

THE ACCOUNTING
CHAMBER OF UKRAINE



ANNUAL REPORT 2010

Kyiv
2011



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«Control over expenditures of the State Budget of Ukraine on behalf of the Verkhovna Rada of Ukraine shall be exercised by the Accounting Chamber»

Article 98 of the Constitution of Ukraine



Dear Ladies and Gentlemen! Dear Readers!

I am pleased to present you the annual report of the Accounting Chamber of Ukraine for the year 2010, which contains the information about its main activity results. Last year, as well as during the whole history of our institution existence, we strived to raise the effectiveness and efficiency of control activities, the evidence for which is the increasing amount of illegal and improper use of the State Budget and state specialized funds, as well as violations and shortcomings during administration of the State Budget revenues found by our auditors. This amount for the reporting year consist of UAH 52 trillion against UAH 36,2 trillion in 2009.

We are proud that member countries of international organizations of Supreme Audit Institutions (INTOSAI and EUROSAI) as well as others recognized that the Accounting Chamber of Ukraine became one of the leading auditing and analytical institution. The decision of the Organization for Security and Cooperation in Europe (OSCE) to extend the appointment of our institution as the External Auditor of this organization for two more years; participation of the Accounting Chamber as a member of the EUROSAI Governing Board; successful performance of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes under the supervision of our institution — all these serve as a proof of a leading position of our institution.

During the reporting year, the considerable increase was observed in the efficiency of direct cooperation with committees of the Verkhovna Rada of Ukraine in the part concerning the implementation of the ACU's expert opinions and proposals. Thus, 43 issues considered by the Accounting Chamber, as the result of control, analytical and expert measures were reviewed by committees of the Verkhovna Rada of Ukraine during regular meetings, hearings and round tables.



It is worth to emphasize, that all mentioned above was achieved regardless of considerable narrowing in 2010 the legal framework of our institution, particularly, the authority to conduct the control over revenues of the State Budget. Thus, the Accounting Chamber became the only Supreme Audit Institution in Europe, which does not have the authority to control the formation of the revenue part of the State Budget, thus the Verkhovna Rada of Ukraine and the whole Ukrainian society have been deprived of full, transparent and objective information about the condition of the national economy and public finances.

In addition, in 2010 our institution was not supported by the appropriate level of funding, which it used to have before the world economic and financial crisis. This negatively influenced the operational activities of our institution, limited further opportunity for our institutional development and expansion of regional offices network.

Nevertheless, the Accounting Chamber of Ukraine has been focusing its attention in the reporting year on solving the following issues: renewal of the authority to control the revenues of the State Budget; preparation and presentation to the Verhonva Rada of Ukraine a new draft law “On the Accounting Chamber”; search for additional financial resources; development of international cooperation.

We hope that presented report will enable our community, the Supreme Audit Institutions of INTOSAI and other stakeholders to receive the complete knowledge about activities and achievements of the Accounting Chamber in 2010 in the sphere of financial control and audit.

Chairman
of the Accounting Chamber

V.K. Symonenko

Institution`s profile

The Accounting Chamber as an independent constitutional body of financial and economic control in the country performs its activities based on principles of:

- legality,
- planning,
- objectivity,
- independence,
- publicity.

The Constitution of Ukraine, the Budget Code of Ukraine, the Law of Ukraine “On the Accounting Chamber”, other by-laws and legal acts determine that the Accounting Chamber of Ukraine exercises control on behalf of the Verkhovna Rada of Ukraine over expenditures of the State Budget of Ukraine.



Based on the experience, received during conducting of control, analytical and expert measures, and taking into consideration changes to the effective laws and priorities of social and economic development of the state and society, the Accounting Chamber of Ukraine defined its main spheres of audit activities.

Main Spheres of Audit Activities

Financial and Budgetary Policy
Revenues of the State Budget*
Legal Support
Defense and Law Enforcement Activity
Agriculture, Environmental Protection and Emergencies
State Debt, International Activity and Financial Institutions
Science and Humanities
Social Policy
Industry, Production Infrastructure and State Property
Revenues of the State Budget and their Use in Regions

* since September 2010 — analysis of the State Budget Revenues

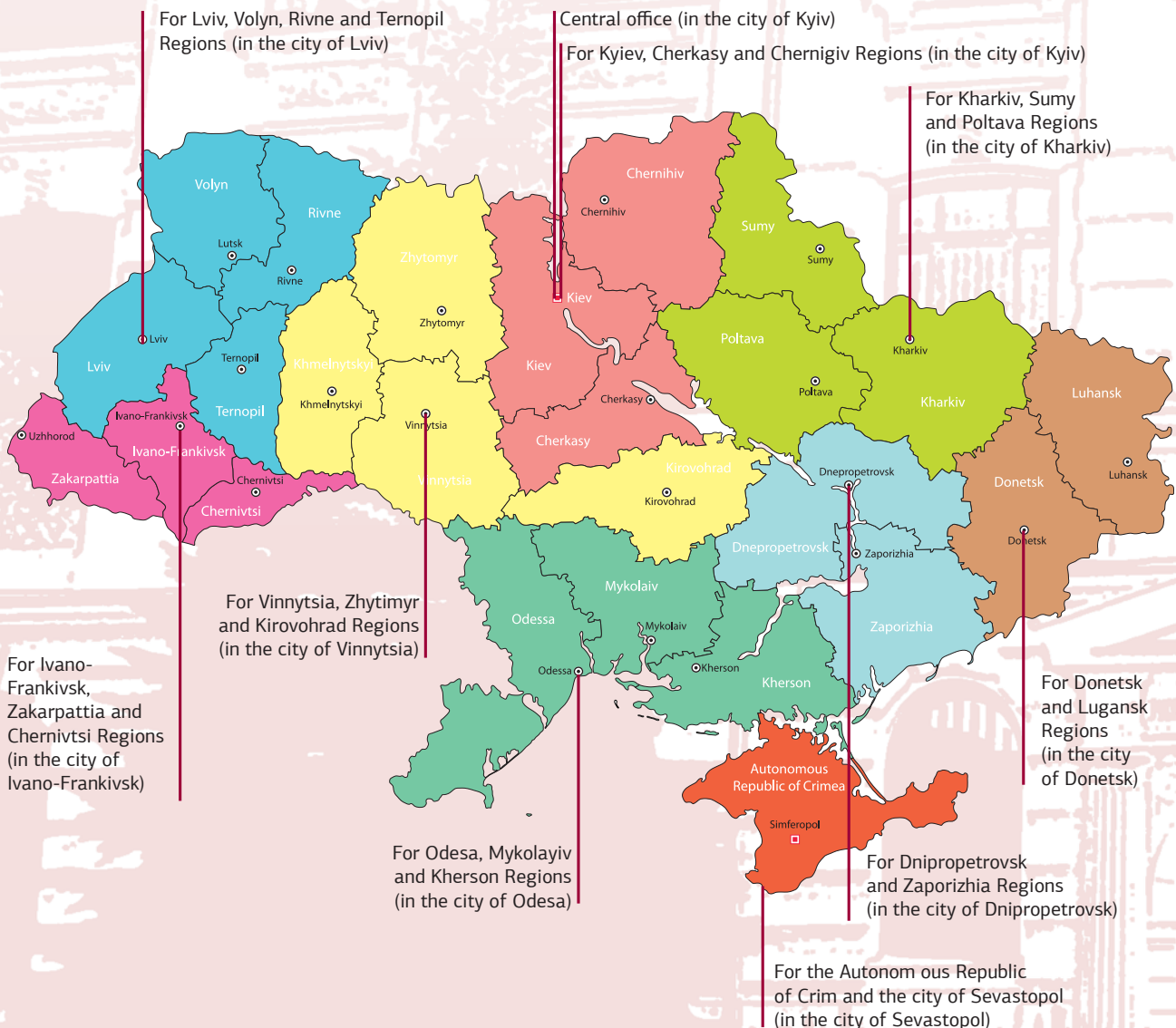
In 2010, the implementation of tasks and powers set out by the Accounting Chamber were provided by the following Audit Departments:

- Budgetary Policy (Chief Controller — Director of the Department, M.M. Golovan’);
- State Budget Revenues (Deputy Director of the Department, C.G. Ogon’);
- Legal Support (Chief Controller — Director of the Department, V.P. Pylypenko);
- Defense and Law Enforcement Activity (Chief Controller — Director of the Department, V.I. Nevidomyi);

- Agriculture, Environmental Protection and Emergencies (Chief Controller — Director of the Department, M.Ya. Shulezhko);
- Industry, Production and State Property (Chief Controller — Director of the Department, I.M. Zarembo);
- Science and Humanities (Chief Controller — Director of the Department, Ya.A. Flissak);
- Social Policy (Chief Controller — Director of the Department, L.V. Vitkovska);
- State Debt, International Activity and Financial Institutions (Chief Controller — Director of the Department, Yu.V. Ivanenko);
- Revenues of the State Budget and their Use in Regions (Chief Controller — Director of the Department, G.Yu. Samus’).

The sphere of activity of currently operating eight regional offices covers 21 oblast's (regions) of Ukraine, the Autonomous Republic of Crimea, Kyiv and Sevastopol cities. Regional office for Ivano-Frankivsk, Zakarpattia and Chernivtsi oblast's (in the city of Ivano-Frankivsk) was not opened as it was planned in 2010.

Regional offices of the Accounting of Ukraine



Main results of control, analytical and expert measures

General overview

According to the Article 9 of the Law of Ukraine “On the Accounting Chamber”, the Board of the Accounting Chamber is the main managing and administrative body, which considered planning and performance of control, analytical and expert activities, their methodology development and approval.

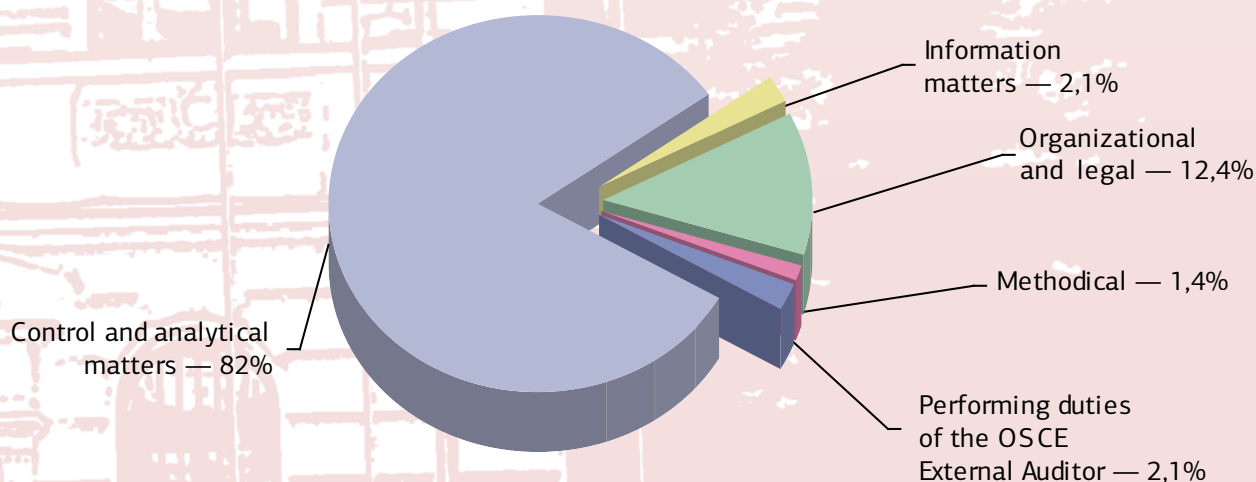
The Board’s activity is based on the principle of collegiality and provisions of the Law of Ukraine “On the Accounting Chamber”, the Budget Code of Ukraine and the internal Accounting Chamber’s Regulations.

The Board of the Accounting Chamber was formed on May 23, 1997. First rotation of Board members was performed according to Resolutions of the Verkhovna Rada of Ukraine dated June 17, 2004 and March 25, 2005.

The Board of the Accounting Chamber consists of the Chairman, Deputy Chairman, Secretary of the Accounting Chamber and nine Chief Controllers — Directors of Departments, elected by the Verkhovna Rada of Ukraine by means of secret ballot.

The Board of the Accounting Chamber conducted **27 meetings** in 2010, during which 145 issues were considered. One of them was a joint Board meeting with the Accounting Chamber of the Russian Federation.

Classification of issues considered by the Board in 2010

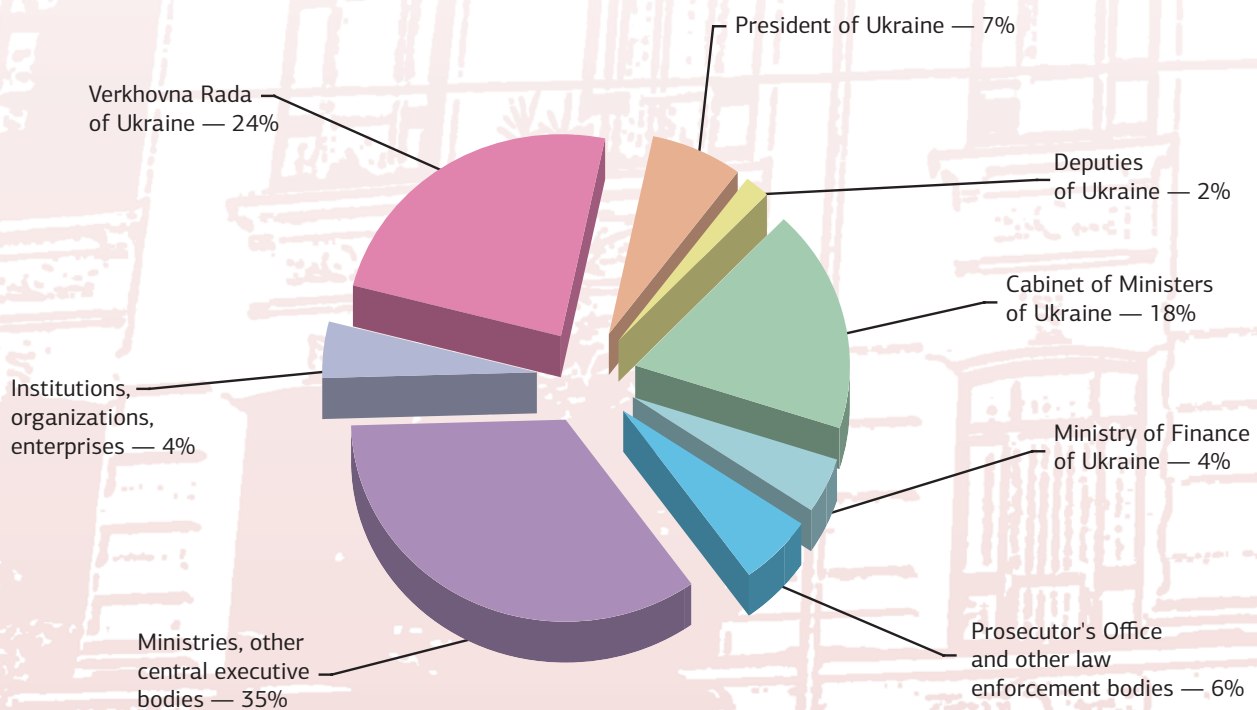


118 reports and conclusions were prepared as a result of **970 control, analytical and expert measures** performed by the departments and regional offices.

Control over the use of budget funds, resources of state special funds was exercised in 23 oblasts of Ukraine and the Autonomous Republic of Crimea during which 732 objects were examined.

According to the results of control, analytical and expert measures 556 reports, conclusions, information statements, acts and management letters were prepared and sent to the supreme legislative and executive bodies for reaction, elimination of detected violations and deficiencies as well as for reimbursement of losses caused to the State Budget of Ukraine. All specified documents contained well-founded, weighted and specific lists of recommendations on adjustment and improvement of situation, prevention of various violations and deficiencies in the future as well as concerning the increase of efficiency, effectiveness and economy in the use of funds of the State Budget of Ukraine as a whole and in the sphere of each individual direction.

Structure of reports, conclusions, information statements, acts and management letters based on results of control activity in 2010 forwarded for respective feedback

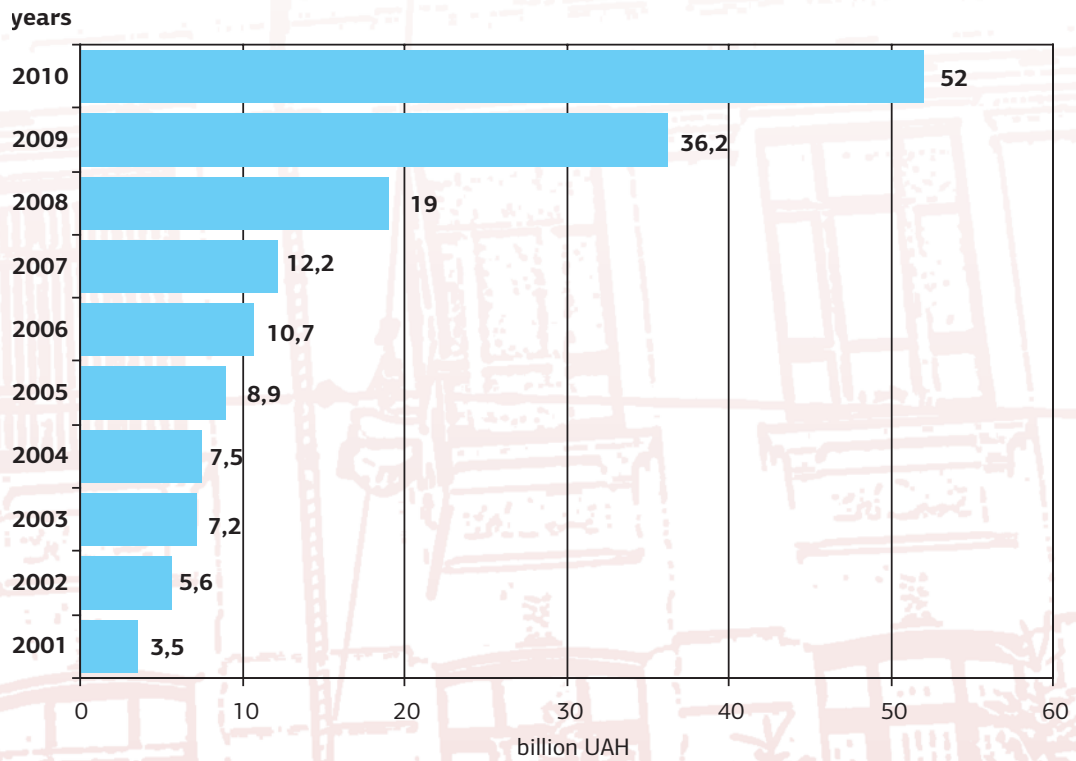


In the course of control, analytical and expert measures taken by the auditors and according to Articles 116 and 119 of the Budget Code of Ukraine, budget violations (illegal and improper) were detected in the form of inefficient use of funds of the State Budget of Ukraine and state special funds, as well as violations and deficiencies in administration of revenues of the State Budget for the total amount of **UAH 51 billion 968 million**. Out of this amount:

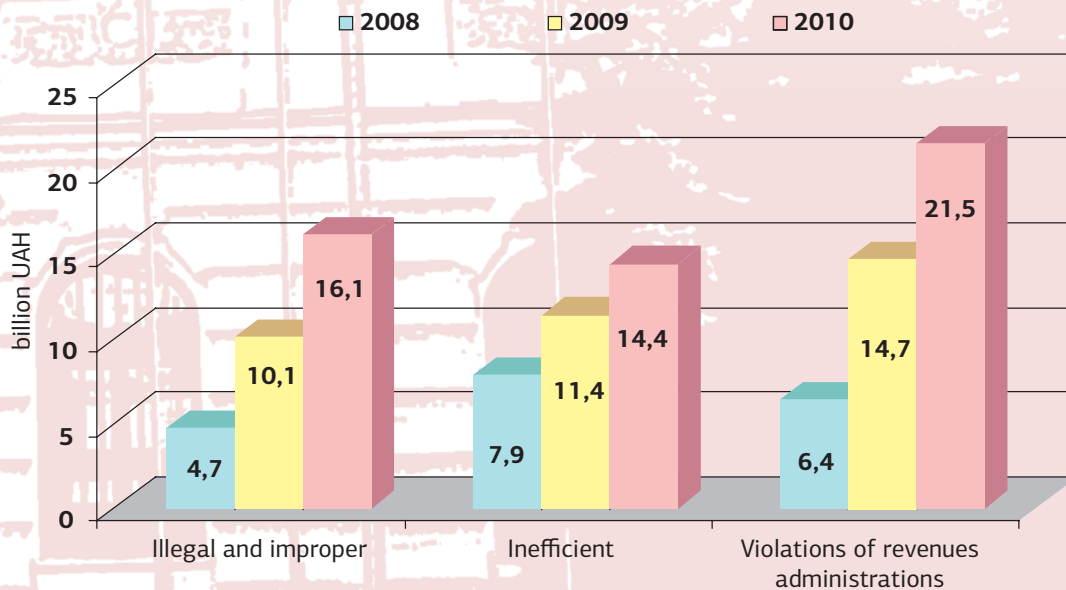
- **illegal and improper use of funds estimates to UAH 16 billion 118,5 million;**
- **inefficient use — UAH 14 billion 398,3 million;**
- **violations of revenues administration — UAH 21 billion 451,2 million.**



**Amount of budget violations,
inefficient use of budget funds,
violations and deficiencies of revenues administration**

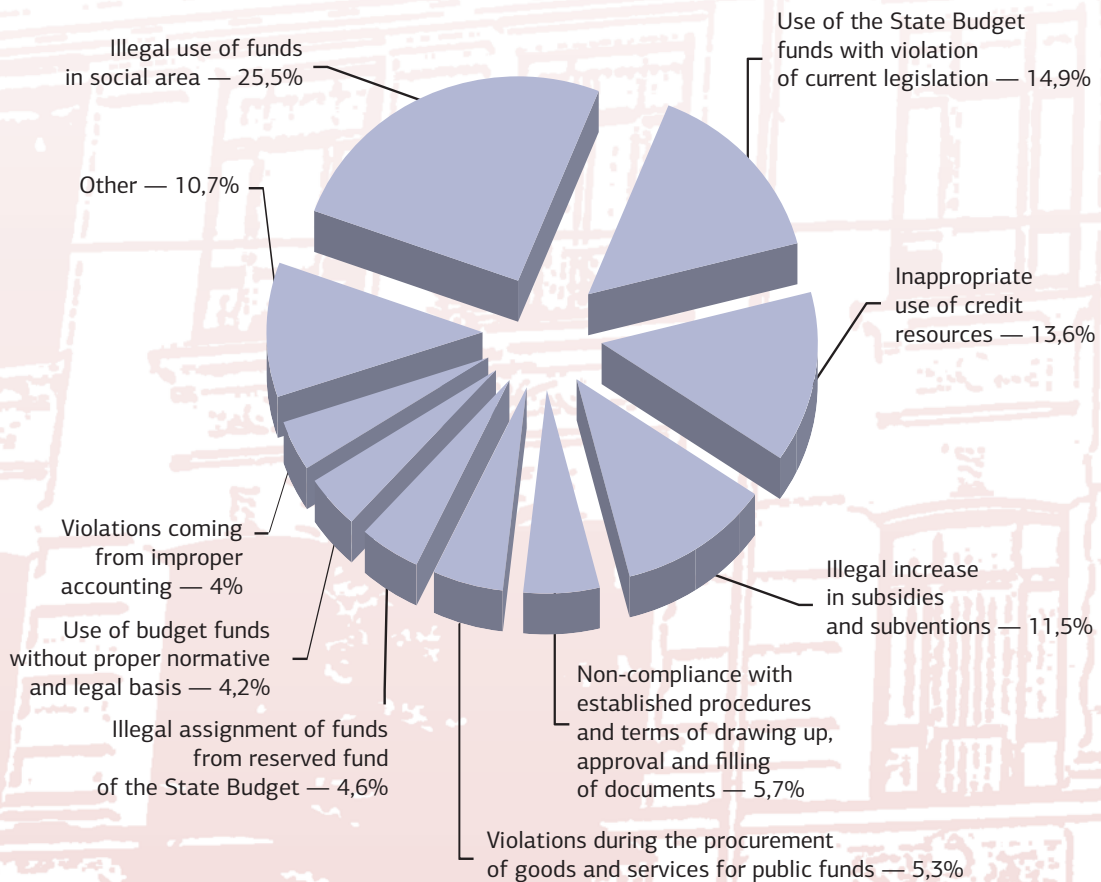


**Structure of detected violations
in using budget funds**

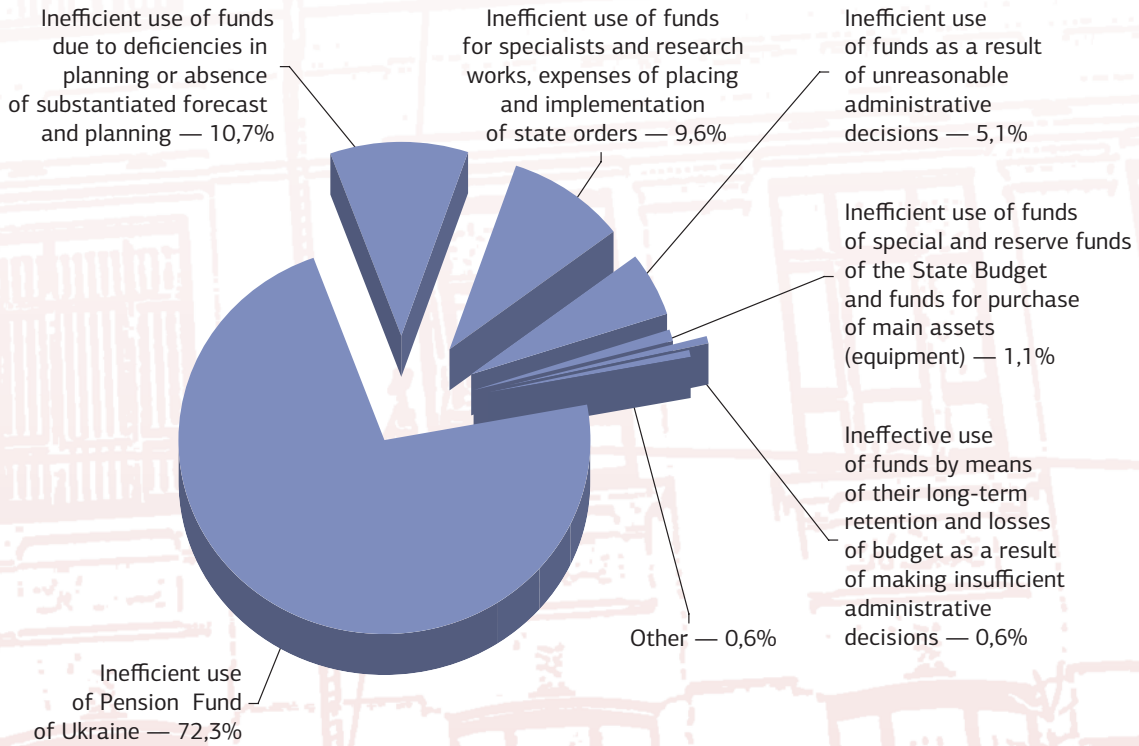


Analysis of the results of control and analytical measures in 2010 indicates that most budget violations, cases of inefficient management and use of public funds, irregularities and deficiencies in the administration of revenues of the State Budget continues to be systematic in nature, as they have been repeated from year to year.

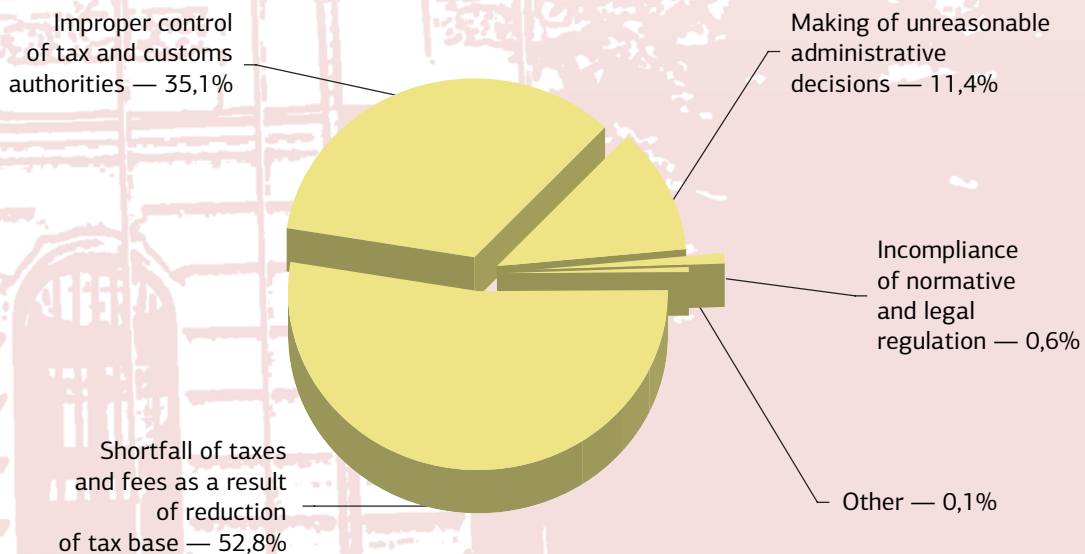
Structure of detected budget violations in 2010



Structure of inefficient management and use of budget funds in 2010



Structure of violations and deficiencies in revenues formation of the State Budget detected in 2010

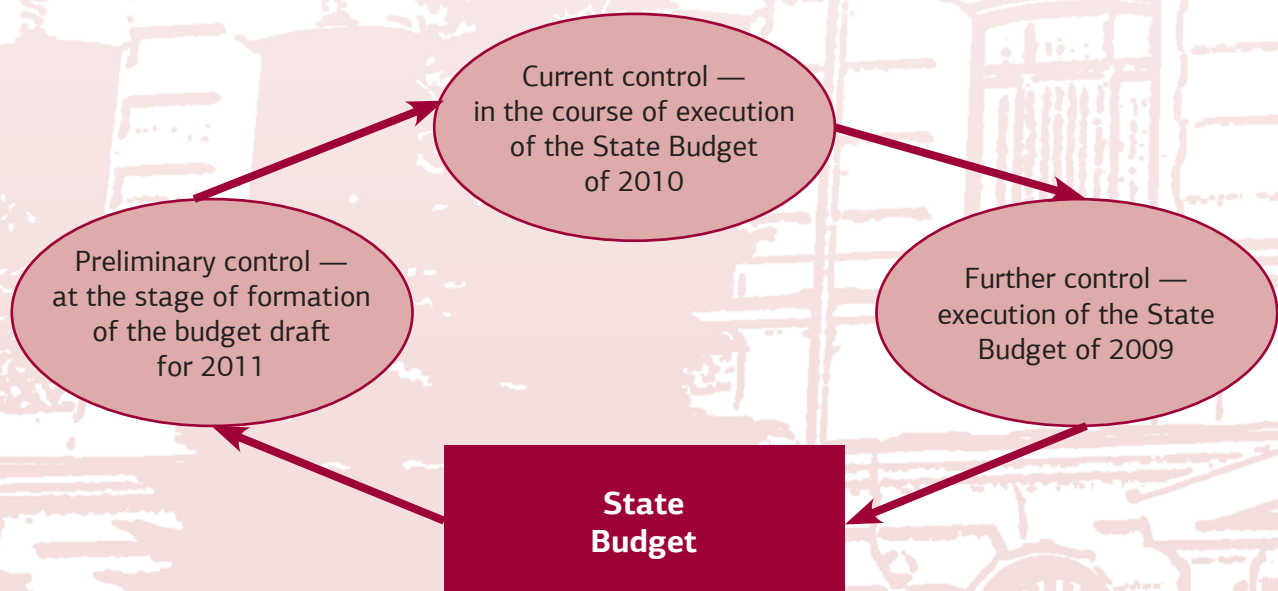


Control, analysis and expertise of the state budget of Ukraine

During the reporting year the Accounting Chamber continued its control, analytical and expert activities which ensured the unified system of control over the execution of the State budget and resources of state special funds, according to requirements of existing legislation. This implies taking an integral and interrelated complex of control, analytical and expert measures.

In 2010, the Accounting Chamber exercised control over three years' budgets: 2011 (at the stage of the draft budget formation), 2010 (in the course of its current execution) and 2009 (executed budget follow-up). Budgets of each financial year are on one of the stages of a three-year cycle.

Such system of control is integrated in the main components of the budget process and stipulates non-stop three-year cycle of control over formation and execution of budgets of each financial year implemented at three consequential stages: preliminary control of the budget draft, current control of budget execution and further control of budget execution.



Themes of audit and analytical activities

Social issues and provision of due work conditions:

- Implementation of activities aimed at overcoming children transience and homelessness;
- Provision of some population categories with technical and other means of rehabilitation;
- Analysis of back pays;
- Formation and execution of the Pension Fund of Ukraine budget;
- The adjustment of remuneration conditions in public sector on the basis of Unified salary scale;
- Social, labor and professional rehabilitation of disabled persons in L'viv, Volyn, Rivne and Ternopil' regions;
- Radiation and social security of population in Zhovti Vody town;
- Implementation of social guarantees provided to miners and their families as provided by the Law of Ukraine "On Raising the Prestige of Miners' Work";
- Implementation of precautions and treatment of professional diseases and occupational injuries caused by the work at enterprises with hazardous occupational conditions in Donetsk region;
- Restructuring debts for State guaranteed payments to employees of educational institutions and entities in Vinnitsa, Kirovograd and Khmelnytsky regions;
- Management of assets of the Obligatory State Social Insurance Fund of Ukraine in case of unemployment allocated for professional training, retraining and qualification upgrade of unemployed persons.



State support to industrial, energy and transits potential of Ukraine:

- Activities in the area of energy efficiency and energy saving;
- Activities on development of own nuclear fuel production;
- Restructuring coalmining and peat-mining industry;
- Funding projects related to conservation of industrial enterprises facilities; restructure and elimination of mining-and-chemical enterprises and iron ore deep-mining output enterprises;
- Preparatory activities for elimination of coal mining enterprises in Donetsk and Lugansk regions;
- Procurement of An-148 through the State leasing entity;



- Implementation of the Program for development of international transport corridors in Ukraine;
- Development and maintenance of communal motorways network in Mykolayiv and Kherson regions;
- Implementation of the State program for development of national engineering industry for agricultural complex.

State security, law enforcement activity, defense capacity of the state and maintenance of armed forces of Ukraine and law enforcement agencies:

- Procurement and modernization of armaments, military and special technical means;
- Activities for reformation and development of Military Forces of Ukraine;
- Charity aid inflows within the law enforcement agencies' system;
- Management of budgetary funds allocated for scientific activities of law enforcement agencies;
- State regulation of paid services system within the domestic affairs agencies;
- Checkpoints activity at the state border with Russian Federation in Kharkiv and Sumy regions;
- Maintenance and development Navy Forces of Ukraine;
- Maintenance of Intelligence Service of Ukraine activities.

Activities for establishment of independent and effective judicial system:

- State of engagement to the effectiveness of management of revenues for payments of expenditures on informational and technical maintenance of judicial proceedings;
- Analysis of general problems in organizational provision of judicial power and ways of their solution;
- Activities aimed at security of rights and interests of the State during the regulations of disputes by foreign jurisdictional bodies;
- Management of budgetary funds allocated for establishment and functioning of the Single state register of judicial decisions by the State Judicial Administration.



Issues related to economic and international activities of the state:

- Management of the State Budget Reserve Fund assets in 2009;
- Implementation of the State scientific program for development of topographic and geodesic activity and national mapping for the period of 2003-2010;

- State and feasibility of preferences for VAT on medicines and health care goods;
- Development of mineral and raw material basis and execution of government order for the growth of natural resources reserves;
- Implementation of the State program for development of cooperation with Ukrainians abroad until year 2010.



Management of stabilization fund assets:

- Management of Stabilization fund assets for purposes of execution of the capital's functions according to the Law of Ukraine "On the capital of Ukraine — city-hero Kyiv";
- Management of Stabilization fund assets by Ministry of Regional Development and Construction of Ukraine.

Problems of funding the agriculture, support of national producer and protection of state owned lands:

- Execution of applied scientific and technical designing in area of agricultural complex development;
- State support for agricultural complex;
- Implementation of project "Issue of State certificates for the land ownership right in rural areas and cadastre system development";
- Land management and land reform implementation;
- Setting and supervision over new gardens, vineyards and berry-fields.



State target program of preparation and hosting the Final part of European Football Championship in Ukraine in 2012:

- Provision of transport and housing services in host cities;
- Provision of public order, guarantees of security and counteraction to terrorist activity in the course of the Final Part of European Football Championship in 2012 in Ukraine;
- Reconstruction of Olimpiyskiy National Sports Complex;



- Management of funds allocated to the State Committee of Television and Radio Broadcasting for execution of activities related with preparation and hosting the final part of European football championship in Ukraine in 2012.

Health care, culture, sports and tourism issues:

- Prevention and fighting A/H1N1 flu dissemination and acute respiratory diseases over the territory of Ukraine;
- Establishment of the single emergency medical treatment system;
- Provision of diabetics treatment in Dnipropetrovsk, Zaporizhzhya, Odesa, Mykolaiv and Kherson regions;
- Provision of development and application of Ukrainian language in Ukraine;
- Museum and exhibition activities;
- Anti-landslide measures and restoration on the territory of Kyivo-Pecherska Lavra complex;
- Preservation of National Historical-cultural reserve “Hetmans’ capital”;
- Management of budgetary funds allocated to the State Committee of Television and Radio Broadcasting for practical researches;
- Creation and development of the sports’ logistics basis.



Management of budgetary funds for science and education:

- Budgetary funds allocated to Ukrainian academy of agricultural sciences for researches;
- Production of graduates’ diplomas and system of their order, account and issue;
- Budgetary funds allocated to the Ministry for Emergencies and Population Protection from the Consequences of Chernobyl Catastrophe;
- Budgetary funds allocated to research centers of National Academy of Sciences in Sevastopol;
- Human resources development in professional educational institutions of Vinnytsia and Kirovograd regions;
- Human resources development in mining professions for enterprises of coal industry;
- Budgetary funds allocated to military educational institutions in Sevastopol city for the personnel training;
- Trainings for labor;
- Budgetary funds allocated to National University of water and nature management.

Problems of environmental safety, ecological protection and prevention of emergencies:

- Preservation of nature-reserve fund and formation of environmental network in Ukraine;

- Provision of environmental safety in Azov-Black sea basin and protection, regulation and recreation of marine biological resources;
- Transformation of “Shelter” object into environmentally safe system and implementation of international projects on the site of Chernobyl NPS;
- Public management, regulation and control in the area of protection, management and recreation of marine living resources in Odessa, Mykolayiv and Kherson regions;
- Recovery activities at objects damaged as a result of emergency that happened in Carpathian region on July 23-27, 2008;
- Activities performed under State target programs for disposal of explosives remained after the World War II in Sevastopol and Kerch regions.



Interrelations of the state budget of Ukraine and local budgets, management of budgetary funds for social and economic development of regions:

- Highway construction across Dnipro river;
- Activities provided by Program of sustainable social and economic, environmental and cultural development of Sevastopol city for the period till 2015;
- Activities related to reconstruction of the water-supply system in Lviv city;
- Redemption of the debt based on heat energy differential, water-supply and drain services;
- Execution of powers by local state administrations in Autonomous Republic of Crimea, regions and Sevastopol city.



Public debt management and loan reimbursement, implementation of international organizations' projects:

- Public debt and debt guaranteed by the State in 2009 and trends analysis for 2010;
- Management of budgetary funds and funds loaned by the International Bank of Reconstruction and Development for implementation of the project “Modernization of State Tax Service of Ukraine — 1”;
- Implementation of “Improvement of Social Aid System” project funded with the loan provided by IBRD;
- Implementation of “Development of Urban Infrastructure in Ukraine” project funded with the loan provided by IBRD.

Issue of revenues part of the state budget of Ukraine:

- Control over inflows of payments to the State budget for the use of resources of national significance;
- Effectiveness of the system and completeness of payments to the State budget from collected fees for environment pollution in Kharkiv and Poltava regions;
- Public authorities performance in area of providing rent payments for hydrocarbon mining;
- Activities of the State Tax Service agencies in providing completeness and timeliness of penalties and fees for the benefit of the State Budget;
- Completeness and timeliness of tax payments by alcohol industry enterprises in Vinnitsa and Khmelnytsky regions;
- Planning and implementation of control over accrual completeness and timeliness of excise duties for alcohol;
- Customs performance related to providing completeness and timeliness of taxes and duties for goods brought on territory of Vinnytsa and Khmelnytsky regions;
- Effectiveness of state authorities' performance as to providing inflows to the State budget by selling the goods confiscated by customs on the territory of Kharkiv and Sumy regions.
- Analysis of exercise of the state bodies' authorities in the part of common revenues to the State Budget, which are collected on the state border of Ukraine.

Banking activity and financial institutions:

- Audit of the National Bank of Ukraine Financial Statements for 2009;
- Audit of the State Commission for Regulation of Financial Services Markets of Ukraine activities and their expenditures covered by the State Budget.
- Performance audit of the State Mortgage Institution activities.

Cooperation with international financial institutions:

- Annual financial report for 2009 of the loan by the International Bank for Reconstruction and Development for implementation of Project "Improvement of State Tax Service of Ukraine — 1";
- Annual financial report for 2009 of the loan by the International Bank for Reconstruction and Development for implementation of Project "Improvement of Social Security System".

According to the joint agreement on cooperation

- Performance audit on implementation of State programmes and measures in the area of vocational rehabilitation of disabled people (coordinator — the Supreme Audit Institution of the Republic of Poland).

Working plan of Eurosaï task force on the audit of funds allocated to disasters and catastrophes 2009-2011

- Audit report of the public funds allocated to regulation, protection, research and reproduction of water biological resources and provision of environment safety in the fishing basins of the Black Sea and the Sea of Azov (jointly with Russian SAI).



Budget legislation adherence and legal support of the budget process:

- Analysis of legal support by the Cabinet of Ministers of Ukraine concerning execution of the Law of Ukraine “On the State Budget of Ukraine for 2009”;
- Analysis of formation, allocation and execution of state orders for delivery of products for state needs in 2009;
- Analysis of status of state acquisitions in Ukraine in 2009 and in the current year.

Improvement of forms and methods of control and analytical measures and lessons learned:

- Audit methodology of the National Bank of Ukraine Financial Statements;
- Calculations of the real Gross Domestic Product index.

Public funds allocated to ensure functioning of:

- The Central Election Commission in 2009 and the first half of 2010;
- The Secretary of Ombudsman for Human Rights in Parliament;
- The Main Office of the State Courier Service;
- The public administration bodies in 2005-2009;
- The State Forestry Committee of Ukraine.

Accounting Chamber also **audited expenditures of the Reserve Fund of the State Budget of Ukraine, analyzed annual reports of the Antimonopoly Committee of Ukraine and the State Property Fund of Ukraine.**

With the purpose of exercising functions of the OSCE External Auditor by the Accounting Chamber, the Board considered:

- External Audit Report of the OSCE mission in Minsk (Belarus);
- External Audit Report of the OSCE mission in Baku (Azerbaijan);
- External Audit Report of the OSCE consolidated financial statements for 2009, unqualified audit opinion to the OSCE Permanent Council, Management Letter and Memorandum-plan of the External Auditor for 2010-2011.

Additional control measures were taken according to the decisions of the Board of the Accounting Chamber on the basis of resolutions or orders of the Verkhovna Rada of Ukraine, requests from committees and People Deputies of Ukraine inquiries according to which respective decisions were made by the Parliament of Ukraine.

Results of performance audits of the state target programs and other sectors of budget funds use

Performance audits became the main trend of conducting control measures by the Accounting Chamber over the last few years.

One of the basic requirements of performance audit is a comprehensive evaluation of managerial decisions taken by the Cabinet of Ministers of Ukraine and by main managers of public funds, of effectiveness of system and of use of the State Budget of Ukraine funds.

The Accounting Chamber ensured control over financing execution of economic, industrial, scientific, technical, social, national and cultural development, environmental and health protection programs, formation of national ecology network etc. 25 audit reports, or 21% of their total number, were prepared according with the audits results of budget funds use for 19 state target programs or its separate sectors.

In general, priority was given to audits of urgent issues, which can be solved within the framework of national target programs. In 2010 the Accounting Chamber of Ukraine focused exactly on such audits.

Audits conducted showed imperfection of the most current state target programs. As a rule, measures provided by state programs were ambiguous and were not supported by the concrete amount of funds for their implementation. Some of activities were duplicated in other state programs which caused overlapping between the state target programs and budget programs.

In most cases the state target programs were unsuccessful meaning that funds on their implementation were spent ineffectively.

During the financial year, the specific feature of performance of the majority of state target programs was their insufficient funding by the Cabinet of Ministers of Ukraine. Also the Ministry of Economy and the Ministry of Finance didn't distribute state resources proportionally for the implementation of all programs. As a result, the majority of problems which were planned to be solved within framework of execution of state programs were not resolved.

In 2010 the heads of ministries, state offices and institutions, who were responsible for implementation of state target programs, didn't take necessary measures concerning implementation of the guidelines and proposals of ACU Board. Subsequently, considerable part of issues was not resolved which caused negative influence on the use of public funds and prevented timely and fully implementation of state target programs.



Reaction of the state authorities, institutions and organizations to implementations, proposals and recommendations

Accounting Chamber of Ukraine thoroughly tracked and analyzed the execution of recommendations and proposals had approved by the ACU Board according to the results of performed audits. A control measure shall be deemed successful only in case there is a respective positive reaction of the Cabinet of Ministers of Ukraine, ministries, other central executive bodies and audited objects on conclusions of the ACU Board.

Conclusions, proposals and recommendations approved by the AC Board concerning elimination of detected violations and improvement of use of state budget funds according to the results of control and analytical measures were considered and taken into account by the administration of state power bodies — main managers of budget funds.

20 audit reports were forwarded to the General Prosecutor's Office of Ukraine in 2010 with the purpose of execution of Article 26 of the Law of Ukraine "On the Accounting Chamber" and according to the Procedure of interaction between the General Prosecutor's Office of Ukraine and the Accounting Chamber.

The proposals of the Board of the Accounting Chamber according to the results of audits were reflected in 54 legislative acts adopted by the Verkhovna Rada of Ukraine, Decrees and Orders of the President of Ukraine, regulations and directions of the Cabinet of Ministers of Ukraine, which had a significant influence on social and economic development of the country and improvement of the living standards, financial and budgetary policy. The Committees of Verkhovna Rada considered 43 issues concerned the results of audits and the representatives of the ACU took part in the 49 meetings of the committees, 3 committee hearings and 2 round work tables in Verkhovna Rada.

At the same time the feedback from the Cabinet of Ministers and audit entities was formal. The ACU received only notifications from the Cabinet of Ministers about the audit reports discussed with no further actions being taken. However the majority of proposed activities was formally based and didn't have direct impact on solving the problem.

International cooperation

During 2010 the Accounting Chamber of Ukraine carried out international cooperation in accordance with paragraph 12 of the Article 6 of the Law of Ukraine “On the Accounting Chamber” in the following main directions:

- development and enhancement of bilateral and multilateral cooperation with Supreme Audit Institutions a worldwide;
- participation in activities within the framework of International (INTOSAI) and European (EUROSAI) Organization’s of Supreme Audit Institutions;
- support of activities of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes;
- participation in the activity of the Board of Heads of the SAI’s of the Commonwealth of Independent States;
- enhancement of cooperation with international organizations and implementation of institutional development projects.

The Accounting Chamber of Ukraine actively continued the development of bilateral cooperation with SAI’s of Russian Federation, Kingdom of Sweden, Republic of Poland and the Socialist Republic of Vietnam, whose activities were of interest for our institution.

The **Agreement on bilateral cooperation** with the Office of State Audit of the Socialist Republic of Vietnam **was concluded** during the visit of the delegation of the Accounting Chamber, headed by the Chairman Dr. V. Symonenko, to Hanoi.



Visit to the Office of the State Audit of the of Vietnam
(Hanoi, October 25–27, 2010)

The main purpose of the Agreement signed is to improve cooperation between two institutions, develop initiatives and institutional opportunities for further enrichment of experience in the sphere of public financial control. As of today, the Accounting Chamber signed agreements on cooperation with 22 Supreme Audit Institutions worldwide.

On December 2, 2010 a joint board with the Accounting Chamber of the Russian Federation was held in the Accounting Chamber of Ukraine. Chairmen of both SAIs signed the **Memorandum based on the results of parallel audit** of the public funds allocated to regulation, protection, research and reproduction of water biological resources and provision of environment safety in the fishing basins of the Black Sea and the Sea of Azov.



Signing of the Audit Memorandum by the Chairman of the Accounting Chamber of Ukraine Dr. V. Symonenko and the Chairman of the Accounting Chamber of Russian Federation Dr. V. Styepashyn (Kyiv, December 2, 2010)

During the year the Accounting Chamber continued implementation of joint Ukrainian-Swedish project “Cooperation in the field of institutional development between the Accounting Chamber of Ukraine and **Swedish National Audit Office**.” Within this framework two seminars (31 May — 3 June and 25-26 August, 2010) were held for Ukrainian auditors. Participants exchanged experience in conducting such audits and learned with international principles and standards.

Parallel audits in 2010 remained an integral part of international cooperation and practical aspect of implementation of bilateral agreements by the Accounting Chamber of Ukraine. There were two parallel audits completed and joint reports based their results signed, namely:

- parallel audit of the use of public funds and other sources of funding, aimed at regulation, protection, study and reproduction of water biological resources and environmental safety in the Azov-Black sea fishing basin (carried out jointly with the SAI of Russian Federation);
- parallel audit of preparation of Poland and Ukraine to hosting the Final European football championship “Euro-2012” (audit is being carried out jointly with the SAI of Poland, report of completion of the 2nd audit phase was signed).
- Two parallel audits were performed in 2010:
- International coordinated audit of protection of the Black Sea Against Pollution (carried out jointly by the SAIs of Georgia, Romania, Russian Federation, Turkey);
- International coordinated parallel audit of programs / measures aimed at increasing employment of disabled people in the public sector (carried out jointly with the SAIs of 12 countries).

In addition to adjustment and further development of bilateral and multilateral cooperation with foreign SAIs in the reporting period, our institution was actively involved in activities of INTOSAI, EUROSAI and the Board of Heads of Supreme Audit Institutions of the CIS countries.



II Meeting of EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes (Kyiv, June 24-25, 2010)

In June 2010 within the framework of the **EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes**, headed by the SAI of Ukraine, the second meeting of the Task Force was held in Kiev. Representatives of 10 European SAIs, the UNDP, the National Academy of Sciences of Ukraine, as well as relevant Ukrainian ministries and agencies attended the meeting.

Three plenary sessions on issues of prevention and elimination the consequences of disasters and catastrophes, performance audit methodology and special group projects were organized as a part of the meeting. Drafts of glossary terms, database of audits of natural and man-made disasters in Europe and the approximate structure of recommendations based on audit best practices regarding prevention and elimination the consequences of disasters and catastrophes were presented during the meeting.

As a member of the **EUROSAI Governing Board** the Accounting Chamber of Ukraine took part in its XXXVI meeting (Madrid, the Kingdom of Spain) in November 2010. During this event the Chairman of the Accounting Chamber V. Symonenko presented the Activity Report of the EUROSAI Task Force and suggested on extension of the mandate of the Task Force for 2011-2013 which approved and unanimously adopted by members of the Governing Board.

In this report V.Symonenko also focused on the experience of our institution in performance of parallel audits as an integral part of international cooperation (for example joint audits with SAIs of the Republic of Kazakhstan, of the Russian Federation and the Republic of Bulgaria).

Besides, throughout 2010 the Accounting Chamber of Ukraine continued to participate in activities of INTOSAI and EUROSAI working groups on environmental auditing. The ACU took part in VIII Meeting the EUROSAI **Working Group on Environmental Auditing** (island Teksel, Netherlands) and became the coordinator of the Coordinated Parallel Audit of Protection of the Black Sea Against Pollution, which involved four auditor SAI: Georgia, Romania, Russia and Turkey. During the year, two working meetings within the framework of this audit (June 23, 2010, Kyiv, Ukraine, and 19-22 October 2010, Istanbul, Turkey) were also organized.



Constant participation of specialists from our institution in the invents of INTOSAI and EUROSAI assists to learn and share best practices on carrying out of audits in different spheres, to master and implement audit methodology of our colleagues around the globe, and to raise awareness of European and international audit community about the activities and achievements of the Accounting Chamber.

In 2010 the Accounting Chamber actively participated in several events organized by the **International Organization of Supreme Audit Institutions (INTOSAI)**.

In particular, in May 2010 the delegation of the Accounting Chamber of Ukraine headed by the Chairman Dr. V. Symonenko took part in **INTOSAI international conference** “Strengthening external public audit in the regions of INTOSAI” (Vienna, Austria), which was focused on the issues of SAI’s independence. The Chairman of the Accounting Chamber of Ukraine made a presentation during the discussion on the topic “Values and benefits of SAI independence.”

In November 2010 the delegation of the ACU also took part in the **XX Congress of INTOSAI** which was held in Johannesburg (South Africa). The Agenda of **Congress** included two major themes: “The value and benefits of SAIs” and “Environmental audit and sustainable development”. Congress also approved the set of new INTOSAI standards (ISSAI), the INTOSAI’s strategic plan for the following three years, which focused attention on the independence of SAIs, implementation of INTOSAI International Standards on Auditing (ISSAI), strengthening of institutional development, explaining the importance and benefits of financial audit, intensifying the fight against corruption and improving communications.

During the Congress the delegation of the Accounting Chamber held bilateral meetings with representatives of many SAIs, during which issues of bilateral cooperation were discussed. In particular representatives of some SAIs expressed their interest in the strengthening of the bilateral cooperation. Also the question of extension of the mandate of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes for the next three years (2011-2013) was discussed. In addition, the delegation of the Accounting Chamber participated in the meeting of the INTOSAI Working Group on Accountability for and Audit of Disaster-related Aid.

Representatives of the Accounting Chamber in 2010 participated also in the IDI Transregional Program on audit of public debt (Jakarta, Republic of Indonesia).

On September 29-30, 2010 in Yerevan (Armenia) X session meeting of the Board of Heads of SAIs — members of the CIS was held, which was attended by a delegation of the Accounting Chamber of Ukraine headed by the Chairman Dr. V. Symonenko. As the result of the meeting the Board adopted a resolution “On the Role of Supreme Audit Institutions of State-participants of the Commonwealth of Independent States in the management of socio-economic processes in the country”. This resolution approved the provisions and regulations of the Board and the guidelines on the use of key national indicators during conduction of performance audit.

In 2010, the Accounting Chamber continued to perform functions of the External Auditor of the **Organization for Security and Cooperation in Europe (OSCE)**.

As a result of the meeting, on April 15th, 2010 56 member-states of the OSCE Permanent Council adopted the unanimous decision to prolong the mandate of the Accounting Chamber of Ukraine as an external auditor of the organization for two more years.

The Memorandum-plan of OSCE External Auditor for 2010-2011 was developed to ensure the effective execution of the External Auditor mandate. According to the Memorandum-plan audit team carried out in 2010 a audit of the OSCE Financial Statements, IT audit and audit of the OSCE Offices in Minsk (Belarus), in Baku (Azerbaijan) and the Office of High Commissioner on National Minorities (Hague, Netherlands).



According to the Memorandum of Understanding signed between the Accounting Chamber and the World Bank on December 18, 2008, the Accounting Chamber audited 2009 annual financial statements of the International Bank for Reconstruction and Development loan to implement the project “Modernization of the State Tax Service of Ukraine-1” and the project “Improvement of the Social Assistance System.”

Cooperation with international organizations enable auditors of the Accounting Chamber of Ukraine to enrich knowledge and approaches to risk assessment, new forms and methods of audit performance, evaluation, improve accountability and transparency in the development and implementation of public policy and conducting national financial audit.

During 2010 a series of consultations and meetings with experts from the **European Commission** was held, as on evaluation of public administration in the areas of public internal financial control and external audit as well as on engagement experience and expertise of the Accounting Chamber of Ukraine in eliminating consequences of emergency situations in the country.

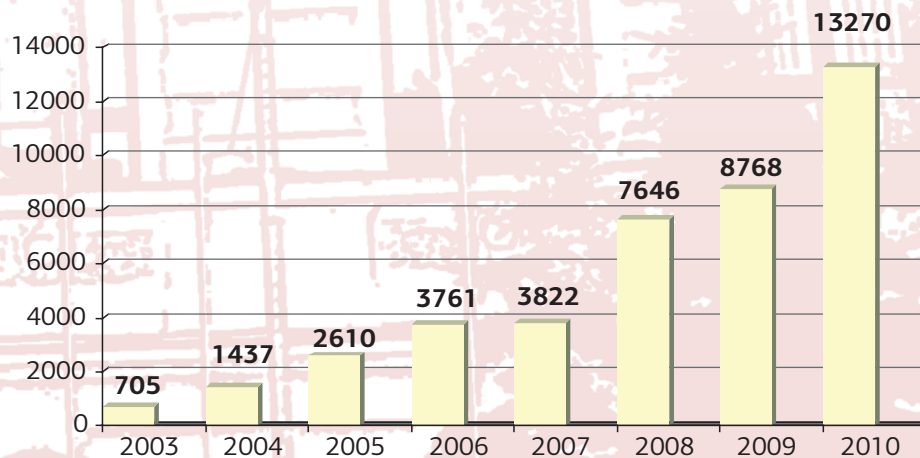


Publicity related activities

The principles of openness and publicity which are an integral part of activity of an independent constitutional body of financial and economic control in the country according to the requirements of the Law of Ukraine “On the Accounting Chamber”, as in previous years, formed the basis of the informational policy of the Accounting Chamber (AC) in 2010. Through the mass media, population was informed about the results of control, analytical and expert measures, thus enhancing public control over expenditures of the State Budget funds.

111 official notifications and publications were prepared and distributed, concerning the results of audit activities performed. Generally, the mass media published 13270 pieces of information during the year, related to the AC activity or referring to it. Such amount of published material in 2010 concerning the activity of the Accounting Chamber shows the continuous interest of the society concerning the objective information about the status of state financial and economic sector and the right choice of trends of cooperation with the representatives of the media and the public. On a regular basis AC audit reports were used by politicians, economists, experts and journalists to illustrate opinions and facts etc.

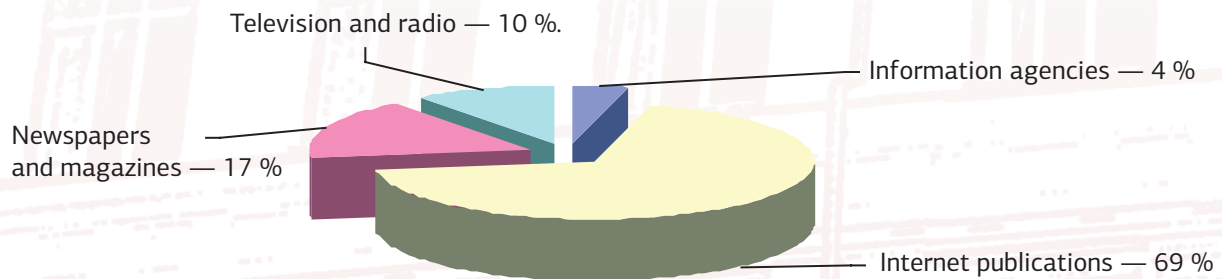
Number of Publications based on Audit Reports of the Accounting Chamber



Audit reports about the activity of the Accounting Chamber were published by central, regional and foreign editions.

ACU audit reports were published in national and regional mass media, in World Wide Web.

The Accounting Chamber's activities coverage in Mass Media



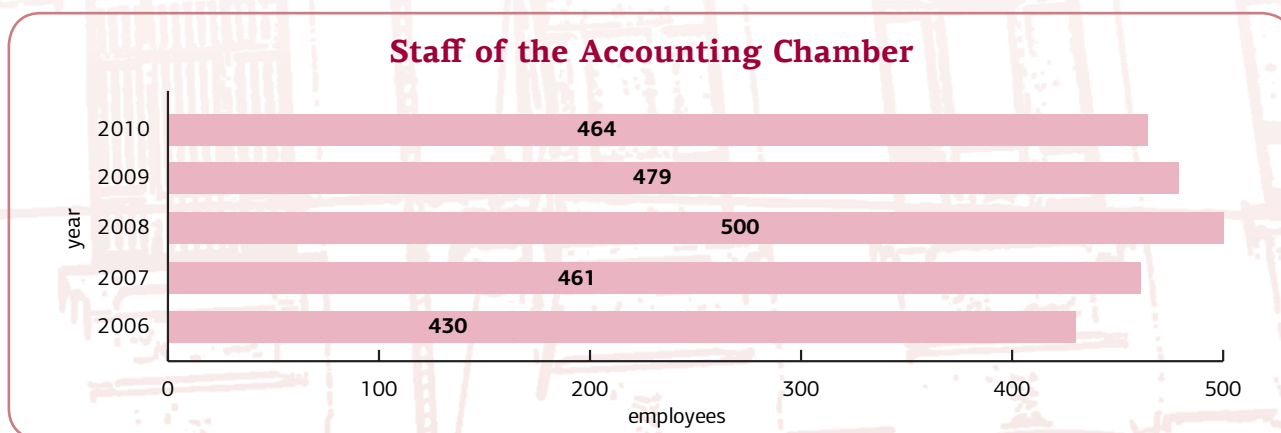
On the basis of audits performed, audit reports of control and analytical measures and events, 15 information bulletins were prepared in 2010. The audit reports of these bulletins which were distributed in the Parliament of Ukraine were studied and used by the People's Deputies in their activity in the committees of the Parliament of Ukraine and in their speeches during plenary meetings and sessions.

The representatives of the Accounting Chamber participated in the work of 49 committees of the Parliament of Ukraine during the year and were present during 60 meetings and parliamentary hearings. 43 matters were considered according to the results of audits performed by the Accounting Chamber.



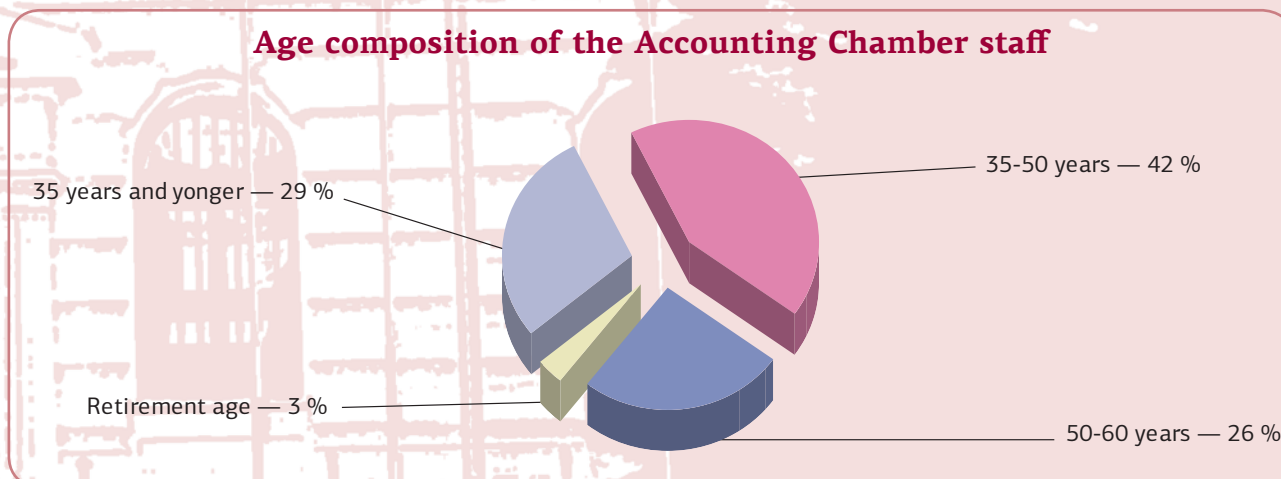
Staff support

The total number of ACU staff as of December 31, 2010 was 464. Among them 434 are civil servants and the rest 30 — supporting staff. The central office of the Accounting Chamber had 353 employees and eight regional offices had 111 employees.



The Accounting Chamber has its own scientific potential: 3 Doctors of Economic Sciences, professors, one of them is the Correspondent Member of the National Academy of Sciences of Ukraine, 21 candidates of science, 12 post-graduates and 1 person working for doctor’s degree. All 434 civil servants have higher education, and 123 of them have master’s degree, 113 persons have two higher educations, 13 persons have three higher educations and one person has four higher educations. A rank Hero of Ukraine has a 1 person, honored ranks: “Honored Economist of Ukraine” — 11 persons, “Honored Lawyer of Ukraine” — 3, “Honored Builder of Ukraine” — 2, “Honored Worker of Science Ukraine” — 1, “Honored Worker of Industry of Ukraine” — 1 person.

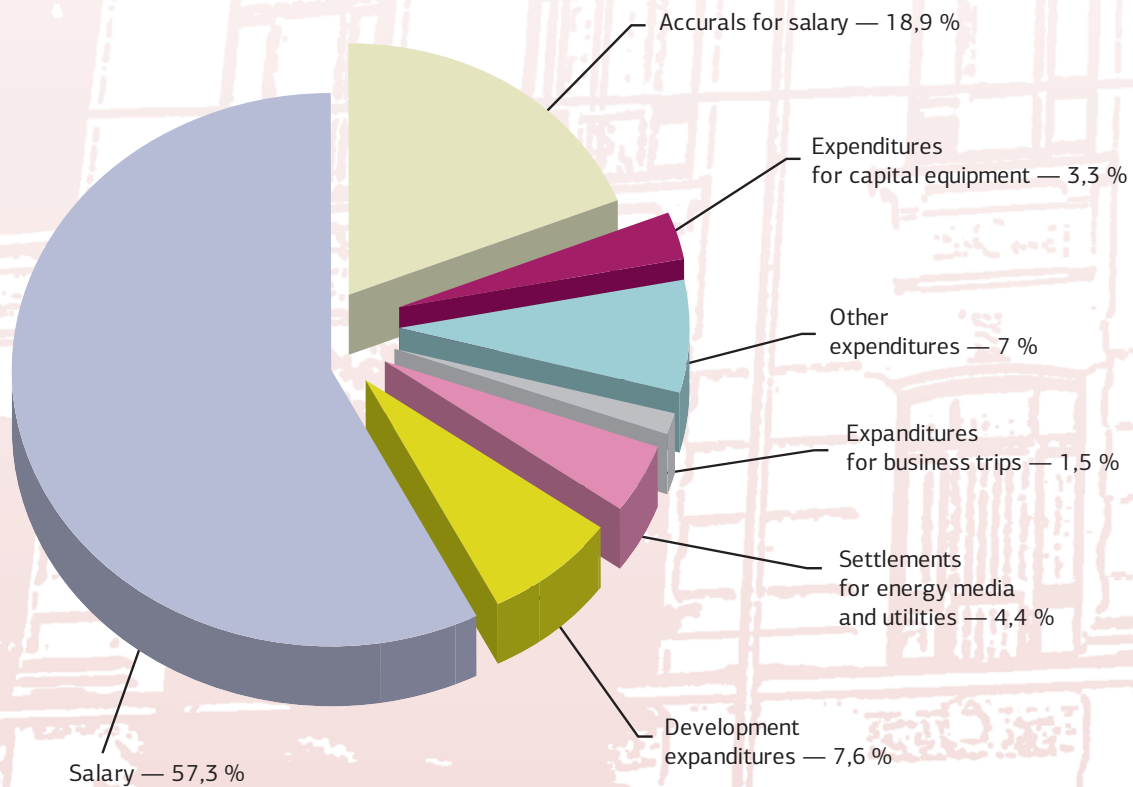
The age composition of staff of the Accounting Chamber during the last 5 years also remains stable: number of people in the age less than 35 years fluctuated in 2006–2010 between 29 and 34%. At the end of 2010 in the Accounting Chamber 134 persons were 35 years old or younger, 195 — aged 35 — 50 years, 119 persons — aged 50 — 60 years, and 15 persons were of retirement age. Staff middle age is 42 years.



Financial support and logistics

Law of Ukraine “On State Budget of Ukraine for 2010” approved estimate allocations for the Accounting Chamber for 2010 in the amount of UAH 70 million 528.3 thousand.

**Structure of Expenditures
of the Accounting Chamber in 2010**





Brief summary

In the reported financial period, the Accounting Chamber provided for implementation of tasks and provisions stipulated by the Constitution of Ukraine, the Law of Ukraine “On the Accounting Chamber”, the Budget Code of Ukraine and other legal acts of Ukraine.

At the same time a series of issues exist, which could foster further institutional development of the Accounting Chamber. With the purpose of increasing the efficiency and effectiveness of institutions activities, the following priority measures shall be taken:

- to conduct persistent work on changing the article 98 Constitution of Ukraine regarding control of budget revenues;
- to prepare and submit to the Parliament of Ukraine the new Draft Law of Ukraine “On the Accounting Chamber”;
- to conduct permanent work on legal and internal methodological guidelines improvement according to INTOSAI standards;
- to continue active participation in the EUROSAI Governing Board;
- to conduct general co-ordination and guidance of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes;
- to enhance control and responsibility of audited entities measures regarding implementation of recommendations, provided by the Board of the Accounting Chamber;
- to develop establishment of a new regional offices and to search for sufficient state financial support of their activities;
- to improve forms and methods of informing the society about results of control-analytical and expert measures;
- to initiate introduction of independent financing of the Accounting Chamber in the draft laws on the State Budget of Ukraine.

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