

THE ACCOUNTING CHAMBER OF UKRAINE



ANNUAL REPORT 2013

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«THE ACCOUNTING CHAMBER SHALL,
ON BEHALF OF THE VERKHOVNA RADA
OF UKRAINE, EXERCISE THE CONTROL OVER
THE REVENUE TO THE STATE BUDGET OF
UKRAINE AND THE USE THEREOF»

ARTICLE 98 OF THE CONSTITUTION OF UKRAINE

DEAR LADIES
AND GENTLEMEN,
DEAR COLLEAGUES,

We are proud to present to you the Annual Report of the Accounting Chamber for 2013, which contains the main results of our activities, achievements in international cooperation and transparency areas as well as the key lines for development and further enhancement of the Institution.

We believe that the Report can provide the society, Supreme Audit Institutions — INTOSAI members, other organizations interested in cooperation with us, with more comprehensive overview of the Accounting Chamber's activities and performance in 2013 in the field of financial and economic control over expenditures of the State Budget of Ukraine.

Yours sincerely,

Roman Maguta
Chairman of the Accounting Chamber



MAIN ASPECTS OF 2013

The 2013 became a remarkable year for the Accounting Chamber. According to the Law of Ukraine as of September 19, 2013, «On amendments to the Article 98 of the Constitution of Ukraine», the Accounting Chamber resumed its right to exercise control over revenues of the State Budget of Ukraine. The extended powers enable the Accounting Chamber to ensure effective control over the implementation of the State Budget, strengthen its role as an independent audit institution and give a new impetus to the development of the public financial and economic control system.

Our Institution is elaborating the new Draft Law of Ukraine «On the Accounting Chamber», which shall define the legal framework, organization and procedure for execution of the external control of public finances by the Accounting Chamber, as well as its functions and powers.

First of all, the above-mentioned Draft Law should comply with the Lima Declaration of Guidelines on Auditing Precepts, generally recognized international standards and best practices of Supreme Audit Institutions. After adoption, the new Law shall strengthen functional, organizational and financial independence of the Accounting Chamber (hereinafter referred to as «ACU»), necessary for performance of its tasks. Particular attention is paid to the ACU's control over revenues of the State Budget of Ukraine, maintenance and management of state owned property, carrying out all forms and types of audits and conducting audits of accounts, systems of internal control and verification of annual financial and budgetary reporting by key spending units.

The document stipulates strengthening of the role of the Accounting Chamber as an independent body of external financial control in Ukraine and setting up its authority in the field of public control over both the revenues and expenditures of the State Budget of Ukraine.

Similar to previous years, in 2013 the Accounting Chamber as the state independent body of financial and economic control executed its mandate upon the following principles:

- legality;
- planning;
- objectivity;
- independence;
- publicity.

The Constitution of Ukraine, the Budget Code of Ukraine, the Law of Ukraine «On the Accounting Chamber» and other national legal and regulatory acts prescribe that the Accounting Chamber, on behalf of the Verkhovna Rada of Ukraine, exercises control over the revenues and expenditures of Ukraine's State Budget funds.





Based on the obtained experience and taking into account the amendments to the legislation, changes and priorities in socio-economic development of the State and the society, the Accounting Chamber identified its main spheres of the audit activities.

MAIN SPHERES OF THE ACU'S ACTIVITIES IN 2013

Financial and Budgetary Policy
Legal Support
Social Policy
Science and Humanitarian Sphere
Defense and Law Enforcement
Industry, Production Infrastructure and State Property
Agriculture, Nature Protection and Emergencies
Public Debt, International Activity and Financial Institutions
Expenditures of the State Budget Funds at Regional Level

The following Departments ensured fulfillment of the Accounting Chamber's tasks in 2013:

- Budgetary Policy Audit Department;
- Utilization of State Budget Funds by Financial and Controlling Bodies Audit Department;
- Legal Support Department;
- Defense and Law Enforcement Audit Department;
- Agriculture, Nature Protection and Emergencies Audit Department;
- Industry, Production Infrastructure and State Property Audit Department;
- Science and Humanitarian Sphere Audit Department;
- Social Policy Audit Department;
- Public Debt, International Activity and Financial Institutions Audit Department;
- Regional State Expenditures Audit Department.

The activities of the eight Regional Departments cover 21 oblasts of Ukraine, the Autonomous Republic of Crimea as well as the Cities of Kyiv and Sevastopol. During 2013, the Regional Department for Ivano-Frankivsk, Zakarpattia and Chernivtsi oblasts (based in Ivano-Frankivsk) has been still at the development stage due to lack of financial resources.



THE ACCOUNTING CHAMBER AND ITS REGIONAL DEPARTMENTS





MAIN RESULTS OF CONTROL AND ANALYTICAL ACTIVITIES AND EXPERTISE

GENERAL OVERVIEW

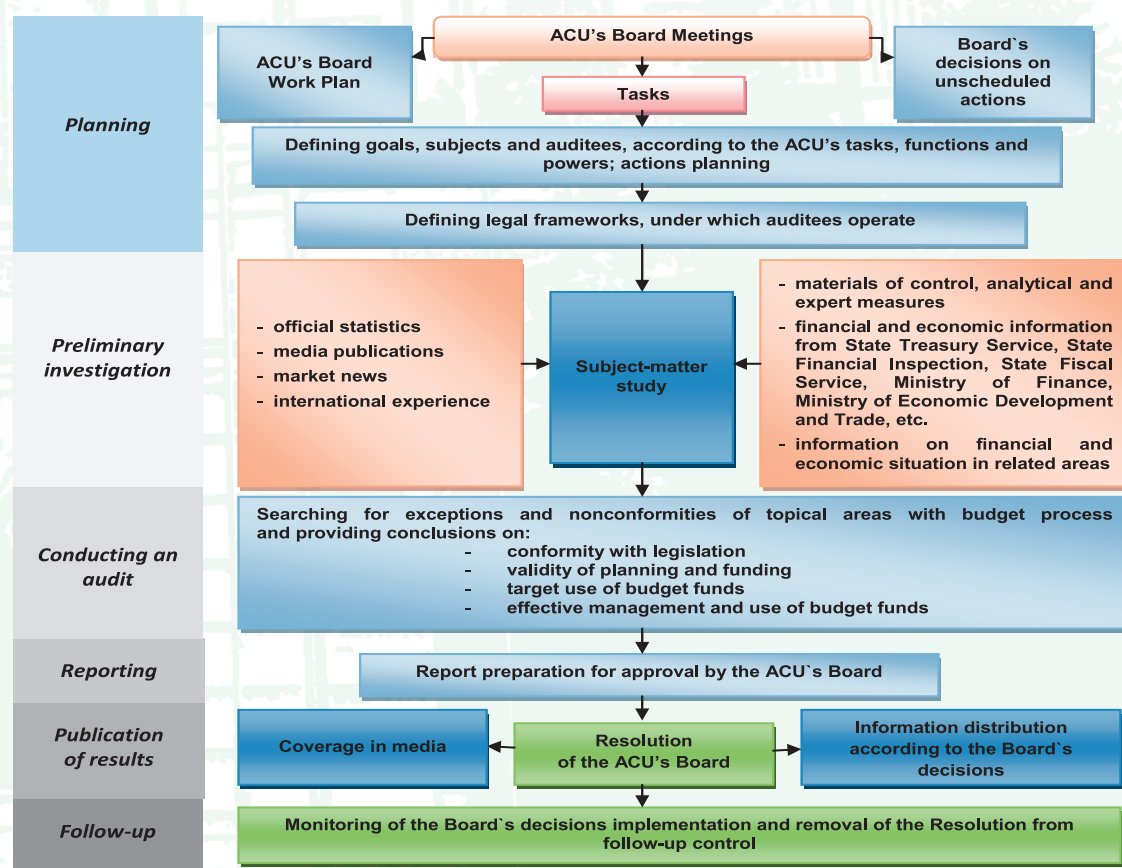
The Accounting Chamber's activities are based on collegial principle and provisions of the Law of Ukraine «On the Accounting Chamber», Budget Code of Ukraine as well as its own Regulations.

According to the Article 9 of the Law, the Accounting Chamber is governed by the Board considering issues of planning, organizing and carrying out the control, analytical activities and expertise during the year.

The Accounting Chamber's Board was established on May 23, 1997. The rotation of Board members was carried out in accordance with the corresponding Resolutions of the Verkhovna Rada of Ukraine dated June 17, 2004, March 25, 2005, July 7, 2011 and April 12, 2012.

In 2013 the Board consisted of the Chairman, Deputy Chairman, Secretary of the Accounting Chamber and six Chief Controllers — Directors of the Departments appointed by the Verkhovna Rada of Ukraine by secret ballot.

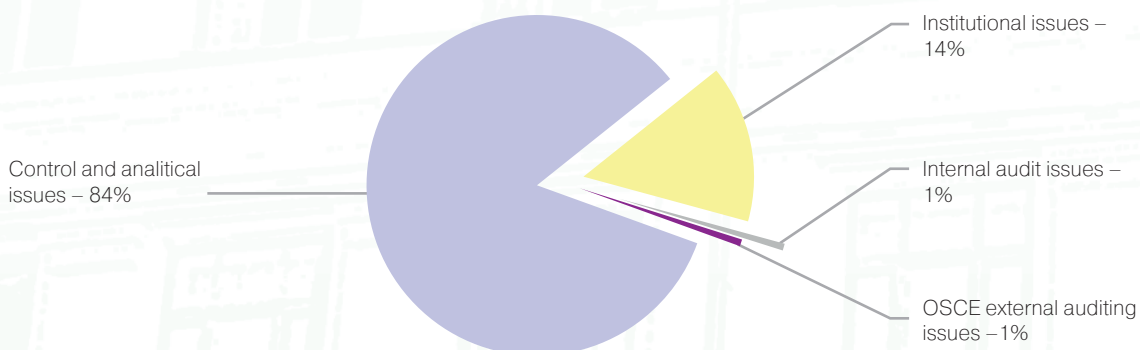
ACCOUNTING CHAMBER'S WORK ORGANIZATION CHART





In 2013, the Accounting Chamber's Board held 23 meetings and considered 152 issues. The central and regional Departments conducted 955 audits and expertise that resulted in 128 reports.

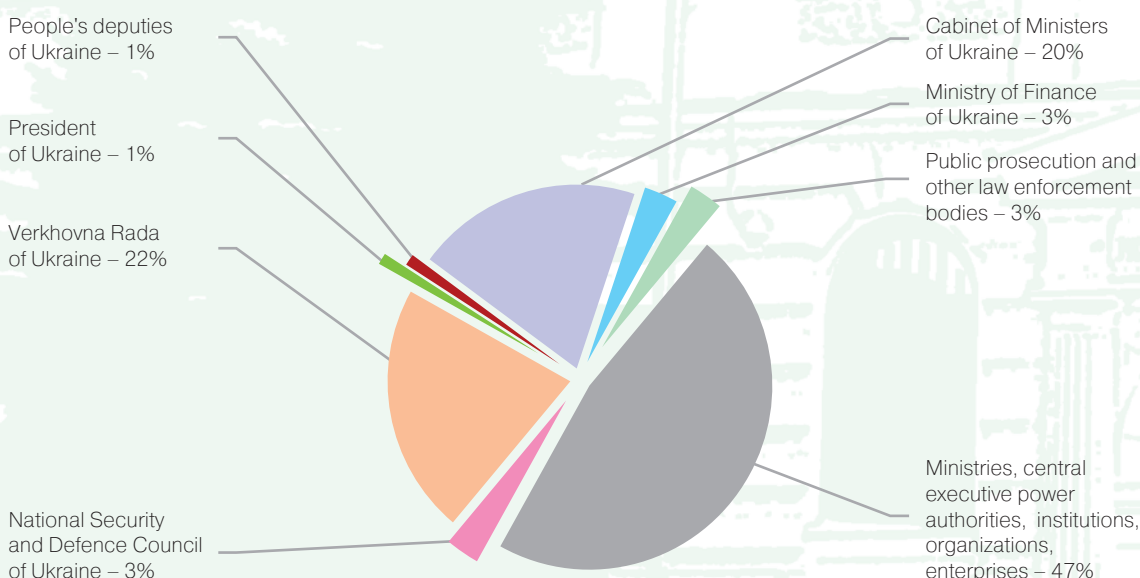
ISSUES CONSIDERED BY THE ACCOUNTING CHAMBER'S BOARD IN 2013



The control activities over expenditures of the State Budget of Ukraine, State Special Purpose Funds were exercised in 24 oblasts of Ukraine, the Autonomous Republic of Crimea and the Cities of Kyiv and Sevastopol. In general, 932 entities were audited.

Upon the results of the conducted audits and expertise 520 reports, conclusions, communications, certificates and letters were submitted to the supreme legislative, executive authorities, institutions, organizations and enterprises for appropriate reaction, elimination of the revealed violations and deficiencies, reimbursement of losses and damages to the State Budget of Ukraine. All of the above-mentioned documents contained sound, reasonable and specific recommendations for improving corresponding situations, preventing future violations and deficiencies, as well as increasing efficiency, effectiveness and economy of the State Budget's resources management.

STRUCTURE OF REPORTS, CONCLUSIONS, COMMUNICATIONS, CERTIFICATES AND LETTERS ON THE RESULTS OF AUDITS AND CONTROLS SUBMITTED FOR RELEVANT RESPONSE IN 2013

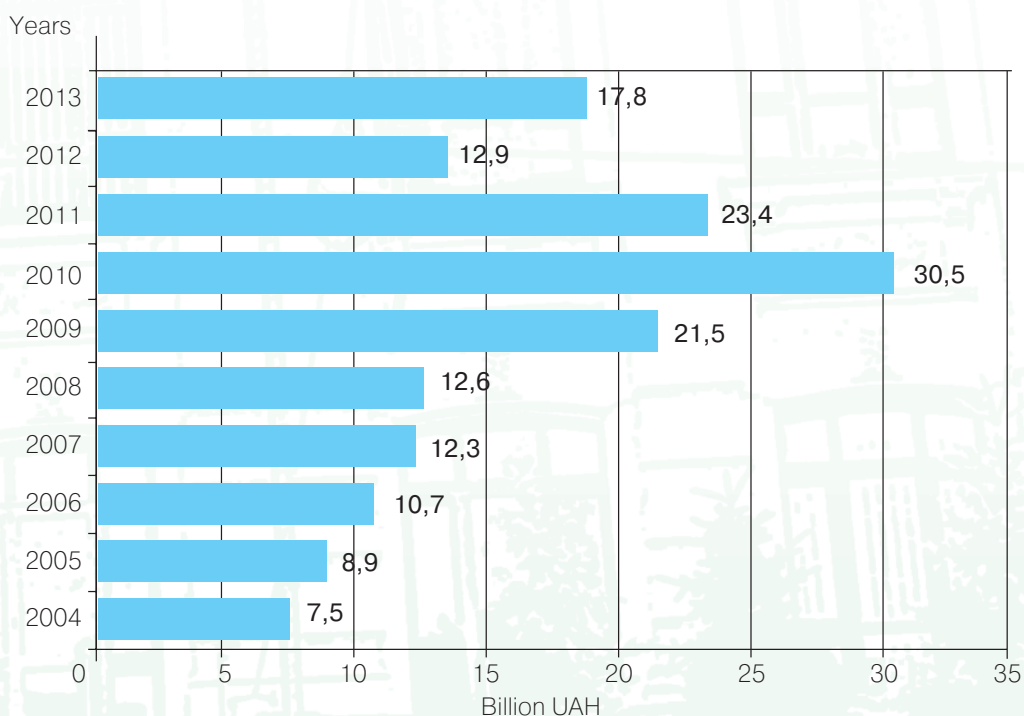




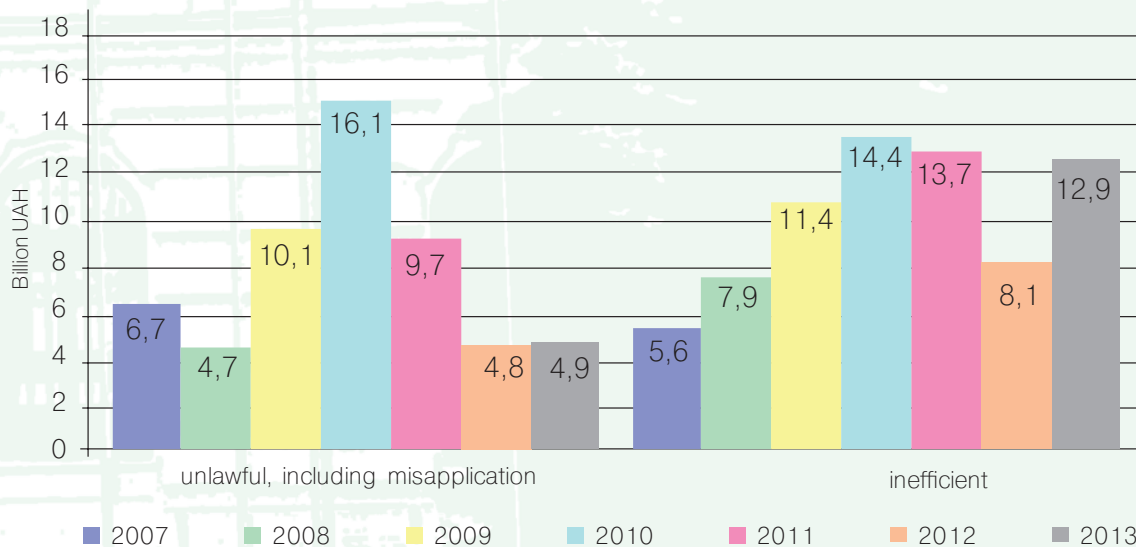
As the result of control activities and expertises the Accounting Chamber's auditors revealed, according to the Articles 116 and 119 of the Budget Code of Ukraine, violations of the budgetary legislation (unlawful spending, including misapplication of the budget funds), inefficient use of the State Budget funds and State Special Purpose Funds for UAH 17.874 billion in total, including:

- Unlawful spending, including misapplication of funds in the amount of UAH 4 894.6 million;
- Inefficient use of funds for UAH 12 979.4 million.

VIOLATION OF THE BUDGET LAW AND INEFFICIENT SPENDING OF BUDGET FUNDS



UNLAWFUL AND INEFFICIENT SPENDING OF BUDGET FUNDS



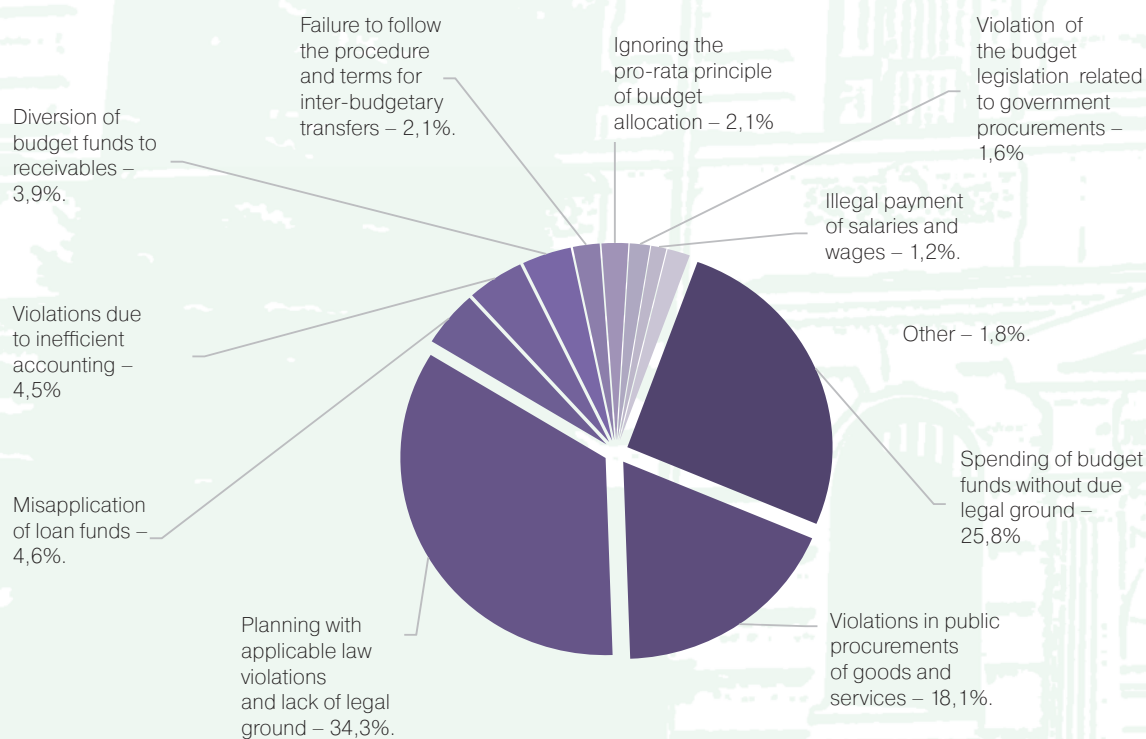


UNLAWFUL AND INEFFICIENT BUDGET FUNDS SPENDING RATIO



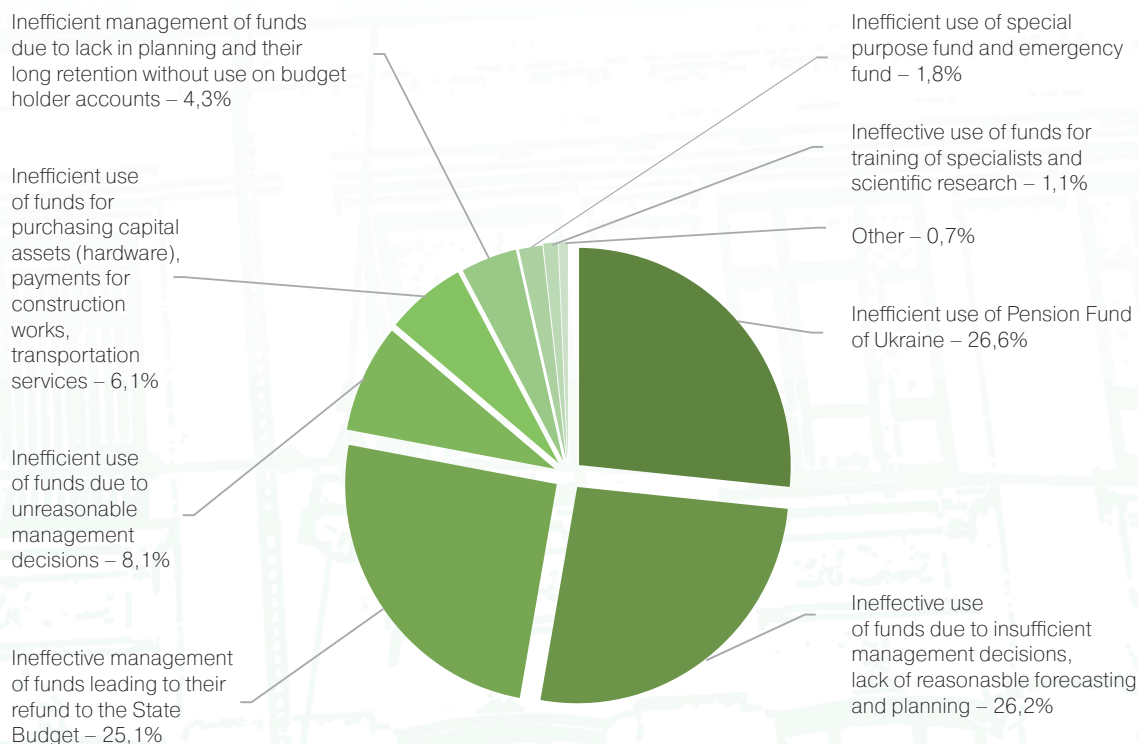
As a result of the renewal in September 2013 of the ACU's powers in terms of control over revenues of the State Budget of Ukraine, during control and analytical activities, the Accounting Chamber was paying attention not only to expenditures of public funds but also to revenues of the State Budget. The total amount of violations revealed in the course of management and administration of the State Budget reached UAH 10 million.

STRUCTURE OF REVEALED VIOLATIONS IN 2013 BY TYPES



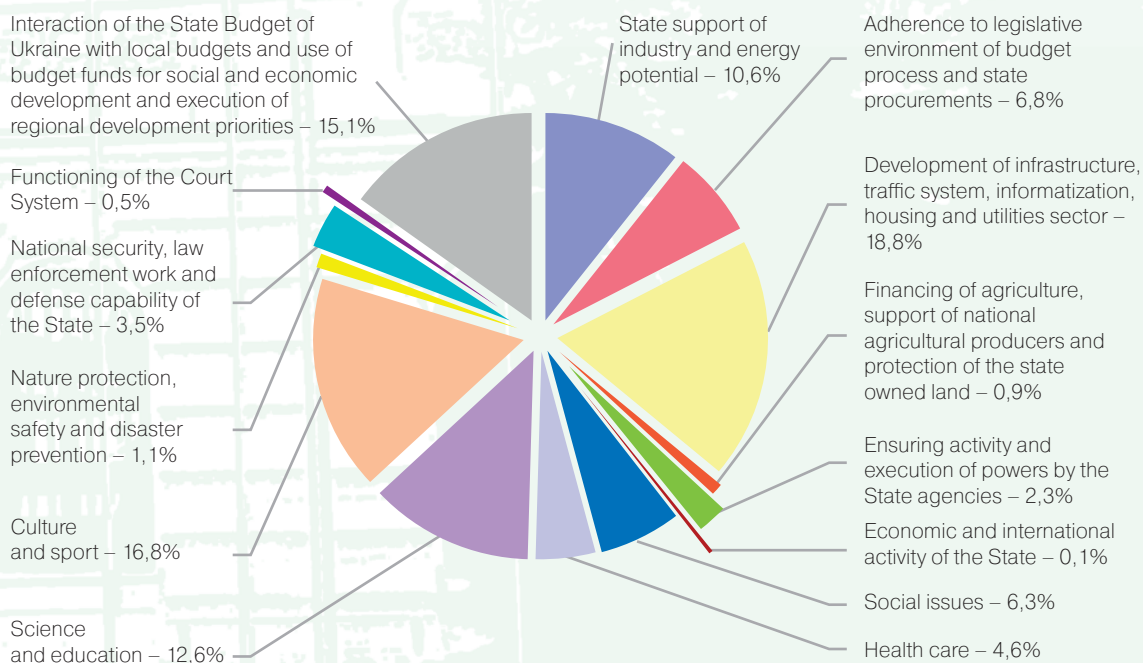


STRUCTURE OF MISMANAGEMENT AND INEFFICIENT SPENDING OF BUDGET FUNDS IN 2013 BY TYPES



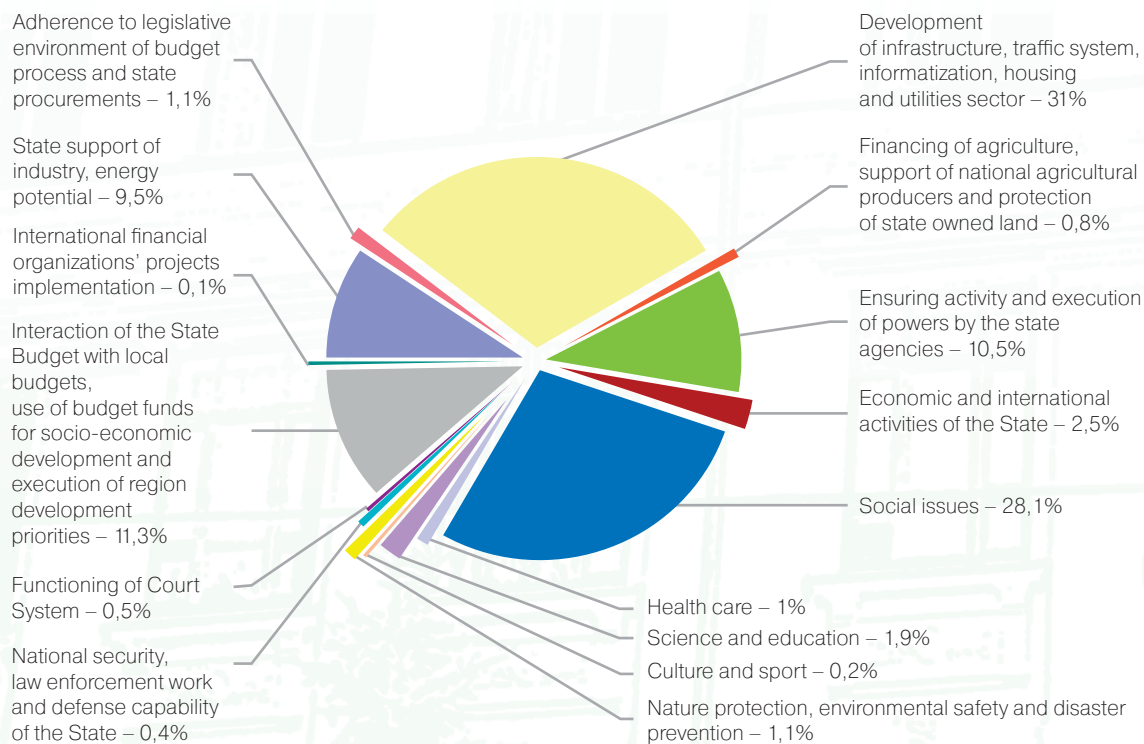
According to the Budget Code of Ukraine the materials on the results of control, analytical and expert activities conducted in 2013 were grouped by general themes and fields of the State Budget and State Special Purpose Funds spending. The structure of budgetary law violations, mismanagement and inefficient spending of public funds is provided in the following chart.

STRUCTURE OF REVEALED VIOLATIONS OF BUDGET LEGISLATION IN 2013 BY THEMES





STRUCTURE OF MISMANAGEMENT AND INEFFICIENT SPENDING OF BUDGET FUNDS IN 2013 BY THEMES





CONTROL, ANALYSIS AND EXPERTISE OF ELABORATION AND EXECUTION OF THE STATE BUDGET OF UKRAINE

According to legal requirements, during the reporting period the Accounting Chamber continued performing control, analytical and expert activities to ensure integrated system of control over execution of the State Budget of Ukraine and the State Special Purpose Funds. It stipulates conducting coherent and interconnected set of control, analytical and expert measures.

In 2013, the Accounting Chamber audited budgets of three years: 2012 (executed budget), 2013 (in the course of current budget execution) and 2014 (at the stage of budget drafting). Budgets of each fiscal year are considered as a separate stage of a three-year cycle.

Such control system is integrated into the main elements of budgetary process and provides continuous three-year control cycle over development and implementation of each fiscal year budget, which is performed during three consecutive stages: preliminary control while drafting the State Budget, on-going control and follow-up control of budget execution.



THEMES OF CONTROL AND ANALYTICAL ACTIVITIES

STATE SUPPORT OF INDUSTRY AND ENERGY POTENTIAL OF UKRAINE:

- taking measures in the field of energy efficiency and energy saving;
- safety improvement of power unit №2 of Khmelnytskyi Nuclear Power Plant and power unit №4 of Rivne Nuclear Power Plant;
- transfer to voltage of 330 kV in the overhead transmission line Simferopol-Sevastopol with the reconstruction and expansion of substations «Simferopol» and «Sevastopol»;
- implementation of government policy on industrial safety, labor protection and mines inspection;
- technical reequipment of coal, lignite (brown coal) and peat enterprises;
- funding projects related to conservation of capacities of industrial enterprises, restructuring and liquidation of the units of mining chemistry enterprises and companies of iron ore deep mining;
- aeronautical engineering.



COMPLIANCE WITH THE REGULATORY SUPPORT OF BUDGETARY PROCESS AND PUBLIC PROCUREMENTS:

- regulatory support by the Cabinet of Ministers of Ukraine of the implementation of the Law of Ukraine «On State Budget of Ukraine for 2012»;
- state of public procurements in Ukraine in 2012 and 2013;
- public procurements made by enterprises, institutions and organizations of:
 - Ternopil and Rivne oblasts;
 - Odesa and Mykolaiv oblasts.

DEVELOPMENT OF INFRASTRUCTURE, TRANSPORTATION SYSTEM AND HOUSING:

- construction, reconstruction and maintenance of social objects and other infrastructure;
- development of International Airport «Boryspil»;
- implementation of the capital city functions by Kyiv's authorities in terms of designing, construction and reconstruction of road connections and bridge crossings;
- securing safety of navigation conditions in the Black and Azov Seas;





- construction of metro in Dnipropetrovsk and allocation of the loan of the European Bank for Reconstruction and Development for its completion;
- measures on development and operation of centralized water supply and sewerage in Donetsk and Luhansk oblasts;
- implementation of the National Informatization Program.

FUNDING PROBLEMS IN AGRICULTURAL SECTOR, SUPPORT OF NATIONAL AGRICULTURAL PRODUCERS AND PROTECTION OF THE STATE OWNED LANDS:

- implementation of the Project «Rural Land Titling & Cadastre Development Project»;
- realization of selection programs in livestock, poultry farming and plant cultivation;
- use of budgetary funds allocated in 2010–2012 to Mankivskiy district of Cherkasy oblast.

PROVIDING ACTIVITIES AND EXECUTION OF POWERS BY THE STATE AUTHORITIES:

- application of the State Budget funds in the course of optimization of the central executive bodies system;
- governing and management in the field of supervision over compliance with labor legislation in 2011–2012;
- Central Election Commission;
- execution of the powers in the area of export controls by the State Service of Export Control of Ukraine;
- State Financial Monitoring Service of Ukraine;
- State Service of Ukraine on Drugs Control;
- State Automobile Road Agency of Ukraine;
- State Inspection of Ukraine on Consumer Rights protection;
- State Inspection of Ukraine on Price Control;
- National Commission for the State Regulation of Financial Services Markets;
- National Commission of the State Regulation of Public Utilities;
- State Tax Administrations in Lviv, Volyn and Ternopil oblasts in 2011–2012.



STATE ECONOMIC AND INTERNATIONAL ACTIVITIES:

- implementation of the State Target Economic Program for Internal Market Development for the period till 2012;
- generation, redemption and maintenance of the public and state guaranteed debt, analysis of information systems of public debt management;
- tangible property management of the state material reserves;
- development of mineral and raw materials resources base;
- government contractual work for supplying goods for the state needs;
- ensuring bilateral cooperation between Ukraine, foreign countries and international organizations, informational and organizational support for Ukraine's participation in international forums, conferences and exhibitions;
- activities of the State Enterprise «Financing of Infrastructural Projects» on management of the state guaranteed loans.

SOCIAL ISSUES:

- health care and recreation for children;
- providing disabled children with sanatorium treatment and rehabilitation;
- social security of orphans and children deprived of parental care under the principle «money follows a child»;
- rehabilitation of children with cerebral palsy;
- providing housing for soldiers-internationalists;
- construction (purchase) of housing for Ukraine's Armed Forces personnel;
- providing affordable housing for people requiring better living conditions in Kharkiv and Poltava oblasts;
- providing housing for citizens affected by the Chernobyl disaster;
- timeliness, legality and completeness of pensions payments by the Pension Fund of Ukraine;
- regulation of labor remuneration of public sector employees on the basis of the Unified Tariff Scale;
- aligning financial security and wages in the public sector;
- use of resources of the Insurance Fund of Ukraine Against Accidents at Work and Industrial Diseases in Dnipropetrovsk and Zaporizhia oblasts;
- use of resources of the Fund of Obligatory State Social Insurance of Ukraine Against Unemployment allocated for public works and unemployed persons;
- use of budget funds for debt repayment of citizens' depreciated savings in 2012;
- payment policy for employees of higher educational institutions of III-IV accreditation levels in Donetsk oblast.



HEALTH CARE ISSUES:

- prevention and treatment of tuberculosis;
- measures for adults cancer treatment;
- granting medical assistance to soldiers-internationalists in the Ukrainian hospital «Lisova Polyana»;
- development of health care system in Luhansk oblast.



SCIENCE AND EDUCATION:

- activities of the Presidium of the National Academy of Sciences of Ukraine and presidiums of specialized national academies of sciences of Ukraine;
- applicable scientific and technical researches in the field of the national transportation network development;
- R&D activities in Taras Shevchenko National University of Kyiv;
- scientific work of the Ministry of Energy and Coal Industry of Ukraine;
- applicable solutions and support of research institutions by the State Committee for Television and Radio Broadcasting of Ukraine;



- applicable solutions in the area of culture development;
- research and scientific personnel training by the Ministry of Finance of Ukraine;
- personnel training by the institutions of higher education of I-IV accreditation levels in the field of culture and arts;
- professional personnel development of the State Tax Administration and applicable solutions in the field of taxation, financial law and tax administration activities;
- personnel training and professional development for internal affairs authorities in Odesa State University of Internal Affairs;
- personnel training and professional development in Bohdan Khmelnytskyi National Academy of State Border Guard Service of Ukraine;
- teaching personnel training in educational institutions of the III-IV accreditation levels in Vinnytsia, Zhytomyr and Khmelnytskyi oblasts.



CULTURE AND SPORTS:

- support of the national theatres activities in Kyiv;
- book production under the Ukrainian Book Program;
- reserve training, staffing national sports teams and their participation in international competitions;
- financial support for NGOs in the field of physical culture;
- organization of activities for physical culture and sports development among employees and servicemen of law enforcement agencies by Sports Club «Dynamo» and its regional offices in the city of Kyiv and Kyiv, Cherkasy and Chernihiv oblasts.



NATURE PROTECTION, ENVIRONMENTAL SAFETY, PROTECTION OF NATURAL RESERVES AND EMERGENCIES PREVENTION:

- fulfillment of recommendations of the International Co-ordinated Audit of the Chernobyl Shelter Fund;
- implementation of measures for consequences elimination of emergency situation and environmental rehabilitation of the area suffered from mining operations of the State Enterprise «Solotvyno Salt Mine» in Zakarpattia oblast;
- flood protection in the Danube River basin and elimination of disaster consequences in the Reni district of Odesa oblast;
- fire protection in the Autonomous Republic of Crimea and Sevastopol;
- development of national park management and preservation of nature reserve objects of the state fund in the Autonomous Republic of Crimea;
- use of reserve fund of the State Budget of Ukraine in 2012.



**IN ACCORDANCE WITH THE WORK PLAN
OF THE EUROSAI TASK FORCE ON THE AUDIT
OF FUNDS ALLOCATED TO DISASTERS
AND CATASTROPHES AND THE WORK PLAN
OF THE EUROSAI WGEA ON THE INTERNATIONAL AUDIT
ON ADAPTATION TO CLIMATE CHANGE,
THE ACU'S BOARD CONSIDERED
THE FOLLOWING ISSUES:**

- audit report on implementation of the Convention on Cooperation for the Protection and Sustainable use of the Danube River;
- audit report on the use of funds allocated to prevention and consequences elimination of natural fires;
- report on performance audit results of efficient use of the State Budget funds allocated to nature reserve preservation in national parks.



**NATIONAL SECURITY, LAW ENFORCEMENT
AND DEFENSE CAPABILITY OF THE STATE:**

- implementation of the State Targeted Law Enforcement Program «State Border Development and Reconstruction» for the period till 2015;
- utilization of conventional ammunition;
- support of civil defense forces;
- maintenance and development of the Naval Forces of Ukraine;
- support of the Research Center of the Naval Forces of Ukraine «State Aquarium»;
- securing functioning of the State Migration Service of Ukraine in the field of citizenship, immigration and individuals registration;
- support of activities of the intelligence agencies.



FUNCTIONING OF THE COURT SYSTEM:

- financial and economic activities of the High Specialized Court of Ukraine for Civil and Criminal Cases;
- financial and economic activities of the High Council of Justice;
- providing activities of the High Qualifications Commission of Judges of Ukraine;
- providing local and appeal courts of general jurisdiction with facilities, its maintenance, payment for utility services and energy resources.





INTERRELATIONS BETWEEN THE STATE BUDGET AND LOCAL BUDGETS, USE OF FUNDS FOR SOCIAL AND ECONOMIC DEVELOPMENT OF REGIONS:

- improvement of social services for the most vulnerable groups of citizens;
- compensation for preferential transportation and reimbursement for telecommunication services for certain categories of citizens;
- implementation by the authorities of Dnipropetrovsk and Zaporizhia oblasts of the state policy in the field of secondary education;
- construction, reconstruction, repair and maintenance of streets and communal roads in Vinnitsa, Zhytomyr and Khmelnytskyi oblasts;
- procurement of medicines and related medical goods for ambulances;
- capital investments in health care facilities;
- restoration of priority objects of the state and regional significance;
- measures of socio-economic development in Kharkiv and Poltava oblasts;
- use of the State Fund for Regional Development.



IMPLEMENTATION OF INTERNATIONAL FINANCIAL ORGANIZATIONS' PROJECTS:

- effectiveness of the Urban Infrastructure Project supported by the IBRD loan;
- implementation of the Power Transmission Project supported by the IBRD loan.

INTERNAL CONTROL ISSUES:

- activity results of the Accounting Chamber Regional Department for Odesa, Mykolaiv and Kherson oblasts and information on the results of inspection of the Department's activities in 2011–2012.

IN COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS THE ACCOUNTING CHAMBER PREPARED AND CONSIDERED REPORTS ON:

- final audit of financial statements of the Project «State Tax Service Modernization — 1» in the framework of the IBRD loan;
- audit of the annual financial statements for 2012 in the framework of the IBRD loan for the implementation of the Social Assistance System Modernization Project.



COMPLETING FUNCTIONS OF THE OSCE EXTERNAL AUDITOR BY THE ACCOUNTING CHAMBER OF UKRAINE:

The Accounting Chamber's Board considered the Report and the Audit Conclusion on the OSCE consolidated financial statements for 2012 as well as the letter addressed to the OSCE on the mentioned statements.

According to its functions and powers, the Accounting Chamber also performed annual control over the use of funds of the Reserve Fund of the State Budget of Ukraine and analyzed reports of the Antimonopoly Committee of Ukraine, State Property Fund of Ukraine and the budget of the National Bank of Ukraine for 2012.

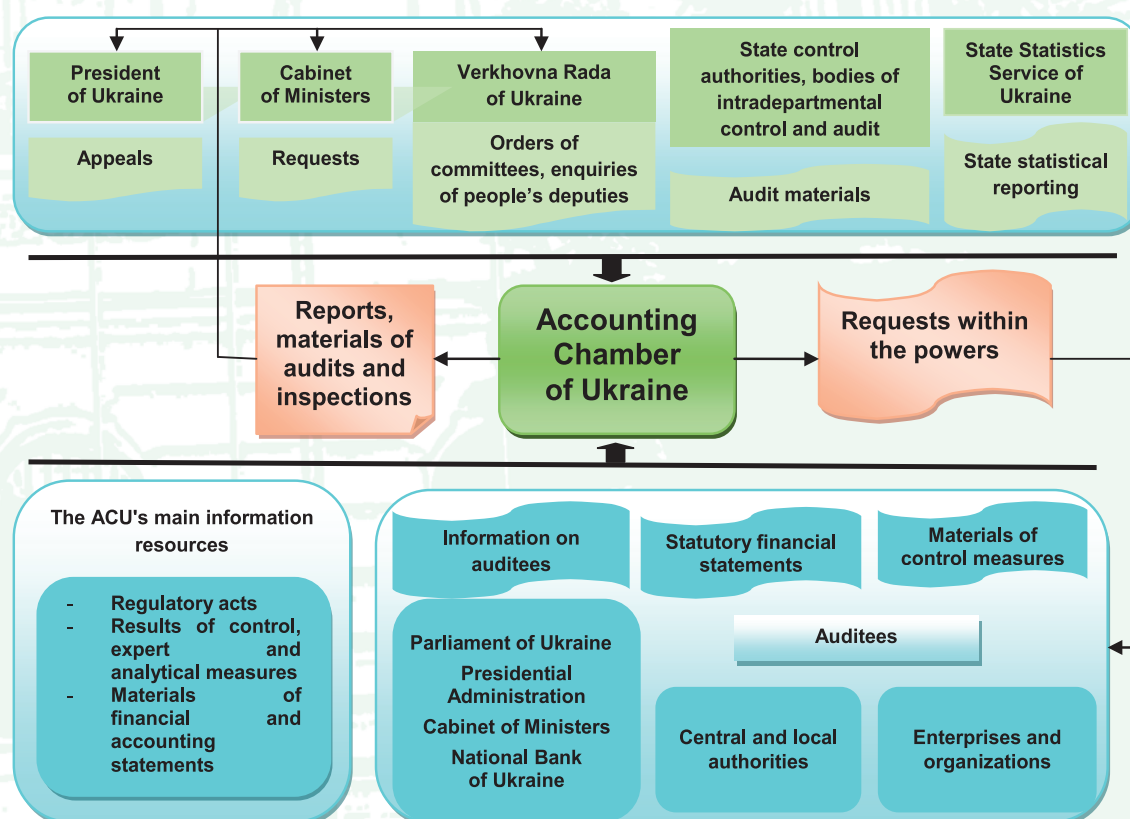
Off-schedule audits and controls were carried out under the corresponding Accounting Chamber's Board decisions, resolutions or requests of the Parliament of Ukraine, its Committees and people's deputies.



FEEDBACK FROM STATE AUTHORITIES, INSTITUTIONS AND ORGANIZATIONS ON CONCLUSIONS, PROPOSALS AND RECOMMENDATIONS OF THE ACCOUNTING CHAMBER'S BOARD

The Accounting Chamber thoroughly monitors and analyses how auditees implement recommendations based on the results of conducted audits. An audit is deemed to have reached its goals only in case of a relevant positive response to communications and conclusions of the Accounting Chamber's Board from the Cabinet of Ministers of Ukraine, ministries, central executive bodies or any other auditees.

GENERAL SCHEME OF INFORMATIONAL INTERACTION OF THE ACCOUNTING CHAMBER WITH STATE AUTHORITIES AND INSTITUTIONS





The Parliament of Ukraine took into account corresponding proposals of the Accounting Chamber's Board conclusions on results of conducted audits and controls in the process of drafting and adopting laws and regulations in 2013.

Many audit conclusions of the Accounting Chamber's Board, based on the results of control, analytical activities and expertise, were reflected in decisions of the Government of Ukraine regarding improvement of public financial and budgetary policies as well as the citizens' quality of life.

Conclusions, proposals and recommendations about elimination of revealed violations and increasing efficiency of the State Budget funds' management, approved by the Accounting Chamber's Board, were considered and taken into account by the corresponding public bodies — principal budget holders.

According to Article 26 of the Law of Ukraine «On the Accounting Chamber», in 2013 the Accounting Chamber submitted 7 materials to the General Prosecutor's Office (5 — on decisions of the ACU's Board and 2 — upon requests of the General Prosecutor's Office). It was done in compliance with the Interaction Procedure between the Accounting Chamber and the General Prosecutor's Office on Preparation, Submission, Consideration of Audit Materials and Informing of Results.

During the reporting period, the Accounting Chamber interacted actively with the Verkhovna Rada of Ukraine. Our representatives took part in 67 meetings of the Parliamentary Committees (in 2012–45) which considered 82 issues related to results of the effectuated control, analytical activities and expertise (in 2012–67).

Also, in 2013 the Accounting Chamber's representatives participated in 6 Committee hearings, 3 working group meetings, 2 workshops and 2 round tables («State anti-corruption policy: an assessment by civil society» and «Minimum subsistence wage: methods of defining and use as a tool of the state social policy»).

The corresponding documents prepared by the Accounting Chamber were used by the MPs at 6 parliamentary hearings, including rehabilitation and recreation for children, problems with Chornobyl disaster consequences elimination, development of the Ukrainian book publishing, enforcement of court decisions in Ukraine, prospects of health care sector reform in Ukraine, youth involvement in social life.



INTERNATIONAL COOPERATION

XXI Congress of the International Organization of Supreme Audit Institutions (INCOSAI) became a key event for SAs in 2013. It was held on October 21–27, 2013 in Beijing, the People's Republic of China. The central themes of the XXI INCOSAI were «National Audit and National Governance» and «The Role of Supreme Audit Institutions on Safeguarding Long-Term Sustainability of Finance Policies».

By the result of plenary sessions, the Congress approved important decisions on further INTOSAI development and a number of ISSAIs. Besides, the delegates endorsed Beijing Declaration on Promotion of Good Governance by Supreme Audit Institutions defining concepts of the INTOSAI activities for the next three years.

The ACU's delegation headed by the Chairman Roman Maguta took an active part in the Congress and discussions on interrelation between public audit and state governance concerning the role of public audit etc.

In the course of the forum, Mr. Maguta held a number of bilateral meetings, during which the Parties exchanged experience in public audit area as well as discussed the current state and prospects of bilateral cooperation. Moreover, the Parties agreed to prepare and approve the mid term joint action plans aimed at practical implementation of the cooperation agreements. In particular, the ACU's Chairman had meetings with the President of the Brazilian Federal Court of Accounts Augusto Nardes, Auditor General of the People's Republic of China Liu Jiayi, Comptroller & Auditor General of India Shashi Kant Sharma and Auditor General of Lithuania Giedrė Švedienė. By the results of these meetings, the Accounting Chamber of Ukraine signed bilateral agreements on cooperation with these SAs.



Meeting between the Chairman of the Accounting Chamber of Ukraine Roman Maguta and the Auditor General of the People's Republic of China Liu Jiayi (Beijing, October 23, 2013)

Actually, the Accounting Chamber has 24 bilateral agreements on cooperation concluded with 24 Supreme Audit Institutions of foreign countries.

In 2013, the Accounting Chamber took an active part in the work of the international organizations, such as EUROSAI and INTOSAI.

In particular, the ACU's delegation headed by the Chairman Roman Maguta participated in the 22nd UN/INTOSAI Symposium: Audit and Counselling by SAI's: Risks and Opportunities as well as Possibilities for Engaging Citizens» (March 5–7, 2013, Vienna, Republic of Austria). Within the framework of the Symposium, the participants discussed requirements for public audit, risks faced by SAIs performing their tasks, efficiency and transparency of audit and SAI's advisory services. Appropriate recommendations were elaborated during the Symposium.

The IV EUROSAI-ARABOSAI Conference «Current Challenges for Institutional Development of SAI» was held on April 16–18, 2013 in Baku (the Republic of Azerbaijan). The Conference resulted in adoption of «Baku declaration» in which the participants called the EUROSAI and ARABOSAI members to create proper conditions for strengthening status and powers of SAIs, supporting regional initiatives to raise awareness of Supreme Audit Institutions about the UN Resolution on strengthening the external state control and implementation of the ISSAIs at national level.

Within the framework of the second plenary session, the Deputy Chairman of the Accounting Chamber Oleksandr Yaremenko presented the report «The Role of Supreme Audit Institutions in achieving national development goals». He emphasized that SAIs were the base of the financial and economic control system in any country and no one economy or society could function fully and successfully without clearly organized, efficient, open and independent control.



Deputy Chairman of the Accounting Chamber Oleksandr Yaremenko speaking at the IV EUROSAI-ARABOSAI Conference (April 16–18, 2013, Baku, the Republic of Azerbaijan)

Also, during the IV Conference the Deputy Chairman of the Accounting Chamber Oleksandr Yaremenko held bilateral meetings with the Chairman of the Chamber of Accounts of the Republic of Azerbaijan Heydar Asadov, Auditor General of the National Audit Office of Lithuania Giedrė Švedienė and Auditor General of the State Audit Office of Georgia Lasha Tordiya. The Parties discussed bilateral cooperation issues in the field of financial control and agreed to sign the respective joint mid-term action plans.



As a member of the EUROSAI Governing Board the Chairman of the Accounting Chamber Roman Maguta took part in the 40th EUROSAI Governing Board Meeting (May 30, 2013, Brussels, Belgium) where the activities of the Organization in 2012–2013 were summed up and the Strategic Plan for the next period was considered.

During the meeting, Chairs of the EUROSAI GTs, task forces and working groups presented their annual reports. Mr. Maguta took the floor with the activity report of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes, chaired by the Accounting Chamber of Ukraine.

The ACU Chairman proposed to transform the previously mentioned EUROSAI Task Force into the EUROSAI Working Group taking into account its methodological experience, performance results and increasing role for the implementation of documents developed by the INTOSAI Working Group on Accountability for and Audit of Disaster-related Aid at the regional level (INTOSAI AADA).



XL EUROSAI Governing Board Meeting (May 30, 2013, Brussels, Belgium)

The delegation of the Accounting Chamber of Ukraine headed by the Chairman Roman Maguta took part in the VII Meeting of INTOSAI WG AADA (May 13–15, 2013, Valparaíso, Chile) and presented the activity report. The participants highly appreciated the role and results of the Working Group in creating appropriate regulatory framework for the practical work in the sphere of accountability for and audit of disaster-related aid.

Mr. Roman Maguta held a bilateral meeting with the Chairman of the INTOSAI WG AADA, Member of the European Court of Auditors, Mr. Gijs de Vries. The Parties discussed prospects for further activities in a view of completion of the INTOSAI WG AADA mandate in 2013.

During the visit to Chile, the ACU Chairman also met with the General Comptroller of the Republic of Chile Dr. Ramiro Mendoza Zúñiga and discussed bilateral cooperation issues including exchange of experiences as well as methodologies in conducting disaster prevention audits.

The delegation of the Accounting Chamber of Ukraine also attended the III Meeting of participants of parallel/coordinated audit on disaster preparedness (February 8–9, 2013, Ankara, Turkey) and the international parallel audit of rehabilitation and reconstruction phase carried out within the INTOSAI WG AADA.

In the reporting year, the Accounting Chamber intensified work within the INTOSAI Working Group on Public Debt. On April 29–30, 2013 the Kick-off meeting of the participants of the international

coordinated parallel audit of public debt management information systems was held in the Accounting Chamber of Ukraine (Kyiv) which was the coordinator of this audit. The delegations of the SAIs of Bulgaria, Brazil, Egypt, Yemen, Zambia, China, Moldova and Romania took part in the meeting.



Kick-off meeting of the participants of the international coordinated parallel audit of public debt management information systems (April 29–30, 2013, Kyiv, Ukraine)

By the results of the meeting, the participants adopted common program of the parallel audit including organizational and methodological aspects of its implementation in 2013–2014.

On May 27–29, 2013 the delegation of the Accounting Chamber took part in the Meeting of the INTOSAI Working Group on Public Debt held in Santiago (Republic of Chile) and discussed the report of the Working Group activities, mechanisms of public debt control and monitoring, actualization of the strategic objectives and plans. The Accounting Chamber provided participants with corresponding information and materials on the course of the parallel audit of public debt management information systems.

The Ukrainian delegation participated in the Annual Meeting of the INTOSAI Working Group on Environmental Auditing (INTOSAI WGEA) held in Tallinn, Estonia, on June 3–6, 2013. The purpose of the meeting was to discuss the work plan for 2014–2016, international projects and leading project approval, exchange of information and experience on national and international audits in different areas of the environment between members of the Working Group. The delegation of the Accounting Chamber made a presentation titled «International Coordinated Audit on Protection of the Black Sea against Pollution».

On April 22–24, 2013, the representatives of the Accounting Chamber took part in the VI Meeting of the INTOSAI Working Group on Key National Indicators (Krakow, Poland). During the meeting the participants discussed comments and proposals on the draft «White Paper on KNI», shared knowledge on practical aspects of key national indicators application in the work of SAIs and international organizations. The Work Plan of the Working Group for 2013 and the Report on its activities were adopted for presentation at the XXI INTOSAI Congress.

In the framework of the EUROSAI activities, the representatives of the Accounting Chamber attended meetings of the EUROSAI Goal Team 2 «Professional Standards» and Goal Team 3 «Knowledge Sharing».



During the meeting of the EUROSAI Goal Team 2 «Professional Standards» (November 11–13, 2013, Budapest, Hungary), the ACU delegation took part in discussions concerning corresponding provisional results, ongoing activities and plans. In particular, the participants exchanged opinions on interim analysis of the EUROSAI Strategic Plan and Operational Plan of the Goal Team; forthcoming training events in the EUROSAI region on professional standards; interaction with the INTOSAI working bodies and other partner organizations; ISSAIs translation issues.

During the 3rd Meeting of the EUROSAI Goal Team 3 «Knowledge Sharing» (November 20–22, 2013, Karlovy Vary, the Czech Republic) the delegation of the Accounting Chamber analyzed issues of the further Goal Team activities, made the presentation on the results of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes and its future plans.

In the framework of the EUROSAI Working Group on Information Technology, the practical seminar on self-assessment of information technology was held in the Accounting Chamber (with involvement of experts from the SAIs of Switzerland and Hungary). As the results of the seminar, the participants determined the existing problems, risks in this field and elaborated priority recommendations for improving and developing the ACU's IT infrastructure.

The representatives of the Accounting Chamber participated in the Young EUROSAI Congress (November 21–22, 2013, Rotterdam, The Netherlands). The main topic of the meeting was innovation in the SAI activities. The results of the Congress were used for preparation of the Agenda of the IX EUROSAI Congress in 2014 (The Hague, the Netherlands).

For the purpose of fruitful cooperation with the EUROSAI Working Group on the Environmental Auditing (EUROSAI WGEA) the Accounting Chamber participated in the XI Meeting of the EUROSAI WGEA and its Steering Committee (October 14–17, 2013, Prague, Czech Republic). The ACU's delegation discussed the Work Plan for 2015–2017, shared its experience in international coordinated audits and informed about current activities of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes. The kick-off meetings of international Coordinated Parallel Audit of Protection of the Black Sea against Pollution and Coordinated Audit of Funds Allocated to Prevention and Consequences Elimination of Wildfires took place.

In the framework of the EUROSAI Working Group on Environmental Auditing the Accounting Chamber participated actively in two international audits relating to the issues of national parks and biofuel.

In November 2013, the representatives of the Accounting Chamber attended workshops on the implementation of standards of performance audit and financial audit, which were organized by the IDI in Arusha, United Republic of Tanzania. Seminars became the third and the final phase of certification training on the International Standards for Supreme Audit Institutions after two previous stages: e-courses «Tools of compliance assessment of ISSAI» (October–December 2012) and «Guidelines for ISSAI implementation» (July–September 2013). As a result, the ACU's representatives obtained certificates of facilitators for ISSAIs implementation in the field of financial and compliance audit.

During 2013, the Accounting Chamber's international activities were focused on further development of the cooperation with the SAIs of other countries.

On March 14–15, 2013, the delegation of the Accounting Chamber headed by the Chairman Roman Maguta paid a working visit to the Supreme Audit Office of the Republic of Poland. During the visit the Chairman of the Accounting Chamber of Ukraine Roman Maguta met with the President of the SAI of Poland Jacek Jezierski. The Parties emphasized effective cooperation of the Ukrainian and Polish auditors as well as joint efforts helping to identify new approaches and methods in conducting audits and solving problems constantly emerging in today's globalized world.

The Ukrainian auditors and their Polish colleagues approved practice of signing specific joint plans on cooperation for the next three years period and discussed future prospects. In order to intensify further mutual efforts it was agreed to conduct in 2013–2015 a range of joint events including common monitoring (Ukraine, Poland, Belarus) for the implementation of recommendations based on results of the parallel audit «Protection of the Bug River drainage basin waters against pollution».

In the framework of the kick-off meeting of the participants of the international coordinated parallel audit of public debt management information systems (May 7, 2013, Kyiv, Ukraine) the Chairman of the Accounting Chamber Roman Maguta had a meeting with the President of the Federal Court of Accounts of Brazil, João Ribeiro Nardes. The heads of the SAls of Ukraine and Brazil discussed bilateral cooperation issues and agreed to sign the Agreement on Cooperation between the Accounting Chamber of Ukraine and the Federal Court of Accounts of Brazil during the INCOSAI in October 2013.



Meeting between Chairman of the Accounting Chamber of Ukraine Roman Maguta and President of the Federal Court of Accounts of Brazil João Ribeiro Nardes (May 7, 2013, Kyiv, Ukraine)

In the framework of the EUROSAI Task Force Meeting on the Audit of Funds Allocated to Disasters and Catastrophes (March 26–27, 2013, Sofia, Bulgaria) the ACU's Deputy Chairman Oleksandr Yaremenko negotiated with the President of the National Audit Office of the Republic of Bulgaria Valeriy Dimitrov. They discussed outcomes of the joint activities during the previous year and outlined further steps of bilateral cooperation. The Parties agreed to keep the existing practice concerning elaboration of the joint action plans for three-year period and to sign the new Plan for 2014–2016 at the next bilateral meeting.

One of the top priorities of the ACU's international cooperation in 2013 was activity of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes.

In order to implement the Task Force Working Plan for 2012–2014 a number of measures was taken. In particular, on March 26–27, 2013, the V Meeting of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes was held in Sofia (Bulgaria) attended by representatives from the SAls of Bulgaria, Hungary, Kazakhstan, Moldova, Norway, Poland, Russia, Slovakia and the Czech Republic.

During the Meeting, topical presentations were made by auditors and scientists. The TF Secretariat presented the activity report of the Task Force in 2012 as well as the third Draft Recommendations



for the Audit of Funds Allocated to Disasters and Catastrophes and revised Task Force Working Plan for 2012–2014.

Meetings devoted to parallel audits initiated by the EUROSAI Task Force, including audit of funds allocated to disasters and catastrophes; audit on protection of the Black Sea against pollution; audit of funds allocated on prevention and consequences elimination of wildfires took place as well.



The V Meeting of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes (March 26–27, 2013, Sofia, Bulgaria)

The meeting agenda included a seminar on experience of auditing in the field of control over the public funds expenditure allocated to prevention and consequences elimination of catastrophes. The seminar covered topics of wildfire, ways of its prevention and water pollution issues as major causes of environmental disasters. The SAs of Bulgaria, Russia and Ukraine exchanged experience in this area.

In 2013, the Accounting Chamber continued its activities as a member of the Council of Heads of Supreme Audit Institutions of the Commonwealth of Independent States.

The XIII Session of the Council of Heads of Supreme Audit Institutions of the CIS on the theme: «The role and place of SAI in auditing of funds allocated to support of agricultural industry» was held in Astana (Kazakhstan) on September 5, 2013. The Heads of SAs of eight CIS countries (Belarus, Armenia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tadjikistan and Ukraine) took part in the Session.

The Chairman of the Accounting Chamber of Ukraine Roman Maguta presented the report and highlighted a number of problems relating to control over the use of budget funds allocated to the agricultural development.

The participants shared experience on relevant audits and outlined prospects for cooperation. A set of documents was approved during the Session, in particular: decisions of the Session, resolution

on «The role and place of Supreme Audit Institutions of the Commonwealth of Independent States in auditing of funds allocated to support agricultural producers» and Working Plan of the Council of Heads of SAIs of the CIS for the period between XIII and XIV sessions.



The XIII Session of the Council of Heads of Supreme Audit Institutions of the Commonwealth of Independent States (September 5, 2013, Astana, Kazakhstan)

Moreover, in the framework of the Council of Heads of Supreme Audit Institutions of the CIS, the representatives of the Accounting Chamber of Ukraine participated in the seminar «The practice of control measures in the energy sector» (May 16–17, 2013, Bishkek, Kyrgyz Republic).

During 2013, the Expert Group on Key National Indicators continued its activities within the framework of the Council of Heads of Supreme Audit Institutions of the CIS. The representative of the Accounting Chamber of Ukraine took part in the VI Meeting of the Expert Group on Key National Indicators held in June 2013 in Minsk, Belarus.

During the reporting period, the Accounting Chamber of Ukraine also cooperated with other international organizations.

In 2013, the ACU's mandate as the external auditor of the Organization for Security and Cooperation in Europe (OSCE) expired. The Director General of the OSCE Lamberto Zannier sent a letter to the President of Ukraine, in which on behalf of the OSCE Secretariat, he drew attention to the thoroughness of reports prepared by the Ukrainian experts and highly appraised the work of the Accounting Chamber during previous four years on the position of the OSCE external auditor.



The 15th Session of the UNIDO General Conference (December 2–6, 2013, Lima, Peru)

The Government of Ukraine nominated the Chairman of the Accounting Chamber for the position of the External Auditor of the United Nations Industrial Development Organization (UNIDO).

To support this initiative during the year the Accounting Chamber held a series of meetings and negotiations, consultations and presentations for representatives of the UNIDO members. As a result, the delegation of the Accounting Chamber headed by the Chairman Roman Maguta participated in the 15th Session of the UNIDO General Conference (December 2–6, 2013, Lima, Republic of Peru), where the next External Auditor of the Organization had to be elected. The SAs of Germany, Norway, Sierra Leone, Ghana, Hungary and Ukraine took part in the elections. By the voting results, two candidates from Ukraine and Germany passed to the next stage. In the second round the representative from Germany, the President of the Federal Court of Auditors Prof. Dr. Dieter Engels won the elections.

The Accounting Chamber of Ukraine fruitfully cooperated with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH within the GIZ Project «Support to Public Finance Management Reform». One of the project priorities includes strengthening the role of the external controller (Accounting Chamber) as an integral part of the state financial system. Specific areas of cooperation reflected in the plan of cooperation between the Accounting Chamber and GIZ Project for 2013 were determined.

During 2013, a number of bilateral meetings with representatives of the European Commission were held. The purpose of the meetings was to discuss such important issues as identifying further possible areas of technical cooperation with the EU for promotion of reforms in public finance sector, particularly in terms of efficiency improvement of the external audit body and strengthening its independence.



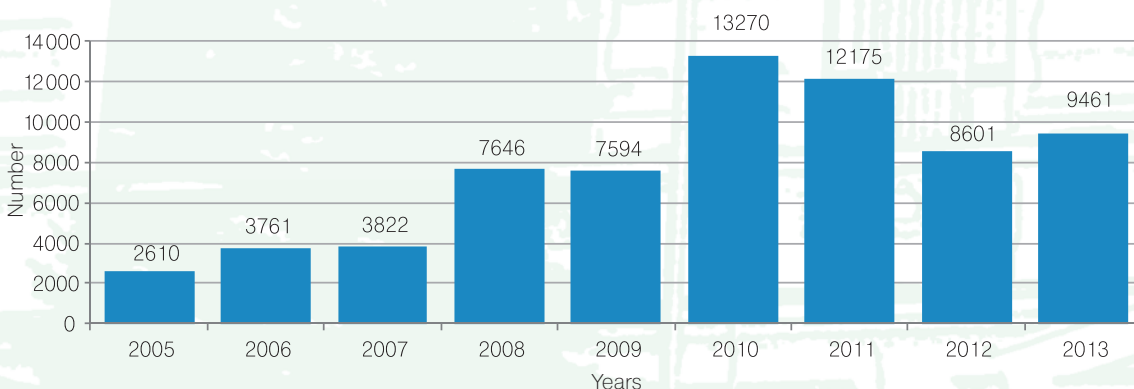
PUBLICITY IN ACTIVITIES OF THE ACCOUNTING CHAMBER

The cornerstones of the information policy of the Accounting Chamber are the principles of publicity and transparency, which according to the Law of Ukraine «On the Accounting Chamber» constitute an integral part of the activity of the independent constitutional body of public financial control.

During 2013, the Accounting Chamber kept the society duly informed through media about the results of the conducted audits and controls with the aim to enhance public control over expenditures of budgetary funds.

In the reporting year, the Accounting Chamber elaborated and disseminated 113 official communications upon the results of the conducted audits and controls. In general, 9461 materials related to the Accounting Chamber's activities were published during 2013.

GENERAL NUMBER OF PUBLICATIONS UPON THE ACCOUNTING CHAMBER'S MATERIALS

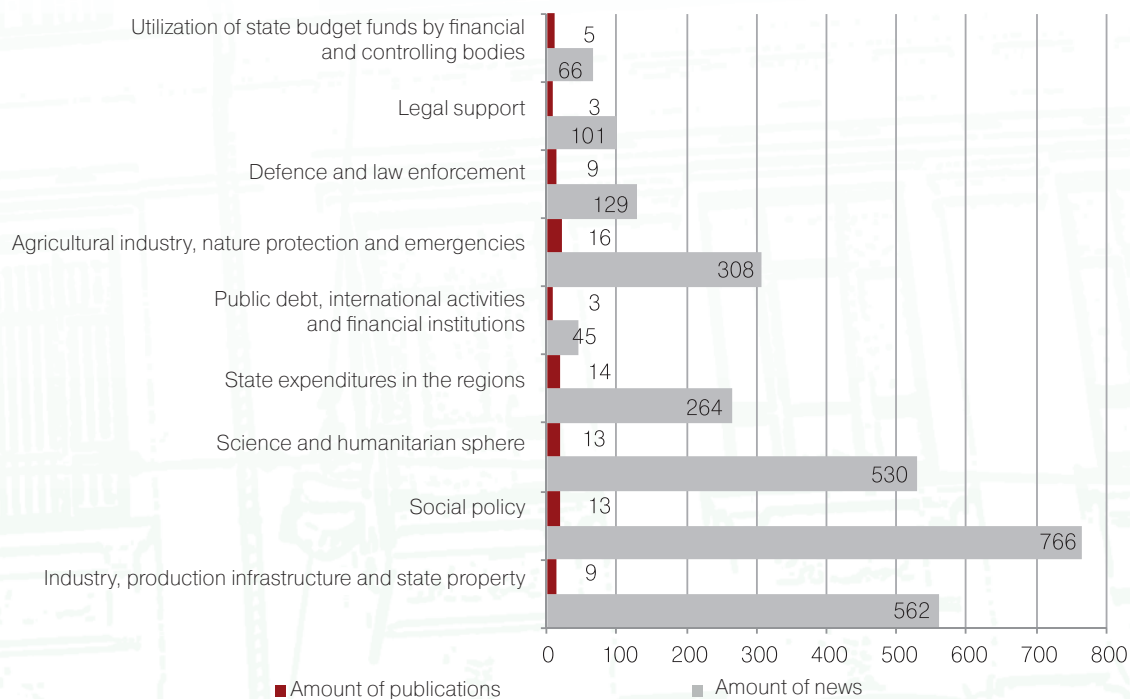


Active use of the Accounting Chamber's materials by politicians, economists, various experts, analysts and journalists during 2013 is an indicator of the credibility and professionalism of our institution and evidence of high level of control, analytical and expert work.

The upward trend of the ACU's presence in media during 2013 was primarily caused by a significant event for our institution – adoption and entry into force of the amendments to the Article 98 of the Constitution of Ukraine. The interest to the issue of renewal of the Accounting Chamber's constitutional powers to control the State Budget revenues was constantly high throughout 2013 due to long duration of the amendments process. Also, the constant attention of media was paid to the issues of the State Budget implementation during 2013.



NUMBER OF PUBLICATIONS AND NEWS IN MEDIA CONCERNING MATERIALS OF THE ACCOUNTING CHAMBER'S DEPARTMENTS IN 2013



During the reporting year the Accounting Chamber maintained close professional contacts with the newspapers, namely «Golos Ukrainy», «Uryadovy Kurier», «Yurydychnyi Visnyk» as well as with National Television Company of Ukraine, National Radio Company of Ukraine, Channel «Rada», News Agency «Ukrinform» and Radio Station «Golos Kyieva». The presence in regional media was significantly expanded. In general, in 2013 almost 250 printed media, internet publications, television and radio broadcasting channels published or used information about the Accounting Chamber's activities in their news and analytical articles.

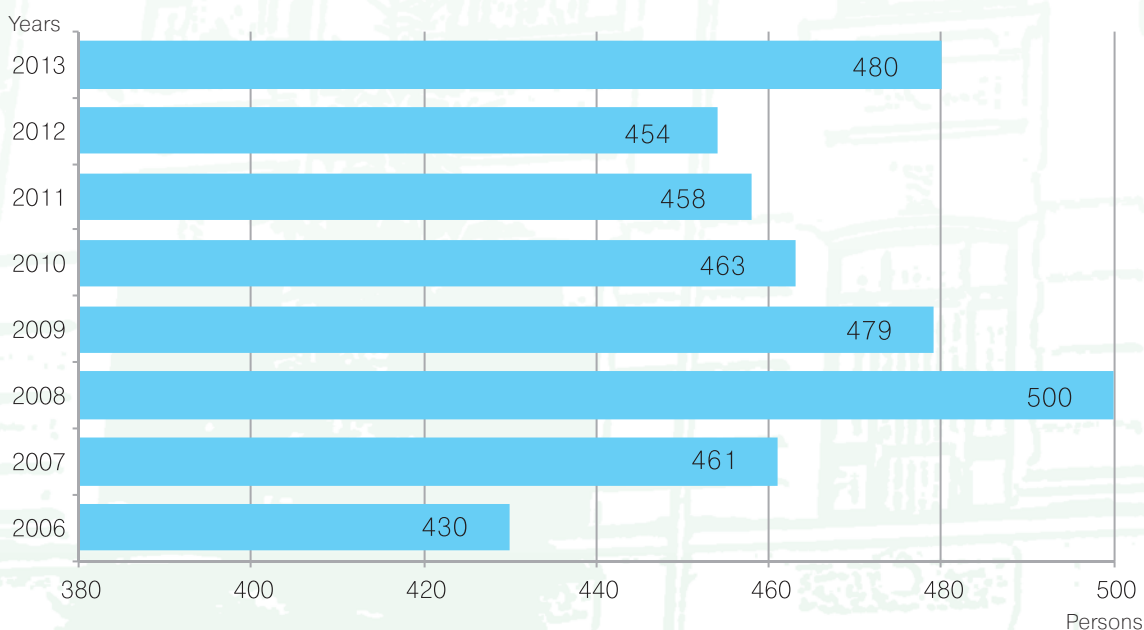


ENSURING OPERATION OF THE ACCOUNTING CHAMBER

HUMAN RESOURCES

At the end of 2013, the actual number of the Accounting Chamber's staff was 480 persons or 87% of the statutory staff size, of which 449 persons – public servants and 31 – administrative personnel. The Central Office of the Accounting Chamber numbers 356 persons and the Regional Departments – 124. Average age of employees – 43,8.

ACTUAL NUMBER OF THE ACCOUNTING CHAMBER'S STAFF



Scientific potential of the Accounting Chamber – 4 Doctors of Economics, 20 PhDs, 10 postgraduate students and 1 doctoral candidate. All the employed public servants have higher education including 147 persons holding master's degrees, 128 – two diplomas of higher education, 14 – three diplomas and 1 – four diplomas. Another 12 employees are obtaining their second or third higher education.

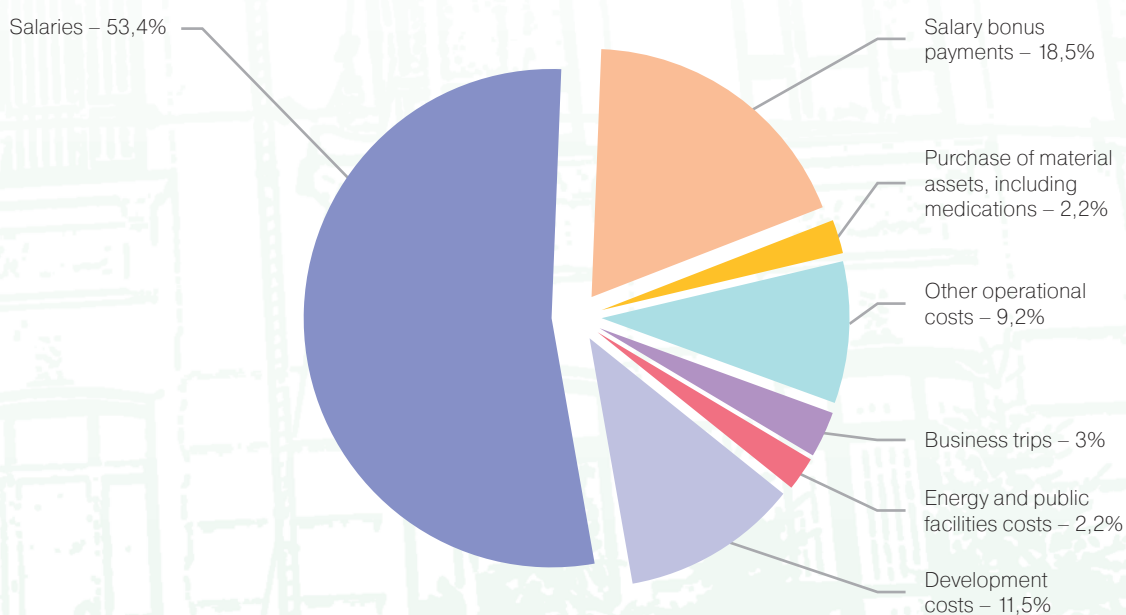
There are 19 persons with honorary degrees in the Accounting Chamber: 11 Honored Economists of Ukraine, 3 Honored Lawyers of Ukraine, 1 Honored Builder of Ukraine, 1 Honored Worker of Science and Technology of Ukraine, 1 Honored Worker of Industry of Ukraine, 1 Honored Worker of Agriculture and 1 Honored Journalist of Ukraine.



FINANCING AND LOGISTICS

The State Budget allocation for the Accounting Chamber in 2013 according to the Program «Administration and Management in the State Budget performance control» amounted to UAH 98 million 898.6 thousand.

STRUCTURE OF THE ACCOUNTING CHAMBER EXPENSES IN 2013





In the modern globalized world, the Accounting Chamber faces new challenges requiring further steps for its institutional development. In order to improve the ACU's activity performance and effectiveness the following first-priority actions have to be implemented:

- to submit to the Parliament of Ukraine the new Draft Law of Ukraine «On the Accounting Chamber» in accordance with the restored powers;
- to update on a regular basis regulatory and methodological documents of the Accounting Chamber implementing new INTOSAI standards and guidelines;
- to perform general coordination and management of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes and to take measures on its transformation into the EUROSAI Working Group with the same title;
- to continue practice of the parallel, joint and coordinated international audits of common interest for the Accounting Chamber and the SAIs of other states;
- to strengthen control and accountability of auditees' management regarding appropriate implementation of the Accounting Chamber's Board recommendations based on the results of performed audits;
- to develop the network of the Accounting Chamber's Regional Departments;
- to improve forms and methods of informing the society about results of control, analytical and expert activities carried out by the Accounting Chamber.



The Accounting Chamber of Ukraine
7, M. Kotzubynskogo Str.
01601, Kyiv, Ukraine

tel.: +380 (44) 234-95-65
tel.: +380 (44) 234-10-41
fax: +380 (44) 226-33-82

www.ac-rada.gov.ua
e-mail: rp@ac-rada.gov.ua
e-mail: ird@ac-rada.gov.ua