% of the cases examined, criteria (a), (d) and (e) of Dimension (ii) are scored as met. However, due to the fact that the criteria were not met in a significant proportion of the audits assessed (33%, 33% and 42%, respectively), the team considered it important to mention the weaknesses quoted. It has been agreed not to modify the report.</p>

Factual review comments	Assessment Team comments
<u>PI SAI-16</u>	
<p>It is assumed that the leader of the self-assessment team, who was also in charge of the performance audit considered under this PI, was not as a matter of principle involved in the assessment. It is noted that there are no comments from the factual review of this PI.</p>	<p>The leader of the team was not involved in the assessment of the performance audit. This will be clarified in the report.</p>
<u>PI SAI-18</u>	
<p>Dimension (ii): Although there is a staff time recording system, it should be pointed out that not all staff records his or her time (senior auditors and senior principal auditors do not).</p>	<p>It is agreed to add this information to the report.</p>
<p>Dimension (iv): The report claims that there is effective internal control system and bases this on the Code of Ethics and the Audit and General Office Orders. However, the latter, are outdated and need to be revised, something cited by the report in earlier sections. Thus the conclusion should be re-examined.</p>	<p>It is agreed to add this to the conclusion.</p>
<u>PI SAI-19</u>	
<p>The score should be 4 for Dimension (i) and 3 for Dimension (ii), instead of 3 and 4, respectively.</p>	<p>Typing error - it will be corrected in the final version of the report.</p>
<u>PI SAI-20</u>	
<p>Dimension (ii): I don't agree that the number of the Audit Office staff positions is determined based on the Office needs. This may have been the case years ago but the staff positions are rather defined on the basis of fiscal factors. It is noted that till recently, there has been a freeze on new recruitments. There has been no estimation of the number and grades of staff required for the Office to carry out fully its work mandate. Furthermore, it is doubtful if a Human Resource Strategy can be considered to exist and at best only 3 criteria are in place (a, b and f).</p> <p>Thus the score, should the Performance Index be scored, ought to be 2.</p>	<p>The restrictions on staff positions due to fiscal constraints and the recent freeze on new recruitments, as well as the QA assessor's view on the absence of a Human Resource Strategy, are accepted by the team. The criterion will be scored as "not met".</p>
<u>PI SAI-21</u>	
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<u>PI SAI-22</u>	
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Factual review comments	Assessment Team comments
PI SAI-23	
<p>It is noted that the relevant appendix referred to in the report has not been attached to the report. The scores for Dimensions (i) and (ii) appear to be correct. However, for the Dimension (iii), only criteria (a) and (c) are in place, thus the score should be 2.</p>	<p>The appendix will be added to the final report. The team retains the view that criterion (b) of Dimension (iii) is met since, given the provisions of the Constitution and relevant legislation, the scope of the audits performed by the Office is clear and there is no need for additional guidance on the Audit Office's objectives and the principles governing interactions between auditors and auditees.</p>
General points	
<p>The report does not include an explanation as to why the task of self-assessment of the Technical Services of the Office was removed from the self-assessment team and assigned to one staff of the Technical Services. The value of any form of audit or assessment depends on the degree of independence possessed by the auditor or assessor. Accordingly, it is to be expected that a self-assessment of the Technical Services by a staff of the Technical Services would be of duly diminished value.</p>	<p>This matter is not within the scope of the work of the self-assessment team.</p>
<p>The report often refers to situations that "cannot be evidenced", which may be interpreted either as not being in place or being in place but simply not documented appropriately. Given that the remedy should be different depending on the actual case, the report should clarify each situation appropriately.</p>	<p>As the team is not in a position to know whether something has been performed and not recorded, or something has not been performed at all, the term "cannot be evidenced" is used to cover all cases where there was no documentation to support it.</p>

ANNEX 5: Allocation of Sections for audit file review

Name	Sections served in last 10 years	Section Leader at the time of service	Senior Principal Auditor at the time of service	Sections allocated for review	Section Leader – audit year 2013/2014	Senior Principal Auditor – audit year 2013/2014
Anniva Elena	5 and 11	LitsaPaschali	Tomazos Georgiou	4, 6 and 12	YiotaDemarhou (4), SteliosLipsos (6), Chrystalla Pitta (12)	Marina Drakou (4 and 12), Akis Kikas (6)
KoukkoulliMarkella	3	Rena Charilaou	Akis Kikas	1, 2 and Technical Services	ToullaLazoura (2)	AkisHadjiiossif
Meshiti Christina	6 and 3	Stelios Lipsos, Rena Charilaou	Akis Kikas	7 and 9	Yiangosloannou (7), George Herakleous (9)	Tomazos Georgiou (7)
Nicolaou Styliana	7	Yiangosloannou	Tomazos Georgiou	3, 8 and 10	MariosTheophilou (8), Stella Hadjigeorgiou (10)	YiangosPapakyriakou
Theodotou Xanthi	10	Stella Hadjigeorgiou	YiangosPapakyriakou	5 and 11	LitsaPaschali (5), AndriTsangaridou (11)	Tomazos Georgiou (5)

Notes: The Section heads of Sections 1 and 3 had retired and the positions were vacant during the audit year under review. There was no Senior Principal Auditor in charge of Sections 9 and 11 during the audit year under review

