

THE ACCOUNTING  
CHAMBER OF UKRAINE

---



# ANNUAL REPORT 2011

Kyiv  
2012



## Contents

Welcoming Address.....	1
2011 Performance: Main Aspects.....	3
Main Results of Control, Analytical and Expert Measures General overview.....	5
Control, Analysis and Expert Examination of the State Budget of Ukraine.....	11
Themes of Audit and Analytical Activities.....	12
Feedback of State Bodies, Institutions and Organisations to Conclusions and Recommendations of the Accounting Chamber's Board.....	19
International Cooperation.....	20
Transparency in the Activities of the Accounting Chamber.....	26
Ensuring Operation of the Accounting Chamber	
Human Resources.....	27
Financing and Logistics.....	28



*«The Accounting Chamber shall, on behalf of the Verkhovna Rada of Ukraine, exercise control over expenditures of the State Budget of Ukraine»*

*Article 98 of the Constitution of Ukraine*

**Dear Ladies and Gentlemen!**  
**Dear Colleagues!**

In this annual Report we highlight the main outputs delivered by our team in the year 2011, provide examples of systemic issues identified during our audits, controls, expert and analytical work, share our achievements at international level and in ensuring publicity and transparency, and describe the main lines for further development and improvement of our institution.

We hope this report will help the society, the SAI members of INTOSAI and other stakeholders interested in cooperation with us to obtain better understanding of the impact of the Accounting Chamber's financial and economic control, and how the funds from the State Budget of Ukraine were spent in 2011.

Chairman  
of the Accounting Chamber

Roman Maguta



## 2011 Performance: Main Aspects

The Accounting Chamber as totally independent body of financial and economic oversight in the country executes its mandate upon the principles of:

- rule of law,
- planning,
- objectivity,
- independence,
- transparency.

The Constitution of Ukraine, the Budget Code of Ukraine, the Law of Ukraine "On the Accounting Chamber" and other national legal and regulatory acts set out that the control over expenditures of the State Budget of Ukraine on behalf of the Verkhovna Rada of Ukraine is exercised by the Accounting Chamber.



Based upon experience obtained of conducting audits and controls and taking into account amendments to the applicable legislation, changes and priorities of social and economic development of the country and the society, the Accounting Chamber identified its main spheres of audit activities.

### Main Spheres of Audit Activities in 2011

Financial and Budgetary Policy
Legal Support
Defense and Law Enforcement
Agriculture, Nature Protection and Disasters
Public Debt, International Cooperation and Financial Institutions
Science and Humanitarian Sphere
Social Sphere
Industry, Production Infrastructure and State Property
Spending of the State Budget Funds by Regions

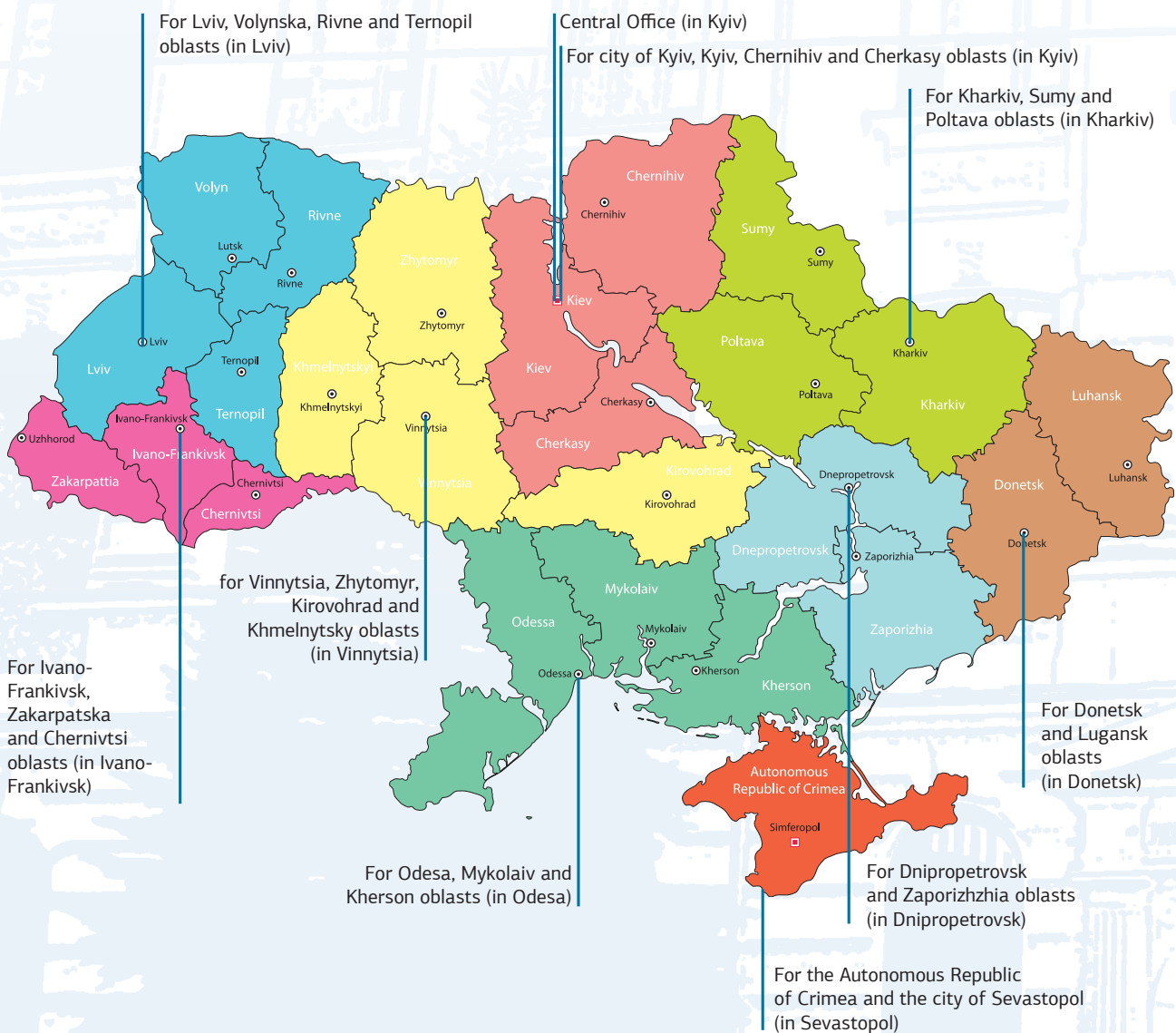
The tasks faced by the Accounting Chamber in 2011 were carried out by the following departments:

- 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;
- Agricultural Industry, 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 Cooperation and Financial Institutions Audit Department;
- State Expenditures in the Regions Audit Department.

There are also eight regional departments that run its work as to cover 21 oblasts of Ukraine, the Autonomous Republic of Crimea as well as the cities Kyiv and Sevastopol. Regional department for Ivano-Frankivsk, Zakarpatska and Chernivtsi oblasts (with office in the city of Ivano-Frankivsk) was still under construction due to lack of financial resources in the reporting year.

### Accounting Chamber and its regional Departments





## Main Results of Control, Analytical and Expert Measures

### General overview

According to Article 9 of the Law of Ukraine “On the Accounting Chamber” the Accounting Chamber is governed by its Board which looks into the issues of planning, how the work is organized and how audits are carried out.

Activities of the Accounting Chamber is based on the principal of collegiality and governed by the provisions of the Law of Ukraine “On the Accounting Chamber”, the Budget Code of Ukraine and the Regulations of the Accounting Chamber.

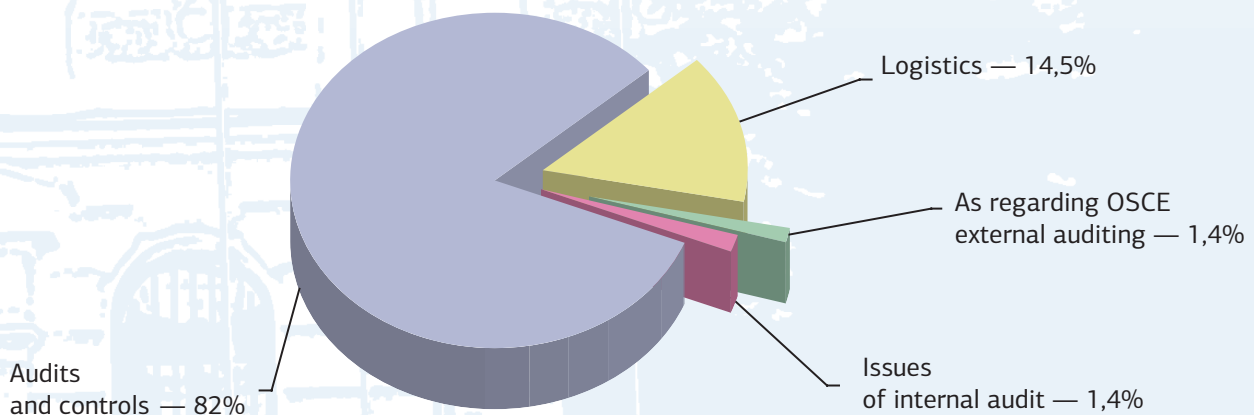
Accounting Chamber’s Board was formed on May 23, 1997. There were rotations of the Board members as according to the Verkhovna Rada’s resolutions dated of June 17, 2004, March 25, 2009 and July 2011.

In the first half of 2011 the Board of the Accounting Chamber consisted of the Chairman, the Deputy Chairman, the Secretary and eight Chief Controllers – Directors of Audit Departments that had been assigned to their positions by the Verkhovna Rada by means of secret ballot.

In the second half of 2011 the Board comprised only by the Acting Chairman and the six Chief Controllers- Directors of Audit Departments, since mandates of the Chairman and other Chief Controllers had been expired.

**23 meetings** of the Accounting Chamber’s Board were conducted in 2011 and **145 issues were considered.**

#### Issues considered by the Accounting Chamber's Board in 2011

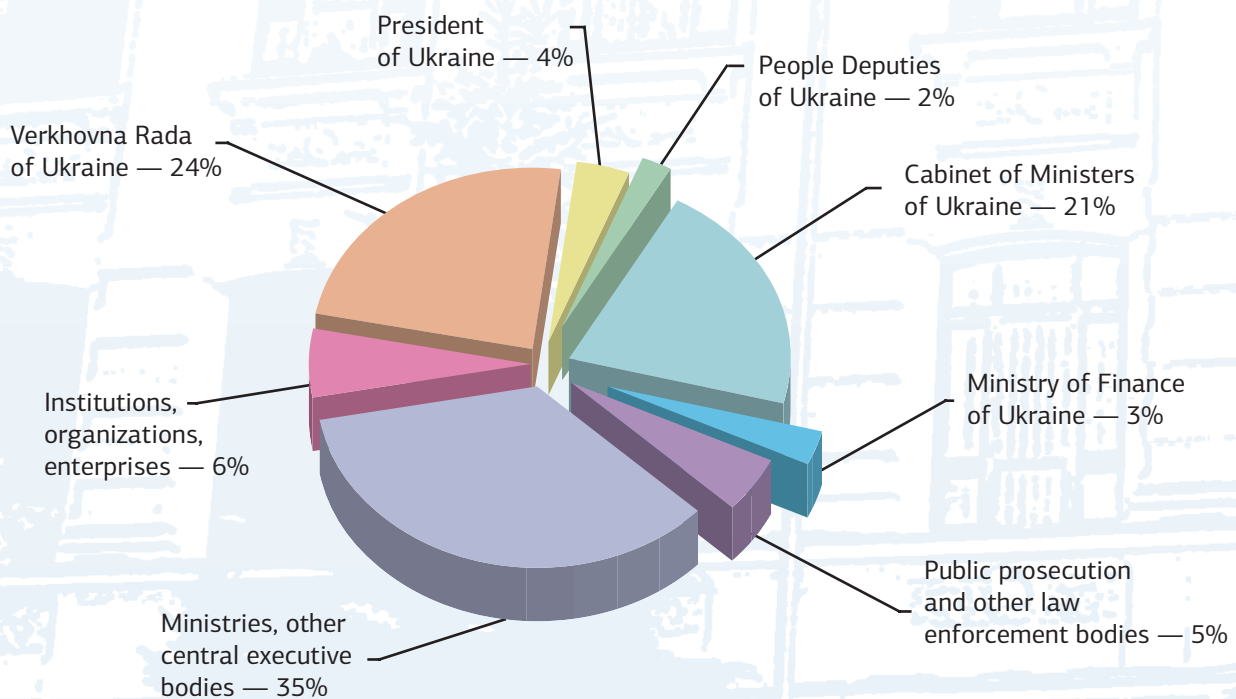


Departments of the Accounting Chamber (including those in the regions) conducted **1002 audits and control** activities (documented with relevant certificates); **120 reports and conclusions** were prepared upon the results thereof.

Control activities over expenditures of the State Budget and the state specialized funds were carried out in 23 oblasts of Ukraine and the Autonomous Republic of Crimea. All in all, 873 bodies were audited.

Upon the results of the conducted audits and controls 513 reports, conclusions, communications, certificates and letters were prepared which and were sent to the supreme bodies of legislative and executive power, institutions, organizations and enterprises to make them react, eliminate revealed breaches and shortcomings and compensate for losses and damages to the State Budget of Ukraine. In all the above documents sound, reasonable and specific recommendations were provided as how to improve the situation, prevent various breaches and drawbacks from happening in the future, and how to increase efficiency, effectiveness and economy of budget money spending, both at large and to specific goals.

**Structure of reports, conclusions, communications, certificates and letters on the results of audits and controls sent for relevant response in 2011**



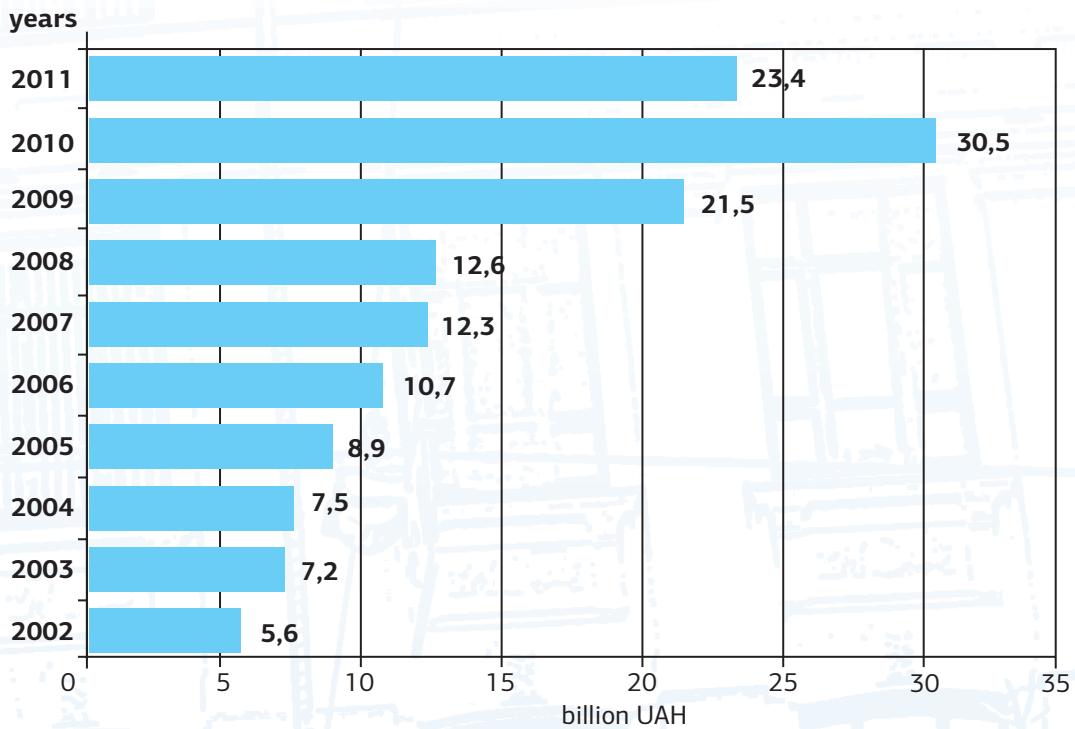
The auditors of the Accounting Chamber ascertained infringements of the budget law (unlawful spending including misapplication of the budget funds), as according to the articles 166 and 119 of the Budget Code of Ukraine, inefficient spending of State Budget and state special purpose funds amounting to **23 billion 456.6 million UAH in total**. From this sum:

- **unlawful spending including misapplication of funds amounted to 9 billion 726.2 million UAH;**
- **inefficient spending of funds amounted to 13 billion 730.4 million UAH.**

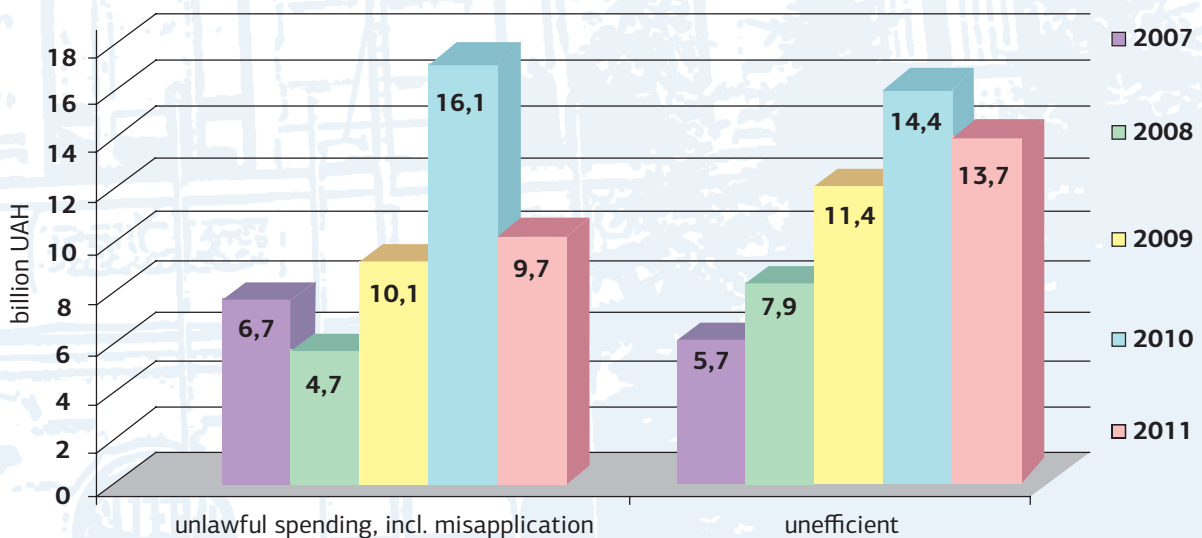




### Infringements of the budget law and inefficient spending of budget funds

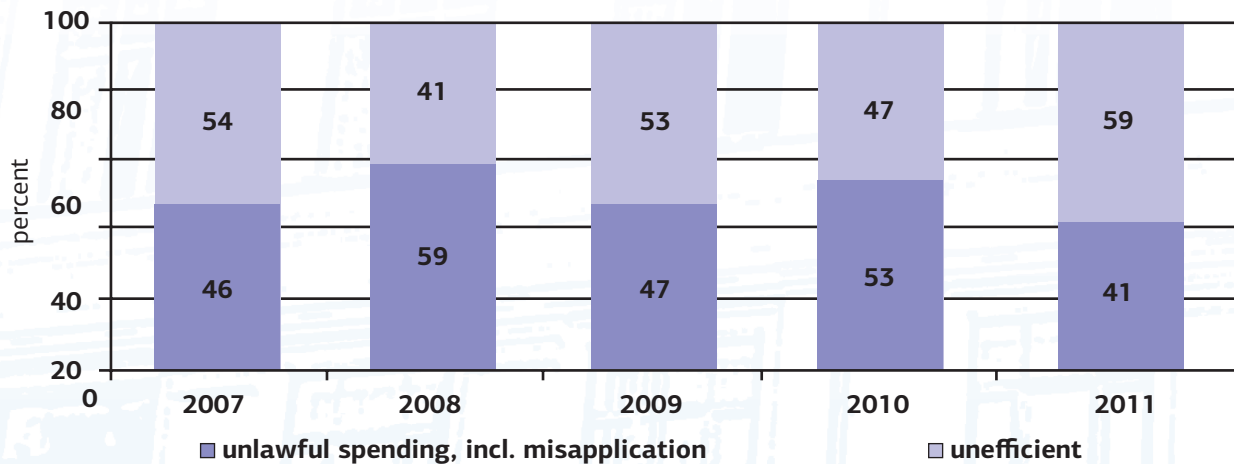


### Structure of the revealed breaches in budget funds spending



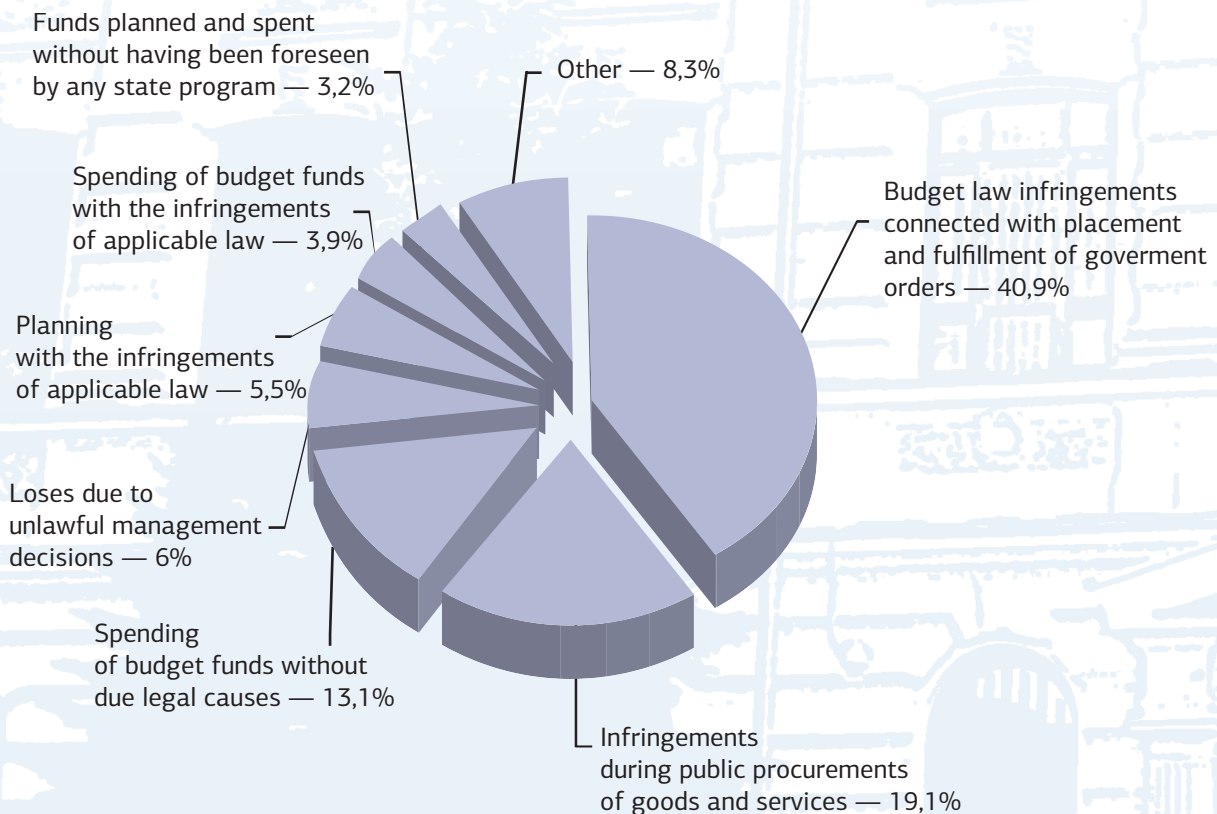
Some decrease, as compared with 2010, in number of the revealed infringements of the budget law and cases of inefficient spending of budget funds was explained by the fact that the Accounting Chamber had been deprived of the power to control state budget revenues and because in the reporting year the Accounting Chamber's work was aimed at conducting audits and controls to establish the actual state of affairs with regards to implementation of decisions and conclusions of the Accounting Chamber's Board, to encourage elimination of the revealed breaches and shortcomings and to improve effectiveness and efficiency of its audits.

### Unlawful to inefficient budget funds spending ratio



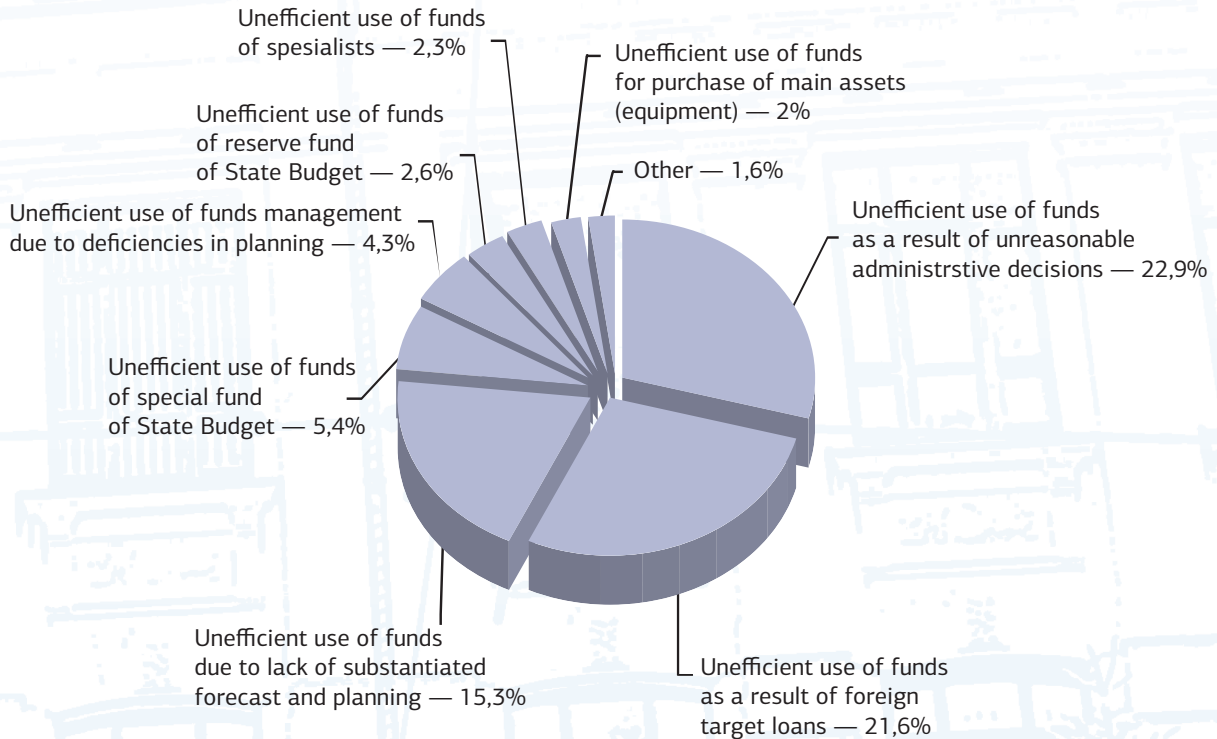
Analysis of audit and controls conducted during 2011 demonstrates that the biggest part of budget law infringements, cases of mismanagement and inefficient spending of budget funds remains to be of systemic nature and repeat each year.

### Structure of revealed infringements in 2011 by types

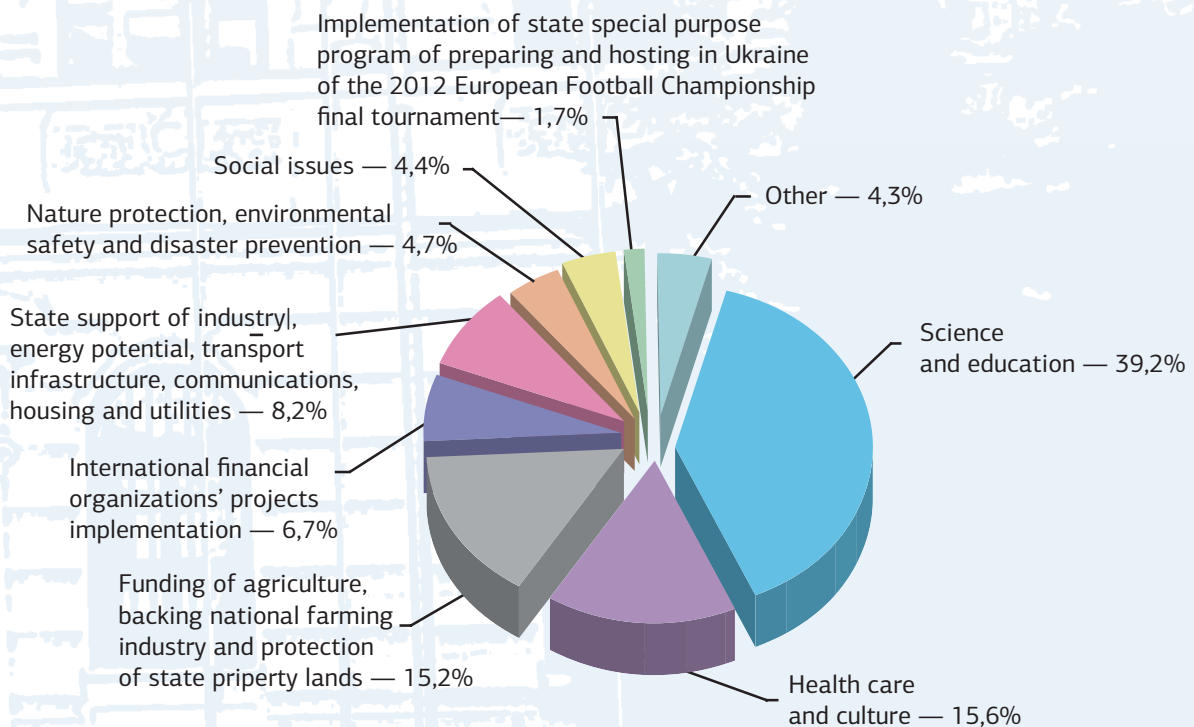


Having taken into account the application of the new Budget Code of Ukraine and the decision No. 04-14/9-1928 of the Verkhovna Rada's Budget Committee as of November 1, 2011 regarding Accounting Chamber's report for 2010, we grouped the materials upon the findings of audits and controls conducted in 2011 by main themes and fields of the State Budget funds and state special purpose funds spending.

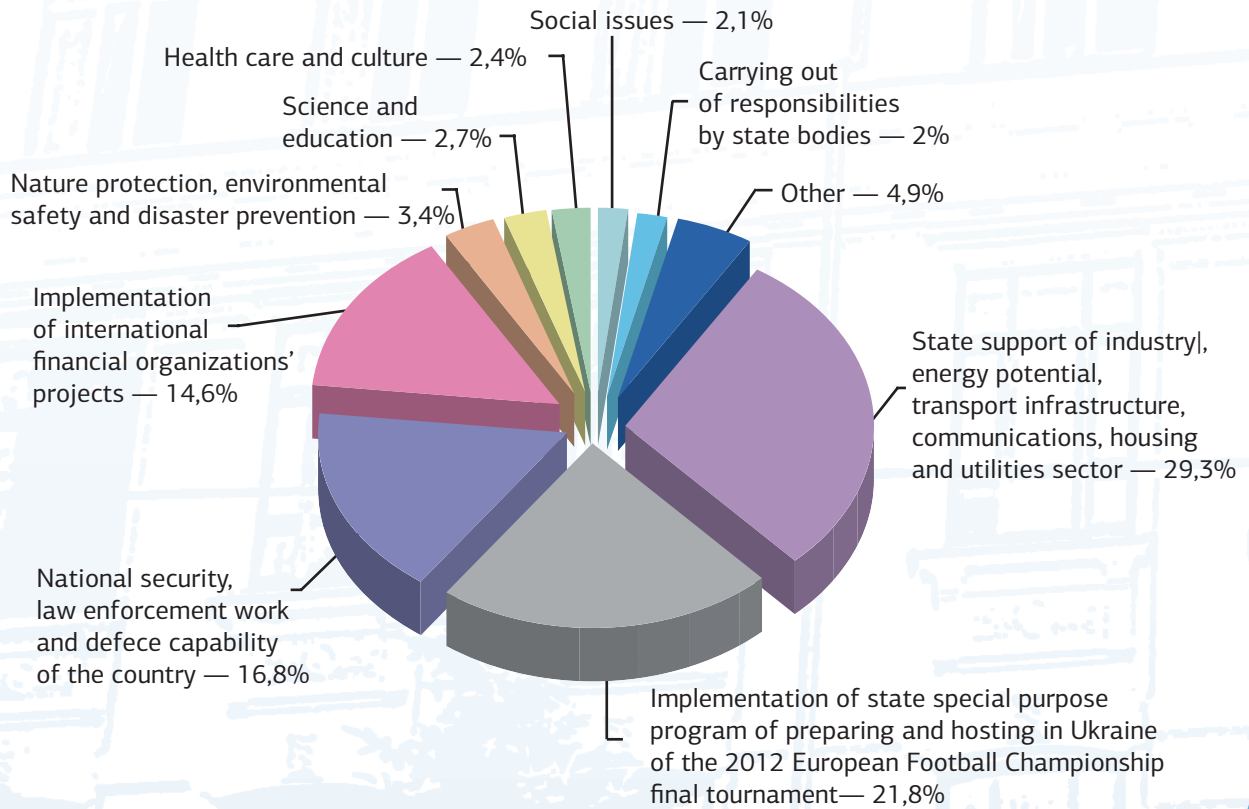
### Structure of mismanagement and inefficient spending of budget funds in 2011 by types



### Structure of revealed infringements in 2011 by themes



### Structure of mismanagement and inefficient spending of budget funds in 2011 by themes



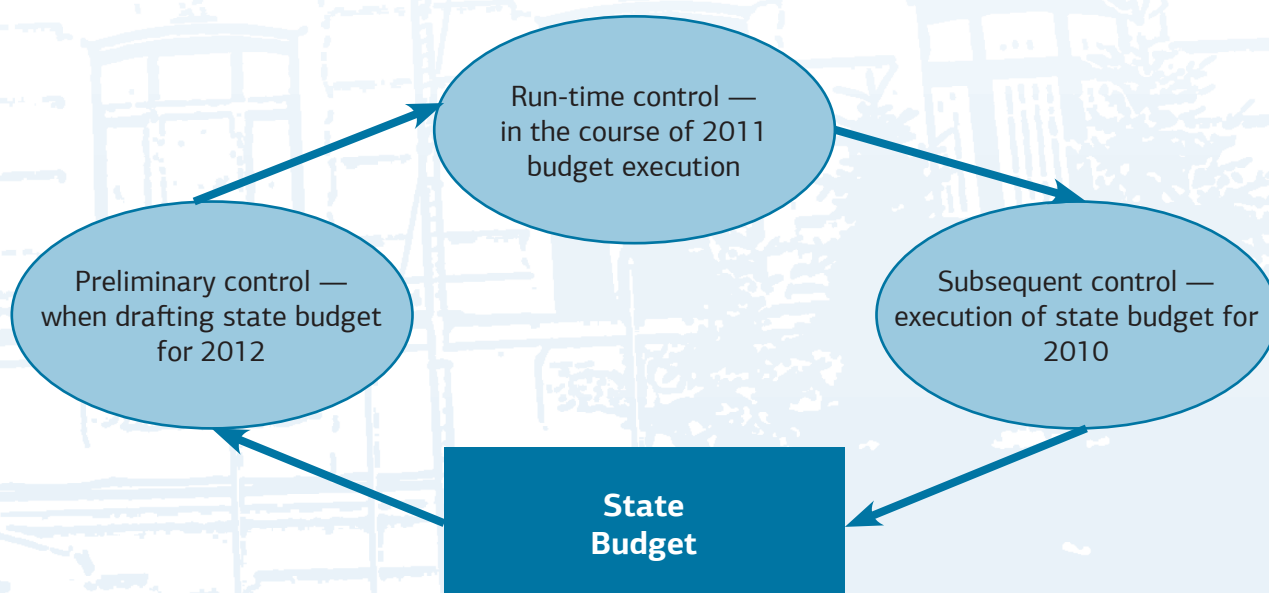


## Control, Analysis and Expert Examination of the State Budget of Ukraine

During the reporting year the Accounting Chamber, as required by current law, was carrying out its control, analytical and expert work to ensure single system of control over utilization of the State Budget and the state special purpose funds. This required conducting coherent and interconnected set of control, analytical and expert work.

In 2011 the Accounting Chamber audited budgets of three years: of 2012 (at a stage of budget drafting), of 2011 (in the course of current budget execution) and of 2010 (executed budget). Budgets of each fiscal year form one stage of a three-year cycle.

Such system of control is integrated to the main elements of budgetary process and foresees continuous three-year cycle of control over budget formation and execution for each financial year budget which is realized in three consecutive stages: preliminary inspection of the draft budget, run-time control of budget execution and subsequent control of budget execution.



## Themes of Audit and Analytical Activities

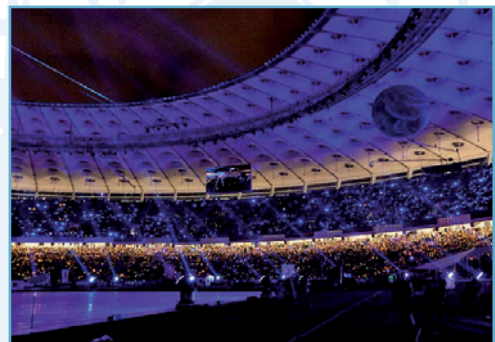
### Social security issues:

- Execution of the Comprehensive programmes of poverty reduction strategy implementation;
- Execution of state youth accommodation programmes;
- Execution of the State special purpose social programme of provision on a priority basis of centralized water supply to the villages that use imported water;
- Social protection of war veterans;
- Execution of the State special purpose programme “Youth of Ukraine” for 2009–2015;
- Health improvement of disabled persons at health resorts and sanatoriums;
- Job creation to employ residents of coal-mining regions of Donetsk and Luhansk oblasts;
- Formation and execution of Social insurance against industrial accidents budget and occupational diseases fund;
- Compensation for health damages and health improvement aid to citizens that had suffered from Chernobyl disaster in case of their dismissal;
- Compensation for transportation of certain categories of citizens that have special benefits;
- One-time payment to women when assigning the honorary title of Ukraine “Heroine Mother”;
- Settling and provision of the necessary facilities for the deported Crimean Tatars and other nationalities that had been deported from the territory of Ukraine;
- Implementation in Donetsk and Luhansk oblasts of state social security guarantees as regarding provision of coal for domestic needs to citizens and provision of compensation payments as according to the Mining Law of Ukraine.



### Execution of the State special purpose programme of preparation and hosting by Ukraine of the 2012 European Football Championship final tournament:

- Implementation of activities set out by the State special purpose programme of preparation and hosting by Ukraine of the 2012 European Football Championship final tournament;
- Spending of state budget funds allocated to reconstruction of the Metalist stadium in Kharkiv;
- Spending of budget funds to create necessary facilities at frontier checkpoints.



## Health care, education, science and culture:

- Purchase of medicines, goods of medical purpose and medical care services;
- Establishment of the All-Ukrainian centre of radiosurgery;
- Sanatorium treatment of children and teenagers with somatic diseases (except tuberculosis) in the Autonomous Republic of Crimea;
- Purchase of consumables and medical equipment for health care institutions of Lviv, Ivano-Frankivsk and Chernivtsi oblasts;
- Making and distribution of national films per state order;
- Functioning and fulfillment of statutory tasks by National radio broadcasting company and National television broadcaster;
- Formation of the National archive fund and archive keeping;
- Provision of comprehensive and special artistic and music education;
- Training of staff with higher education and building knowledge and capacity in specific branches, particularly, in the field of social security and social protection, health care, internal affairs and customs service of Ukraine as well as agriculture;
- Support and further development of V.I. Vernadsky National Library of Ukraine;
- Provision of textbooks and manuals to institutions of education.



## National security, law enforcement and defence capability of the country:

- Maintenance and development of Air Forces of the Armed Forces of Ukraine;
- Execution of the State programme to improve maintenance conditions for convicted and apprehended persons;
- Security of state bodies and state officials;
- Fighting illegal migration, creation and maintenance of accommodation points for illegal migrants;
- Carrying out measures to overcome consequences of the disaster that happened in 2008 at the territory of the A0829 military base in the town of Lozova, Kharkiv oblast, and to prevent new disasters from happening in the future;
- Sale of redundant military property of the Armed Forces of Ukraine;
- Fulfillment by the state enterprises of the Ministry of Defense of Ukraine of orders for the benefit of the Armed Forces of Ukraine and utilization by the latter of military property transferred to its economic authority;
- Spending of budget funds allocated to maintain interior troops of the Ministry of Internal Affairs of Ukraine;
- Spending by health care institutions of the Southern region of the Military Forces of Ukraine of the budget funds allocated to health care and rehabilitation of military contingent as stipulated by law.



## Creation in Ukraine of independent, efficient and easily accessible for citizens system of justice:

- Spending of budget funds allocated to the State Judicial Administration of Ukraine to provide logistics to courts and institutions of judicial system;
- Financial and economic activities of the Supreme Commercial Court of Ukraine;
- System of labour remuneration for judges of general jurisdiction.



## Performance of public bodies:

- Formation and utilization efficiency of the state budget special fund by public administration bodies;
- Capital costs allocated to public administration bodies to ensure their performance and fulfillment of tasks and functions assigned to them;
- Efficiency of state budget funds spending by the State Committee of Ukraine on Regulatory Policy and Entrepreneurship;
- Efficiency of spending by the Ministry of Emergencies of Ukraine of budget funds raised from delivering fee-based services;
- Efficiency of state budget funds spending by the State Property Fund of Ukraine;
- Efficiency of state budget funds spending by public regional and specialized taxation bodies when exercising their powers;
- Exercising of authority by public bodies as regarding oversight of compliance with legislation on tax concessions provided for economic agents in the field of publishing business;
- Activities of the Ministry of Finance of Ukraine on issue and conduction of lotteries in Ukraine;
- Utilization efficiency of state budget funds allocated to functioning of the State Gemmological Centre of Ukraine.

## State support of industry, energy potential, transport infrastructure, communications, housing and utilities sector:

- Construction of power lines;
- Satisfaction of Odesa oblast's needs in energy resources;
- Development of aircraft industry;
- Peat extraction industry;
- Improvement and carrying out of mine rescue works at coal producing enterprises;
- Standardization;
- Construction of Dniprovsky pump storage plant;
- Spending of state budget funds allocated to National Commission of Power Industry Regulation of Ukraine;



- Construction and development of Kharkiv underground railroad;
- Execution of the Programme of the Ukrainian Danube Region Comprehensive Development in marine economic and transportation domains;
- Upgrade of ground public transport rolling stock and transportation networks in the city of Kyiv;
- State budget funds spending by the Main State Inspection for Motor Transport;
- Development of motor road network and maintenance of motor roads of general use;
- Execution of the National programme of reforming and development of housing and utilities sector;
- Execution of programmes for reforming and development of water and sewage utilities of Donetsk and Luhansk oblasts;
- State budget funds spending by the National Commission for State Regulation of Communications and Informatization of Ukraine.



### Nature protection, environmental safety and disaster prevention:

- State of implementation of International Co-ordinated Audit of the Chernobyl Shelter Fund's recommendations;
- Execution of the Programme for solid domestic wastes management and implementation analysis of the system for collection, storage and recycling of wastes as recoverable resources;
- Solution of problems arising in connection with the environmental emergency in the town of Kalush;
- Execution of state programmes on transformation of the "Prydniprovsky chemical plant" industrial group's objects into environmentally safe system;
- Works to ensure environmental safety in the basins of the Black Sea and the Sea of Azov, protection, regulation and reproduction of water biological resources;
- Execution of the State special purpose programme of complex flood protection of the Dnister, the Prut and the Siret river basins;
- Fire precaution in Vinnytsia and Khmelnytskyi oblasts;
- Management of the Southern Bug river water resources by structural units of the State Water Agency of Ukraine;
- Utilization of money raised from fees for geological examination works carried out at the expense of state budget for the development of mineral resources base.



## Financing agriculture, support of domestic farmers and protection of state property lands:

- Creation by the Agrarian Fund of state interventions fund and its protection;
- State backing of agriculture;
- Development of hop-growing by economic agents of Vinnytsia and Zhytomyr oblasts;
- Development of horticulture and grape growing in the Autonomous Republic of Crimea and the city of Sevastopol;
- Execution of the project “Issue of state certificates of land ownership right in rural areas and development of cadastre system” in 2010-2011;
- Utilization of inter-farm state melioration systems within the territories of Dnipropetrovsk and Zaporizhzhia oblasts.



## Biogenetic safety, veterinary medicine, quality and safety of food products:

- Carrying out of state veterinary sanitary control and oversight of Ukrainian borderline surveillance;
- Work of central executive authorities to ensure functioning of state biological safety system when creating, testing, transporting and utilizing genetically modified organisms;
- Scientific developments in the field of standardization and certification of agricultural products, public oversight of standards compliance and harmonization of national standards with international and European ones;
- Works to carry out phytosanitary measures and cargo movements quality control at the Ukrainian frontier checkpoints in the Black Sea ports;
- State veterinary sanitary control in the Black Sea ports and oversight of the above areas security arrangements, organization and regulation of the authorities’ work in the system of veterinary medicine.



## Relationship between State Budget and local budgets, spending funds for social and economic development of the regions:

- Elections of MPs to the Verkhovna Rada of the Autonomous Republic of Crimea and local council, as well as of villages’, towns’ and cities’ heads;
- Measures to foster social and economic development of Lviv, Ternopil, Volynska, Kyiv, Cherkasy and Chernihiv oblasts;

- Execution of the State programme of the Autonomous Republic of Crimea social and economic development for the period until 2017;
- Implementation of government policy on delivering social services to elderly and disabled persons;
- Implementation of measures envisaged by regional development agreements concluded between the Cabinet of Ministers of Ukraine and the councils of Vinnytsia, Volynska, Donetsk and Lviv oblasts;
- Utilization of state budget subventions to the local budgets aimed at financing measures of social and economic compensation for risks to people residing within surveillance area.



### **Implementation of international financial organisations' projects:**

- Social aid improvement project financed by International Bank of Reconstruction and Development loan;
- Public finance modernization project;
- Spending of costs to refund deposits to natural persons and ensure operation of the Deposits Insurance Fund;
- Utilization of loan funds allotted to the country by the International Bank of Reconstruction and Development for rehabilitation of water power plants.

### **In cooperation with international financial institutions the Accounting Chamber prepared and considered reports on:**

- Audit of annual financial statements for 2010 within the framework of the IBRD's loan for "Modernisation of State Tax Administration - 1" project implementation;
- Audit of annual financial statements for 2010 within the framework of the IBRD's loan for Social Aid System Improvement project implementation.

### **Compliance with the budget law, legal and regulatory support of budgeting:**

- Legal and regulatory support by the Cabinet of Ministers of Ukraine to implement Law of Ukraine "On the State Budget of Ukraine for 2010";
- State of public procurements in Ukraine in 2010 and the first half of 2011;
- Formation and execution of government orders for supplies of goods for government needs in 2010-2011.

## In accordance with the 2009-2011 Work Plan of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes:

The Accounting Chamber's Board considered the Report on the audit of budget funds spent for prevention and consequences elimination of disasters.

As according to the functions and powers of the Accounting Chamber, the annual control over spending funds from the State Budget Reserve Fund was carried out and the reports of the Antimonopoly Committee of Ukraine, State Property Fund of Ukraine and cost estimates of the National Bank of Ukraine for 2010 were analyzed.

### Internal audit issues:

- Results of activities performed the Accounting Chamber's regional department for the city of Kyiv, Kyiv, Cherkasy and Chernihiv oblasts;
- Results of activities performed the Accounting Chamber's regional department for Kharkiv, Sumy and Poltava oblasts.

### Regarding issues of the OSCE External Auditor, the Board considered:

- OSCE Summit in Astana 2010 External Audit Report on Actual Expenses.
- External Audit Report and Audit Opinion on the OSCE 2010 financial statements.
- Management letter on the OSCE 2010 financial statements and the audit schedule for 2011-2012.
- Off-schedule audits and controls were carried out based of the Accounting Chamber's Board, resolutions and orders of the Verkhovna Rada of Ukraine, requests of parliamentary committees and MP's followed by relevant decisions of the Parliament.



## Feedback of State Bodies, Institutions and Organisations to Conclusions and Recommendations of the Accounting Chamber's Board

The Accounting Chamber thoroughly monitors and analyses how auditees implement recommendations approved by the Accounting Chamber's Board upon results of the conducted audits. Audit or control is deemed to have reached its objective only if there is relevant positive response to communications and conclusions of the Accounting Chamber's Board on the part of management of the Cabinet of Ministers, ministries, central executive bodies or other auditees.

Proposals contained in the conclusions of the Accounting Chamber's Board formulated upon results of the conducted audits and controls have been taken into account when drafting and adopting numerous laws by Verkhovna Rada of Ukraine.

Accounting Chamber's representatives took part in 44 meetings of committees, in working group's meetings of the Verkhovna Rada's Committee on Budget when preparing State Budget of Ukraine for 2012, in three committee hearings and seven parliamentary hearings where the most important issues of budgeting and social and economic development of the country were discussed. Upon results of audits and controls conducted by the Accounting Chamber 68 issues were presented for MPs' consideration.

Additionally, the Accounting Chamber's recommendations have been taken into account in a decree and an order of the President of Ukraine.

Individual conclusions of the Accounting Chamber's Board made upon audit results were reflected in the Cabinet of Ministers' decisions.

Audit conclusions and recommendations as how to eliminate breaches revealed and improve the mechanism of public money spending that had been approved by the Accounting Chamber's Board, were considered and taken into account by public bodies – main administrators of public funds.

In execution of the Article 26 of the Law of Ukraine "On the Accounting Chamber" and in accordance with the Procedure of interaction between the General Prosecutor's Office and the Accounting Chamber of Ukraine on preparation, submission, consideration of audit materials, informing about such consideration results and taking actions of public prosecutor's response that had been approved by heads of the above institutions, **17 materials** were submitted to the General Prosecutor's Office in 2011 for making decisions in accordance with the procedure stipulated by the Article 97 of the Criminal and Procedural Code of Ukraine. Particularly, **9 materials** were submitted to the General Prosecutor's Office as according to the decisions of the Accounting Chamber's Board.



## International Cooperation

According to the Law of Ukraine “On the Accounting Chamber”, international cooperation of the Accounting Chamber of Ukraine in 2011 was mainly focused on:

- establishment and development of bilateral and multilateral cooperation with other Supreme Audit Institutions;
- participation in the activities of INTOSAI and EUROSAI;
- chairing the work of EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes;
- participation in the SAIs’ Heads Council of the CIS member countries;
- strengthening cooperation with other international organisations.

In 2011 the Accounting Chamber actively developed bilateral collaboration with other Supreme Audit Institutions, the work of which posed professional interest.

As in previous years, parallel audits appeared to be an integral element of our international cooperation and the practical manifestation of the Accounting Chamber’s bilateral agreements with other SAIs. Particularly, as according to the prior arrangements of 2010 between the SAIs of Ukraine and Poland, two working meetings of international audit participants were held in April 2011, in Warsaw, namely: meeting on the parallel audit of programmes to increase employment of disabled persons in public sector, and meeting on the parallel audit of Ukraine’s and Poland’s preparations to the 2012 European Football Championship final tournament. The aim of those meetings was to present preliminary national audit findings, share information upon the audit results and discuss forms and methods of audit findings dissemination.

At VIII EUROSAI Congress (May 31, 2011, Lisbon, Portugal) the Chairman of our institution Dr. Valentyn Symonenko had a meeting with the President of the Supreme Audit Office of Poland (NIK) Mr. Jacek Jezierski, during which the parties discussed topical issues of Ukrainian-Polish bilateral cooperation between SAIs, paid due attention to economical and at the same time efficient spending of public funds for the EURO-2012 in conditions of difficult post-crisis period, and signed joint report of the 3rd stage parallel audit of Ukraine’s and Poland’s preparations for the 2012 European Football Championship final tournament. The parties emphasized that those audits had contributed to the championship organization as a whole and agreed to conduct the 4th final audit stage in 2012.

Generally, in the reporting period three parallel audits were finalized and relevant joint reports were signed, namely:

- parallel audit of the Republic of Poland’s and Ukraine’s preparations for the 2012 European Football Championship final tournament (conducted concurrently with the SAI of Poland);
- international co-ordinated parallel audit of programs/measures to increase employment of disabled persons in public sector (conducted concurrently with the SAIs of 12 countries);
- international co-ordinated audit of the Black Sea protection against pollution carried out within the framework of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes and the EUROSAI Working Group on Environmental Auditing (concurrently with the SAIs of Georgia, Romania, Russian Federation and Turkey).

Additionally, in 2011 preparations to the international audit of budget funds allocated to disaster prevention and disaster consequences elimination were performed.

Building relations and exchange of experience with other SAIs were an important aspect of the Accounting Chamber's international cooperation at the bilateral level. Representatives of the Accounting Chamber participated in two workshops - "State financial control as instrument of economy stabilization" (June 2011, Astana, Kazakhstan) and "Problems of budget system transparency and mission of public audit" (September 2011, Cholpon-Ata, Kyrgyzstan) – as well as in the conference on issues of financial control in Baku, Azerbaijan (November 2011).

Furthermore, in the period under report our institution was actively involved in the activities of governing and working bodies of International and European Organizations of Supreme Audit Institutions.



Accounting Chamber's delegation at VIII EUROSAI Congress (Lisbon, Portugal, May 31, 2011)

Within VIII EUROSAI Congress (May 30 – June 2, 2011, Lisbon, Portugal), delegation of the Accounting Chamber chaired by Dr. Valentyn Symonenko actively participated in XXXVII and XXXVIII EUROSAI Governing Board Meetings where issues to be considered at the Congress were discussed and approved. The Chairman of the Accounting Chamber made a presentation on challenges and calls of public administration. Accounting Chamber's delegation contributed to approval of the EUROSAI Strategic Plan for 2011-2017, which actually had created a new environment for SAIs' regional cooperation. Particularly, to achieve strategic goals identified in the EUROSAI Strategic Plan four Goal Teams were established. The Accounting Chamber became a member of three of them: Goal Team 1 (GT1) for capacity building, Goal Team 2 (GT2) for professional standards and Goal Team 3 (GT3) for knowledge sharing.

In the course of the visit to Portugal the Chairman Dr. Valentyn Symonenko participated at the meeting with the President of the Republic of Portugal Mr. Aníbal António Cavaco Silva. During the meeting emphasis was made on independence of public finance audit worldwide and the SAIs' roles in overcoming aftermaths of the global financial and economic crises.

VIII EUROSAI Congress was also decisive for EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes in view of the expiry of its three-year mandate. The Accounting Chamber prepared and presented report on the Task Force main outputs across all the dimensions of its work.

Considering achievements reached so far, the Congress gave high estimation to the Accounting Chamber as the Task Force Chair and decided to extend its mandate for

another three-year term – until 2014. Based upon this resolution and bearing in mind EUOSAI Strategic Plan for 2011-2017 the Task Force developed its Draft Work Plan for 2012-2014 and launched priority steps needed for its implementation.

Important form of the Task Force's work has been annual general meetings of its members where they sum up attained results, discuss ongoing projects and agree upon further tasks and targets. In March 2011 yet another **III meeting of the EUOSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes was held in Moscow, Russian Federation**. It was attended by 10 SAIs and representatives of international organizations. At the meeting results of the 2009-2011 Work Plan execution were summed up and the Draft Recommendations on good practice of conducting audits of funds allocated to prevention and consequences elimination of disasters as well as the Glossary of terms to conduct audits in this field were presented.



III meeting of the EUOSAI Task Force on the Audit of Funds Allocated to Disaster and Catastrophes (Moscow, Russian Federation, March 22-23, 2011)

As within the EUOSAI Strategic Plan for 2011-2017 the representatives from the Accounting Chamber took part in inaugural meetings of the Goal Teams 2 and 3 (October 2011 in Bonn, Germany, and November 2011 in Prague, Czech Republic) where key aspects of their work were discussed. Of special interest was the question of interaction between Goal Team 3 and the EUOSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes.

During 2011 the Accounting Chamber actively contributed to the efforts of the EUOSAI Working Group of Environmental Auditing (EUOSAI WGEA), the INTOSAI Working Group on Environmental Auditing (INTOSAI WGEA) and the INTOSAI Working Group on Accountability for and the Audit of Disaster-related Aid (INTOSAI AADA).

In April 2011 the SAI of Ukraine and other SAIs of the Black Sea countries participating in the **Audit of the Black Sea protection against pollution** conducted **III working meeting** on the above audit (Bucharest, Romania) where they agreed upon structure and contents of the audit joint report which was later presented and signed during VIII EUOSAI Congress.

Furthermore, in February of the reporting year **VII meeting of EUOSAI WGEA Steering Committee** was held in the form of telephone conference. Participants of the meeting approved 2011 operations plan and discussed the question of joining the Steering Committee members to the audit of adaptation to climate change which had been initiated by the EUOSAI WGEA Secretariat in 2011.





Discussions on the abovementioned audit were continued during **IX EUROSAT WGEA annual meeting** in Stockholm, Sweden (October 2011). Accounting Chamber participated as well in **VIII Steering Committee meeting** that was organized on October 14, 2011 within the main event. Ukrainian party delivered information about the outcomes of the International Co-ordinated Audit of the Black Sea Protection against Pollution and came forward with the initiative to audit in 2012-2013 international efforts on protection against pollution of the Black Sea basin.

At the beginning of November 2011 the delegation of the Accounting Chamber attended **XIV meeting of the INTOSAI Working Group on Environmental Auditing** (Buenos Aires, Argentina). In presentation “International Co-ordinated Audit of the Chernobyl Shelter Fund: risks of fraud and corruption” Ukrainian delegates shared their experience how to audit international financial aid allocated for environmental needs. Due to unique audit object the presentation aroused much interest of experts from around the world. Additionally, INTOSAI WGEA meeting members were informed of the projects carried out within EUROSAT Task Force on the Audit of Funds Allocated to Disasters and Catastrophes.

Issues in focus of attention of the EUROSAT Task Force on the Audit of Funds Allocated to Disasters and Catastrophes chaired by the Accounting Chamber of Ukraine are closely connected with the subject matter of activities carried out within INTOSAI Working Group on Accountability for and the Audit of Disaster-related Aid. Accounting Chamber has been active member of this working group and has been participating in all its meetings. The last **V meeting of the INTOSAI Working Group on Accountability for and the Audit of Disaster-related Aid** as well attended by the SAI of Ukraine was held in October 2011 in Antalya, Turkey. The meeting was dedicated to problematic issues of accountability for humanitarian and disaster-related aid as well as disaster preparedness. Accounting Chamber shared its experience in conducting international co-ordinated audit of the Chernobyl Shelter Fund.

In June 2011 our colleagues attended **annual meeting of the INTOSAI Working Group on Public Debt** (Vilnius, Lithuania) where they delivered a speech and presented draft report on contingent debt investigation which had been carried out by the Accounting Chamber of Ukraine among INTOSAI members.

In the reporting year the Accounting Chamber kept to develop its multilateral cooperation within the SAIs’ Heads Council of CIS member countries.

At the beginning of September 2011 Kyiv hosted **XI session of the SAIs’ Heads Council of CIS member countries**. Meeting agenda was dedicated to role and place of SAIs of CIS countries in control over spending public funds allocated to prevention and disaster consequences elimination.

The meeting was attended by the SAIs of Azerbaijan, Belarus, Armenia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tadjikistan, Latvia and the CIS Executive Committee. Acting Chairman of the Accounting Chamber Mr. Olexandr Yaremenko was elected to chair the Council of the SAIs’ Heads of CIS member countries.

The Council adopted Resolution “On the role of the Supreme Audit Institutions of the CIS member countries in control over spending public funds allocated to prevention and consequences elimination of natural and man-made disasters” and approved its plan of activities for the period between XI and XII sessions.

The Council’s Resolution stressed on the necessity to:

- promote cooperation between Supreme Audit Institutions in the field of auditing public funds allocated to prevention and consequences elimination of disasters;
- agree plans of control, expert and analytical work, scientific research on issues related to conducting collaborative audits in the above field;

- carry out relevant bilateral and multilateral audits of funds allocated to prevention and consequences elimination of disasters;
- seek for implementation of common recommendations to governments of the countries aimed at driving improvements to the legal and regulatory framework, creating efficient system of public administration, contributing to enhancement of the system for external and internal control in the field of prevention and consequences elimination of natural and man-made disasters.

Within the framework of XI Council session, **SAIs Heads of the CIS member countries had a meeting with the Chairman** of the Verkhovna Rada of Ukraine V.M. Lytvyn. The Chairman laid emphasis on the important role of constitutional independent body which is the Accounting Chamber and noted that due to cooperative efforts of CIS member countries it became possible to create necessary conditions for mutually beneficial cooperation between SAIs with an eye on each country's national interests.



Meeting of the Chairman of the Verkhovna Rada of Ukraine Mr. V.M. Lytvyn with Heads of SAIs delegations of CIS member countries (Kyiv, September 9, 2011)

**Expert Group on Key National Indicators** which works under the Council of the SAIs' Heads of CIS member countries has had its IV meeting in May 2011 in Moscow, Russian Federation. Among other countries, the meeting was attended by the delegation of the Accounting Chamber of Ukraine.

The meeting was marked by active collaboration of the participants which were seeking to achieve methodological homogeneity (comparability) of key national indicators of CIS member countries and investigated possibility of applying key national indicators to assess audit outcomes of national and transnational projects and programs that were being implemented within CIS.

In addition to participating in INTOSAI and EUROSAI working bodies, in 2011 the Accounting Chamber actively developed cooperation with other international organizations.

One of the key fields in the Accounting Chamber's work at the international arena was delivering functions of External Auditor to the Organisation for Security and Cooperation in Europe (OSCE).

To carry out responsibilities of the OSCE External Auditor the Accounting Chamber's auditors conducted eight audits of the OSCE field operations/institutions in 2011. In July 7, 2011 the audit team presented audit report of the OSCE consolidated financial statements for 2010 financial year, which was unanimously approved and highly estimated by the OSCE Permanent Council.



XI session of the SAIs Heads Council of the CIS member countries  
(Kyiv, September 8, 2011)

The work performed was highly estimated by the OSCE participating states and OSCE Audit Committee. Furthermore, the Accounting Chamber's auditors have been monitoring the process of OSCE transfer from UNSAS to the International Public Sector Accounting Standards (IPSAS).

The Ukrainian SAI's mandate for carrying out OSCE external audit was extended for one more year.

On November 28 – December 2, 2011 the Accounting Chamber's delegation chaired by Acting Chairman Mr. O.Yaremenko took part in **XIV session of the General Conference of the United Nations Industrial Development Organization (UNIDO)** in Vienna, Austria. During the Conference it was emphasized that external audit of international organizations should focus, in the first place, on the evaluation of annual consolidated financial statements, state of internal control, financial management and governance.

On November 29, 2011, during the above mentioned visit to Vienna, **Acting Chairman Mr. O. Yaremenko** had a meeting with the OSCE Secretary General Mr. Lamberto Zannier during which presented information about peculiarities of conducting the OSCE external audit by the Accounting Chamber. It was also mentioned that according to the OSCE External Audit Strategy, the Accounting Chamber established close cooperation with the OSCE control bodies, namely, the Audit Committee and the Office of Internal Oversight.

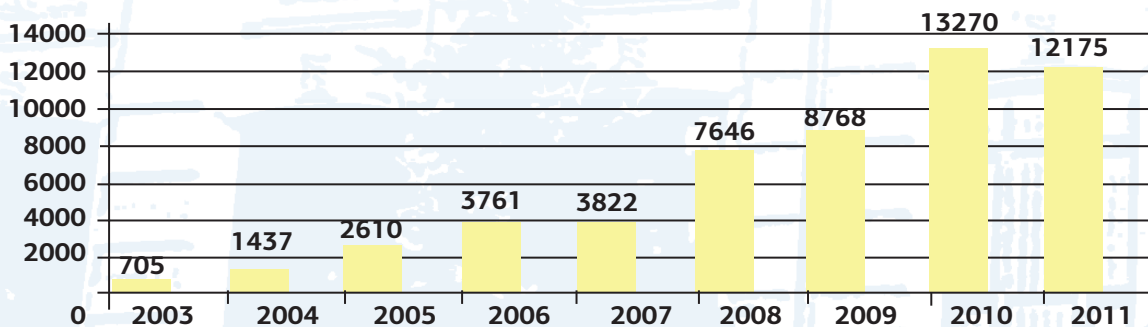
During the reporting year the Accounting Chamber continued bilateral consultations with the World Bank. The parties discussed numerous issues of mutual interest: implementation by the World Bank of a new project on analysis of accountability for and management of public funds, conditions of Ukrainian social aid programs budgeting and management, types of the World Bank's assistance in the domain of capacity building, technical support of the Accounting Chamber's work etc.

## Transparency in the Activities of the Accounting Chamber

Principle of transparency, as according to the Law of Ukraine “On the Accounting Chamber” is an integral aspect in the work of independent constitutional body of financial control of the country. As during the previous years, it was laid down in the foundation of the Accounting Chamber’s information policy in 2011. Through mass media our institution kept the public informed about findings of the conducted audits and controls thus enhancing public control over budget funds spending.

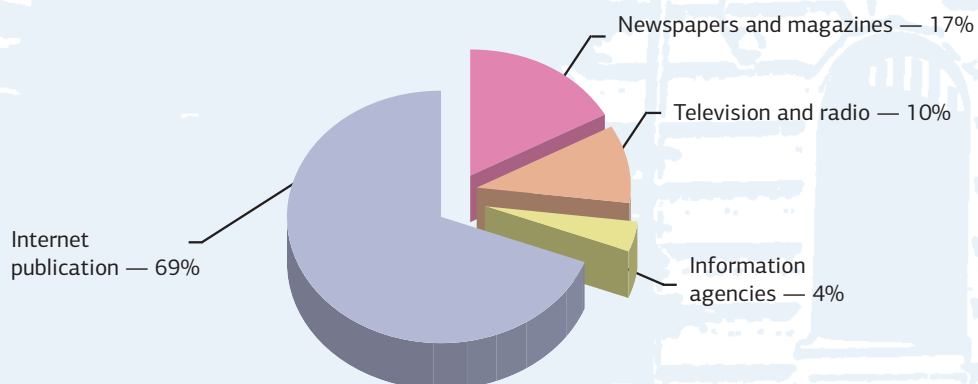
During the reporting year 109 official communications upon results of the conducted audits and controls were prepared and disseminated. At large, 12,175 materials related to the Accounting Chamber’s work or referring to it appeared in the mass media during the reporting year.

**General number of publications upon Accounting Chamber’s materials**



In 2011 information about the Accounting Chamber’s activities was published and used when preparing news and analytics by central and regional newspapers and magazines, leading information agencies of Ukraine, internet publications, television and radio broadcasting channels.

**ACU presence in the mass media**





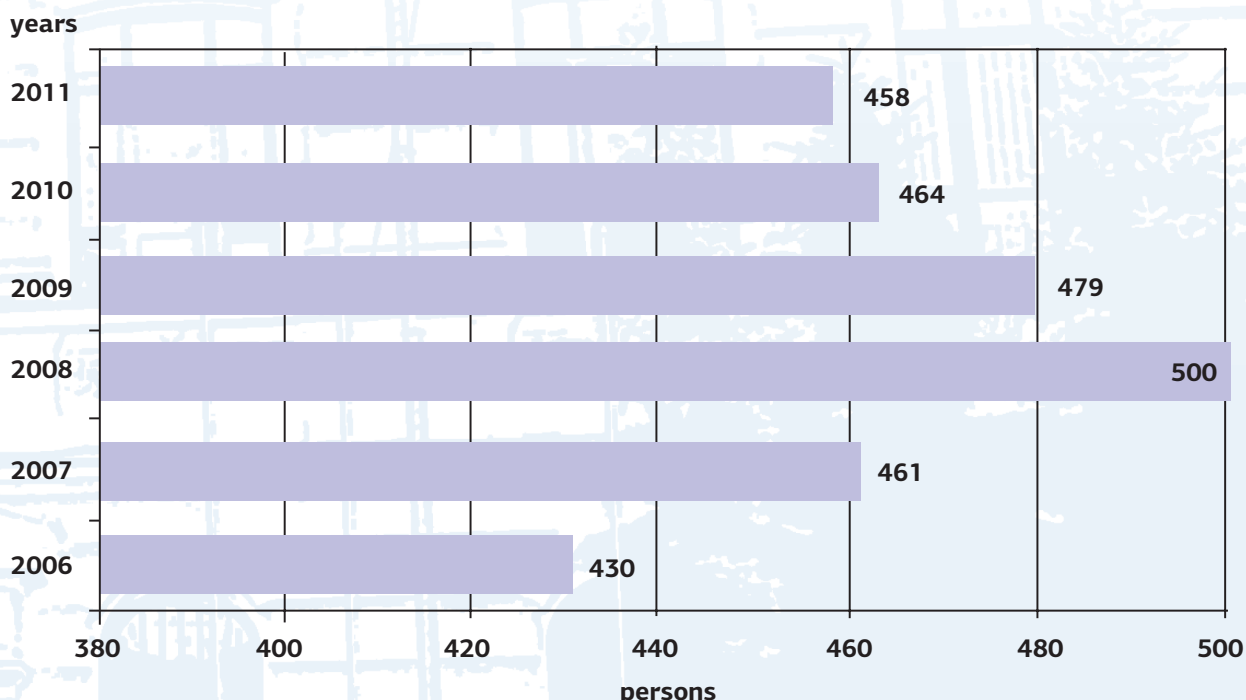
## Ensuring Operation of the Accounting Chamber Human Resource

As of December 31, 2011, actual staff of the Accounting Chamber amounted to 485 persons or 84 per cent of the statutory staff number, of which 429 persons — civil servants, 29 — administrative staff. 341 persons worked in the ACU central office and 117 — in eight regional departments. Ratio of staff members working in central office and regional departments was 74 to 26 per cent correspondingly.

Average age of employers was 42 years.

Scientific potential of the Accounting Chamber was represented by 2 doctors of economics, 24 PhDs, 10 postgraduate students and 2 postdoctoral students. All civil servants have higher education, of them 130 persons have Master’s degree, 117 persons have two diplomas of higher education, 13 persons — three diplomas and 1 — four diplomas. Another 11 persons have been pursuing their second or third degree.

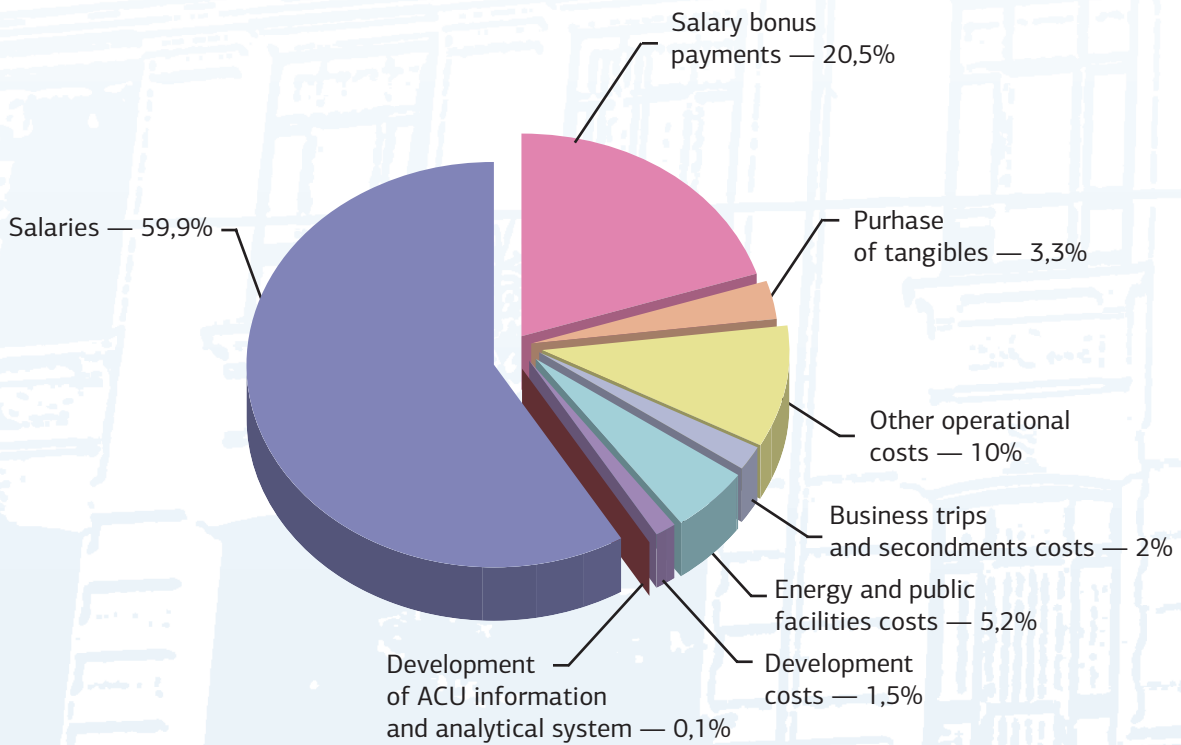
**Actual number of ACU staff**



## Financing and Logistics

2011 budget appropriations to the Accounting Chamber amounted to **65 million 746.3 thousand UAH.**

Structure of ACU expenses in 2011





\* \* \*

For the previous years the Accounting Chamber managed to obtain vast experience in conducting audits and controls of spending budget funds, in the analysis of social and economic processes in the country and introduction of new advanced forms and methods of carrying out various types of audits. However, as time passes the Accounting Chamber faces new challenges that continuously drive our institution to development, knowledge and capacity building. In view of this speculation and in order to further improve efficiency and effectiveness of our work the following priority measures should be taken:

- to educate and persuade the country's top leadership on inadmissibility to narrow down legal framework for our institution's work, on the necessity to amend as soon as possible Article 98 of the Constitution of Ukraine towards giving the Accounting Chamber the power to exercise control over the revenues to the State Budget of Ukraine;
- to submit to the Verkhovna Rada of Ukraine a new version of the Draft Law «On the Accounting Chamber»;
- to update on a permanent basis ACU's regulatory and methodical documents, implement new INTOSAI guidance materials and standards;
- to actively participate in the EUROSAI Governing Board;
- to carry out general coordination and management of the work of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes;
- to chair the SAIs' Heads Council of CIS member countries within the period between XI and XII Council sessions;
- to maintain successful practice of conducting collaborative parallel and coordinated audits which pose interest to the Accounting Chamber of Ukraine and the SAIs of other countries;
- to improve control and responsibility of the audited entities' leadership as regarding timely and full implementation of recommendations developed by the Accounting Chamber's Board upon conducted audit findings;
- to further develop the Accounting Chamber's regional departments;
- to improve forms and methods of informing the society about findings of audits and controls conducted by the ACU;
- to initiate discussion on launching independent financing of the Accounting Chamber by means of inclusion into draft budget laws of the relevant provisions and by approval of its budget by the Verkhovna Rada during adoption of the abovementioned budget laws;
- to continue ACU's work as External Auditor of the Organisation for Security and Cooperation in Europe (OSCE).

Accounting Chamber of Ukraine  
7, M. Kotzubynskogo Str.  
01601, Kyiv, Ukraine  
e-mail: [rp@ac-rada.gov.ua](mailto:rp@ac-rada.gov.ua)  
e-mail: [ird@ac-rada.gov.ua](mailto:ird@ac-rada.gov.ua)



tel.: +38 044 234-95-65  
tel.: +38 044 234-10-41  
fax: +38 044 226-33-82  
[www.ac-rada.gov.ua](http://www.ac-rada.gov.ua)