



The Accounting Chamber

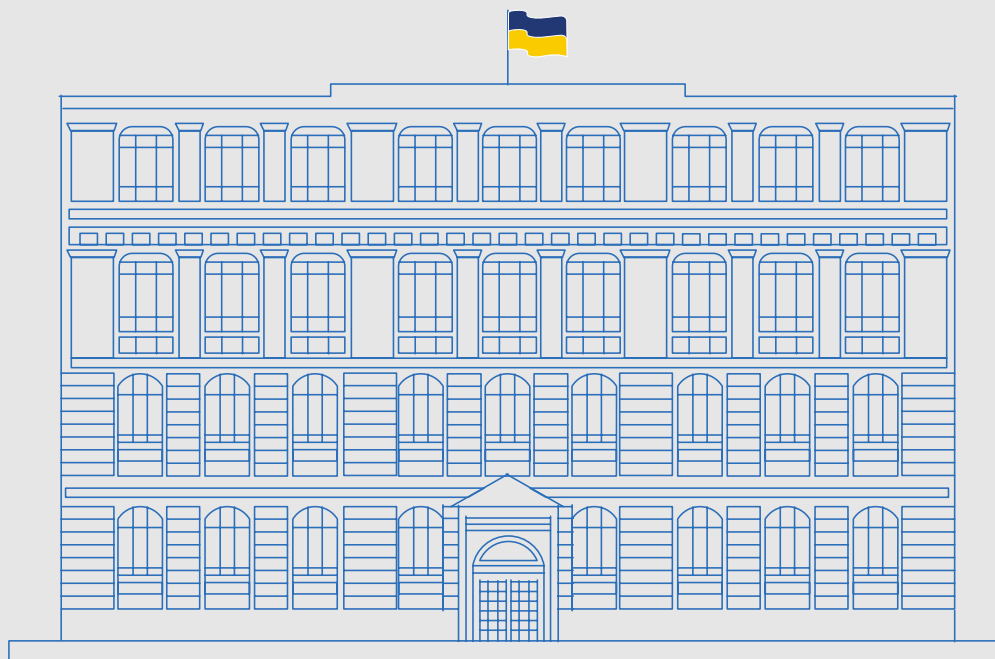
Supreme Audit Institution of Ukraine

REPORT

of the Accounting Chamber

2023

(main results)



The Accounting Chamber shall, on behalf of the Verkhovna Rada of Ukraine, exercise control over the revenue to the State Budget of Ukraine and the use thereof.

Article 98 of the Constitution of Ukraine



The Accounting Chamber
Supreme Audit Institution of Ukraine

Full version of the Report of the Accounting Chamber for 2023

<https://rp.gov.ua/Activity/Reports/?id=1898>





**Dear compatriots,
dear People's Deputies of Ukraine!**

2023 was a year of important positive changes in the work of the Accounting Chamber, thanks to which the institution proved its ability to effectively respond to the challenges of time, meet the needs of society and fully fulfil the mission of the Accounting Chamber as the Supreme Audit Institution of Ukraine — to promote the implementation of good public administration in Ukraine.

This requires the institution to concentrate its efforts on strengthening its capacity and efficiency. After all, impartial professional analysis and control are possible only under the condition of constant improvement of tools and approaches of the auditing institution and professional development of its specialists.

The painstaking work carried out by the Accounting Chamber in 2023 in this direction laid a solid professional foundation, based on which the institution will be able to carry out all audits in accordance with international standards in 2024, for the first time in its entire period of operation.

As a result of the support of the international technical assistance project “Strengthening Capacity of External Audit in Line with International Standards in Ukraine” (EU4ACU), a number of documents aimed at improving, systematizing and streamlining internal processes at the Accounting Chamber and enhancing its transparency were developed and approved. The institution is currently working on their full implementation, which will be another important step towards European integration.

We strive to create a renewed, stronger and more stable system of relations between the Accounting Chamber and the audited entities, government authorities, international partners and Ukrainian society. This system will be based on how balanced and reasonable the recommendations of the Accounting Chamber are, how clear and realistic these recommendations are, what percentage of them are implemented in a timely and proper manner and how this improves the functioning of the state and the welfare of the people.

Any reform is a challenge. And the reform in the time of war is a double challenge, which the Accounting Chamber has accepted and will honourably cope with.

Chairwoman of the Accounting Chamber

A handwritten signature in blue ink, which appears to be 'Olha Pishchanska'.

Olha Pishchanska

MAIN RESULTS OF THE WORK

THE ACCOUNTING CHAMBER IN 2023



audited

UAH 771.1 billion

(in 2022 — UAH 351.3 billion)



covered

399 entities

(in 2022 — 355 entities)



approved

59 reports

(in 2022 — 39 reports)



**on average, one auditor
checked almost**

UAH 2.4 billion

(in 2022 — UAH 1.1 billion)



**average volume
of violations and deficiencies
identified by one auditor**

UAH 188.3 million

(in 2022 — UAH 190.3 million)

The total amount of identified violations and deficiencies in public finance management is almost

UAH 60.8 billion

(in 2022 — UAH 58.6 billion)

UAH 7.7 billion

violations committed in the planning of public finances

UAH 14.9 billion

violations of budget and other legislation

UAH 18.9 billion

inefficient management of budget funds and property, their inefficient use

UAH 19.2 billion

violations and deficiencies in the administration of the state budget revenues

UAH 75.5 million

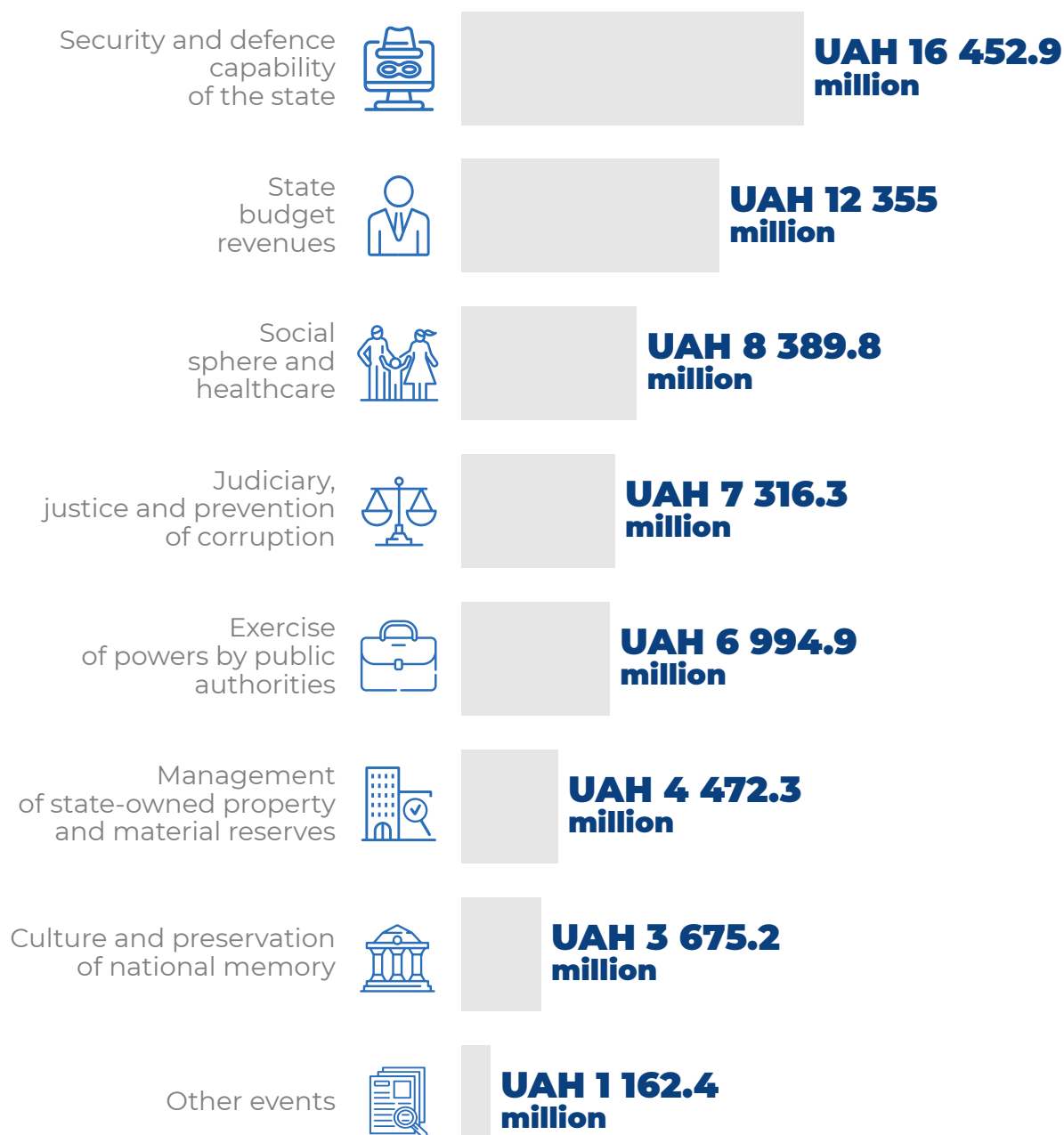
additional reserves of state budget revenues

In addition, an analysis of the Deposit Guarantee Fund's activities in 2016-2019 in terms of the use of funds and the sale of transferred property

identified the risk of non-repayment of UAH 62.5 billion

of the Fund's debt to the Ministry of Finance from accrued interest on redeemed promissory notes.

STRUCTURE OF VIOLATIONS DETECTED IN 2023 AND DEFICIENCIES BY AREA



RESPONSE OF THE AUDITED ENTITIES TO THE RECOMMENDATIONS OF THE ACCOUNTING CHAMBER

The Accounting Chamber monitors and analyses the implementation of its recommendations and proposals by the audited entities.

By the end of 2023, **64.4% of the recommendations** made in 2022 and 2023, were fully implemented or are in the process of being implemented.

Many of the Accounting Chamber's recommendations are systemic in nature and relate to amendments to legislative and other regulatory acts, which requires time.

Implementation of the Accounting Chamber's recommendations



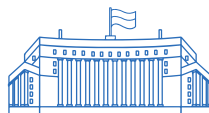
The proposals of the Accounting Chamber based on the results of the state external financial control (audit) were taken into account:

The Verkhovna Rada of Ukraine



**4 laws and
3 draft laws,
1 decree**

The Cabinet of Ministers of Ukraine



**26 decrees and
5 resolutions**

COOPERATION WITH LAW ENFORCEMENT BODIES

In 2023, the Accounting Chamber sent **20 reports** to law enforcement bodies on the detected signs of criminal offences based on the results of 14 state external financial control (audit) measures, in particular:



Office of the Prosecutor General — **7**



National Police of Ukraine — **4**



Bureau of Economic Security — **3**



State Bureau of Investigation — **2**



National Anti-Corruption Bureau of Ukraine — **2**



Security Service of Ukraine — **2**

Based on the results of **8 control measures**, law enforcement bodies **launched 9 pre-trial investigations in criminal proceedings**.

Based on the results of **2 control measures**, the Accounting Chamber sent **3 notifications** for joining the criminal proceedings.

EUROPEAN INTEGRATION: CHANGES IMPLEMENTED BY THE ACCOUNTING CHAMBER

It is mandatory for the Accounting Chamber to fulfil its obligations in the field of external audit as defined by the Association Agreement between Ukraine, of the one part, and the European Union, the European Atomic Energy Community and their Member States, of the other part, ratified by the Law of Ukraine No. 1678-VII dated 16 September 2014.

The main areas of fulfilment of these obligations in the field of external audit by the Accounting Chamber are the implementation of the standards and methodologies of the International Organization of Supreme Audit Institutions (INTOSAI), as well as the exchange of the best practices of the European Union in the field of external control and audit of public finances to improve its activities and further transform the Accounting Chamber into a powerful, independent audit institution.

IN PARTICULAR, IN 2023 THE FOLLOWING DOCUMENTS WERE ADOPTED:

- **the decision to recognize the INTOSAI Framework of Professional Pronouncements (IFPP) as the basis for the audit activities of the Accounting Chamber in the part that does not contradict the Constitution of Ukraine and the laws of Ukraine;**
- **Methodology for conducting a performance audit;**
- **Methodology for conducting a compliance audit;**
- **Newly revised financial audit methodology;**
- **Algorithm of the Accounting Chamber’s audit of consolidated financial and budgetary statements** (which is part III of the Financial Audit Methodology);
- **Methodological manual on ensuring the functioning of the quality management system in the Accounting Chamber;**
- **Procedure for annual planning of the Accounting Chamber activities;**
- **Specification and description of the process “Monitoring the implementation of the Accounting Chamber’s decisions based on the results of the consideration of the state external financial control (audit) measure”;**
- **Code of Ethics of the Accounting Chamber.**

ANALYSIS AND EXPERTISE OF THE STATE BUDGET OF UKRAINE

The Accounting Chamber is an active participant of the budget process. Every year, the Accounting Chamber analyses (controls) the formation and implementation of the state budget and provides its recommendations to ensure that the main financial document, by which the country lives every year, meets the priorities and capabilities of the state and the needs of citizens, and that taxpayers' funds are used timely, rationally and efficiently, especially in the conditions of the full-scale Russian invasion.

In its conclusions based on **the analysis of the annual reports on the implementation of the Laws of Ukraine “On the State Budget of Ukraine for 2021” and “On the State Budget of Ukraine for 2022”, the analysis of the state budget implementation in 2023 and the examination of the draft Law of Ukraine “On the State Budget of Ukraine for 2024”**, the Accounting Chamber particularly noted that:

- the priority in forming the state budget should be the financing of the country's security and defense for the fastest possible victory;
- the law on the state budget was drafted under conditions of uncertainty about the duration of martial law, lack of or limited statistical information, which reduces the accuracy of certain forecast indicators and increases the risk of non-execution of the state budget;
- according to the separate budget programs of the main managers, expenditures are proposed that were not carried out in previous years, therefore there are opportunities for their revision and directing them to the primary needs of the state in the conditions of martial law;
- the Cabinet of Ministers of Ukraine and the main managers of budget funds under individual budget programs did not review expenditures that, in particular, were planned every year and were not implemented;
- financing of the state budget remains dependent on the external support of international financial organizations and partner countries, the funds of which were directed to the most necessary expenses of the state budget.

MEASURES OF STATE EXTERNAL FINANCIAL CONTROL (AUDIT) were carried out in the following areas:

ADMINISTRATION OF REVENUES OF THE STATE BUDGET

The Accounting Chamber conducted **6 control measures on the effectiveness of the state authorities' performance of their responsibilities in terms of controlling the completeness and timeliness of state budget revenues, compliance with tax and customs legislation, etc.**, which revealed violations and shortcomings totaling almost **UAH 12.4 billion**.

SECURITY AND DEFENCE CAPACITY OF THE STATE

In general, **the 3 events** revealed violations and shortcomings totaling almost **UAH 16.5 billion**. The main objects of control in this area were **the Ministry of Defense of Ukraine, the State Protection Department of Ukraine and the State Service for Special Communications and Information Protection of Ukraine**.

The Ministry of Defense's planning of state budget expenditures for the purchase of material and the provision of food for the Armed Forces was imperfect and insufficiently justified. In the absence of proper monitoring of market prices for the food products, at the stage of concluding contracts for the provision of food to the military personnel of the Armed Forces, the most commonly used food products were purchased at prices that were on average 30% higher than market prices.

ECONOMIC RECOVERY OF UKRAINE

In 2023, **two performance audits** of the use of direct budget support funds of the United States, conducted by the Accounting Chamber, confirmed that the conditions for using these funds were mostly met. At the expense of direct budget support, the most vulnerable sections of the population — internally displaced persons, low-income families, persons with disabilities from childhood and children with disabilities — received timely assistance, the proper functioning of the medical industry and the provision of medical services to the population were ensured. Errors and violations detected during audits were not significant and most of them were eliminated during control measures.

At the same time, according to the results of the analysis of loans received by the state budget from foreign countries, foreign financial institutions and international financial organizations carried out by the Accounting Chamber, it was emphasized the need to create and maintain a register of investment projects implemented at the expense of these funds. This is necessary for the systematization and analysis of information on the status of project implementation.

SOCIAL AND HEALTHCARE SPHERES

A full package of rehabilitation and readaptation services for victims of the relevant category has not been formed. Despite the fact that the share of war veterans among the injured participants is high, their number has not been properly accounted for until now. The state did not develop and implement a step-by-step algorithm for the transition of citizens from military service to civilian life and did not form an appropriate system for providing rehabilitation and readaptation services at the expense of budget funds. **The quantitative indicator of provision of technical and other means of rehabilitation in 2021 was not fulfilled** by 25% of the planned, in 2022 — by 24%.

The current system of providing state support to internally displaced persons is not able to respond effectively to the crisis challenges.

Approaches to the training and retraining of medical and pharmaceutical workers need to be reviewed.

These are the key findings of 5 social and healthcare inspections, which revealed violations and shortcomings in the total amount of almost UAH 8.4 billion.

JUDICIARY, JUSTICE AND PREVENTION OF CORRUPTION

Six audits were conducted on the functioning of the judiciary, justice and prevention of corruption, which revealed violations and shortcomings in the total amount of **UAH 7.3 billion**.

According to the results of the audits, the objects of which were the Higher Qualification Commission of Judges of Ukraine, the State Judicial Administration of Ukraine, the Constitutional Court of Ukraine, it was concluded that **the state's incomplete staffing, financial and logistical support of the audited courts creates prerequisites for not achieving their main goal — high-quality and timely judicial proceedings, and on the other hand — increases the burden on the budget system**, in particular, due to an increase in the duration of court proceedings, repeated reviews of cases based on cassation appeals and compensation payments in connection with an appeal to the European Court of Human Rights.

MANAGEMENT OF STATE-OWNED FACILITIES AND MATERIAL RESERVES

In this direction, **3 measures** were carried out, as a result of which violations and shortcomings were established for a total amount of almost **UAH 4.5 billion**, and the following conclusions were drawn.

No special laws regulating the procedure for compensation for damage and losses caused by hostilities were adopted in Ukraine until 2023. Out of the required 23 methodologies for determining damage and losses in 21 areas, only 12 have been approved by central executive authorities.

The timeliness and completeness of management decisions **on the proper preservation and maintenance of real state property** located on the territory of the Kyiv-Pechersk Lavra National Reserve and being architectural monuments of national and local significance are not ensured.

FINANCIAL SECURITY AND STABILITY OF THE BANKING SYSTEM

Based on the analysis of the Deposit Guarantee Fund's activities in 2016–2019 with regard to the use of funds and the sale of transferred property, **the risk of non-payment of UAH 62.5 billion of the Fund's debt to the Ministry of Finance on accrued interest on repaid promissory notes was identified.**

In general, the State Financial Monitoring Service used the state budget funds **to implement the state policy on preventing money laundering, terrorist financing and sponsorship of the proliferation of weapons of mass destruction.**

CULTURE AND PRESERVATION OF NATIONAL MEMORY

The issues of culture and preservation of national memory are under constant control of the Accounting Chamber. According to the results of **2 state external financial control (audit) measures** in this area, violations and shortcomings totaling almost **UAH 3.7 billion** were identified.

AGRICULTURE, ENVIRONMENTAL PROTECTION AND ECOLOGICAL SAFETY

The absence of a comprehensive national action plan to achieve the Sustainable Development Goals, in particular Goal 6, 'Ensure access to and sustainable management of water and sanitation', leads to inefficient use of funds and ineffective implementation of individual measures, and negatively affects the efficiency of executive authorities that make management decisions and manage budget funds to achieve Goal 6.

According to preliminary estimates by the World Bank, as a result of the armed aggression of the Russian Federation, Ukraine's economy suffered a 29.2% decline in 2022. At the same time, the costs of restoring Ukraine as a whole have already increased to USD 411 billion. **Agriculture, which is the main source of income for 17.2% of the population, has suffered significantly due to the armed aggression of the Russian Federation and is increasingly suffering losses.**

EXECUTION OF POWERS BY STATE BODIES

The Antimonopoly Committee of Ukraine **generally ensured state protection of competition in business and public procurement.**

The functioning of the system of state architectural and construction control and supervision, as well as the performance of licensing and registration functions in construction, was legally defined and regulated. At the same time, the implementation of such control and supervision is hampered by a number of inconsistencies.

The National Agency for the Prevention of Corruption **generally ensured the fulfilment of its tasks and functions.**

RELATIONS BETWEEN THE STATE BUDGET OF UKRAINE AND LOCAL BUDGETS

The results of **2 audits** on the relations between the state budget and local budgets showed that the changes set out in the Concept of Reforming Local Self-Government and Territorial Organization of Power in Ukraine **has not been introduced into the Constitution of Ukraine since 2014.** The amount of revenues to regional budgets, which are significantly limited as a result of the decentralization reform, does not ensure that regional councils fully exercise their powers under the Constitution of Ukraine and basic legislation. The process of reorganizing regional authorities in Ukraine had not been completed.

VERIFICATION OF THE EXECUTION OF THE ESTIMATE OF ADMINISTRATIVE COSTS OF THE NATIONAL BANK OF UKRAINE, ANALYSIS OF THE REPORTS OF THE STATE PROPERTY FUND OF UKRAINE, THE ANTI-MONOPOLOGY COMMITTEE OF UKRAINE, THE MINISTRY OF THE ECONOMY OF UKRAINE (IN PART OF THE ANALYSIS OF THE FUNCTIONING OF THE PUBLIC PROCUREMENT SYSTEM)

FINANCIAL AUDITS

During the year, **9 financial audits** were conducted, 7 of which concerned the use of funds from projects supported by a loan from the International Bank for Reconstruction and Development. In the vast majority of cases, unmodified opinions were issued on the special purpose financial statements submitted to the International Bank for Reconstruction and Development. Thus, **the special purpose financial statements to the IBRD for the projects are prepared in accordance with the requirements established by the project agreements and legislation, and provide reliable data in all material respects regarding the receipt of loan funds to the state budget and expenditures, as well as the financial position of accounts opened under the projects.**

INTERNATIONAL COOPERATION

In 2023, the international activities of the Accounting Chamber were carried out taking into account the continuation of large-scale Russian aggression against Ukraine.

In the reporting year, **cooperation with the working groups and bodies of the International Organization of Supreme Audit Institutions continued.**

As part of its membership in the **INTOSAI Working Group on Environmental Auditing (INTOSAI WGEA)** in 2023, the Accounting Chamber joined the Global Cooperative Audit of Climate Change Adaptation Actions by conducting the national audit “Disaster Risk Reduction — Climate Change Adaptation Measures”.

During an online webinar organized jointly with the INTOSAI Capacity Building Committee as one of **the episodes of the webinar series “Auditing in a Complex and Challenging Environment”**, the Accounting Chamber shared its experience of conducting audit activities in the difficult conditions caused by the Russian aggression against Ukraine.

Within the framework of **cooperation with the European Organization of Supreme Audit Institutions**, the Accounting Chamber’s delegation took part in the **58th meeting of the EUROSAI Governing Board**, where a report on the activities of the EUROSAI Working Group on the Audit of Funds Allocated to Disasters and Catastrophes for the last year was presented and the participants were informed about the prospects of the group for the future.



In October 2023, the **IXth meeting of the EUROSAI Working Group on the Audit of Funds Allocated to Disasters and Catastrophes**, chaired by the Accounting Chamber since its establishment in 2014 at the IX EUROSAI Congress, took place. The meeting was held offline for the first time since 2019. The event was attended by 43 participants from 11 countries.

Within the framework of **bilateral and multilateral cooperation with SAIs of foreign countries**, the Accounting Chamber launched cooperation with the **Center for Audit Excellence of the U.S. Government Accountability Office**, which provides expert assistance in improving the institutional capacity and quality of audits.

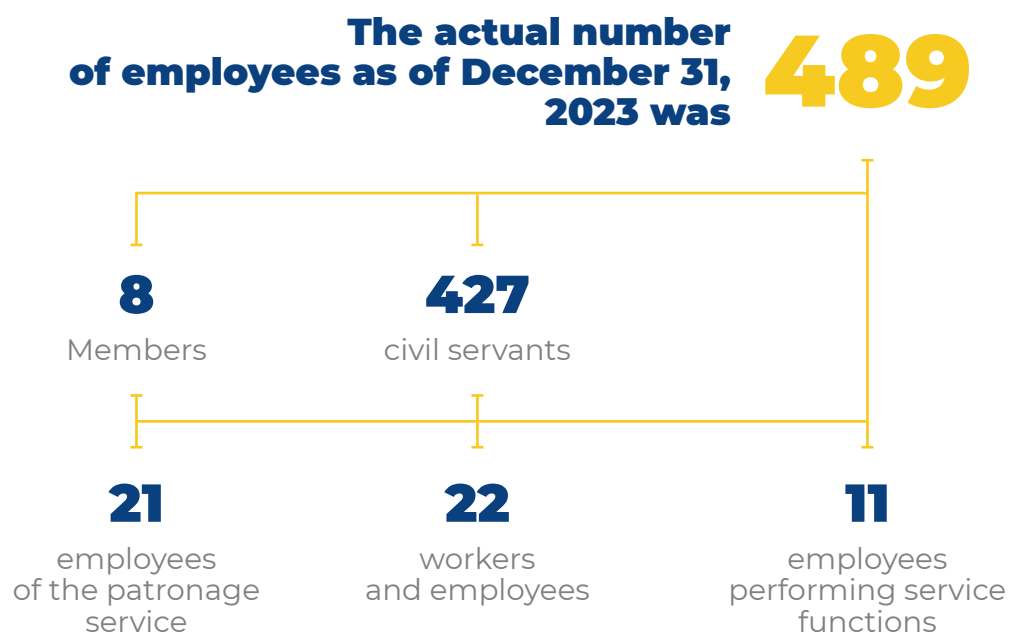
The Accounting Chamber of Ukraine and **the Court of Auditors of Hesse have launched a coordinated audit on “Civil protection in communal institutions of general secondary education”**. The Accounting Chamber also receives advisory assistance from the German Federal Court of Audit in conducting **an audit on “Residential premises for internally displaced persons: facilitating the integration of families at their new place of residence with the support of the Federal Republic of Germany under martial law”**.

We continued to participate in the **International Coordinated Audit of Goal 6 of the UN Sustainable Development Goals — “Ensure availability and sustainable management of water and sanitation for all”**.

Cooperation with international organizations and participation in international technical assistance projects and programmes continued. In particular, the Accounting Chamber approved a number of regulatory documents based on the International Standards of Supreme Audit Institutions (ISSAI) developed in cooperation with the **EU4ACU project “Strengthening Capacities in External Audit in Line with International Standards”**.

Cooperation with the World Bank continued within the framework of programs and projects financed with its support.

STAFFING



By the Resolution of the Verkhovna Rada of Ukraine No. 3529-IX dated 21 December 2023, Kyrylo Klymenko, Serhii Kliuchka, Olha Pishchanska and Yelyzaveta Pushko-Tsybuliak were appointed as Members of the Accounting Chamber and who began to perform the duties of Members of the Accounting Chamber in January 2024.

In the reporting period, 323 people carried out audit activities, including 211 in the central structural units of the apparatus and 112 in the territorial offices.

In the Accounting Chamber, the average age of employees in the reporting period was 49.3 years, including 49.6 years among men and 49 years among women. The percentage of young people under the age of 35 is 8.2% (40 persons) of the total number of employees.

290 women and 199 men worked in the Accounting Chamber.



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2024