

THE ACCOUNTING
CHAMBER OF UKRAINE



ANNUAL REPORT 2012

Kyiv
2013



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«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, Colleagues!

We would like to present you the Accounting Chamber's Annual Report for 2012 which contains the main results of the Accounting Chamber's activity, achievements within international area, transparency, as well the main ways for development and further enhancement of our institution.

We believe that these materials will provide the society, Supreme Audit Institutions — INTOSAI members, other agencies seeking for our cooperation, with more comprehensive overview of the Accounting Chamber's activity and performance in 2012 — in the sphere of financial and economic control over expenditures of the State Budget of Ukraine.

Chairman
of the Accounting Chamber



Roman Maguta



Main aspects of 2012

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 the expenditures of the State Budget of Ukraine on behalf of the Verkhovna Rada of Ukraine is exercised by the Accounting Chamber.



Based upon experience gained from conducting control, analytical and expert activities 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 activity.

Main Spheres of the ACU's Activities in 2012

Financial and Budgetary Policy
Legal Support
Defence 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

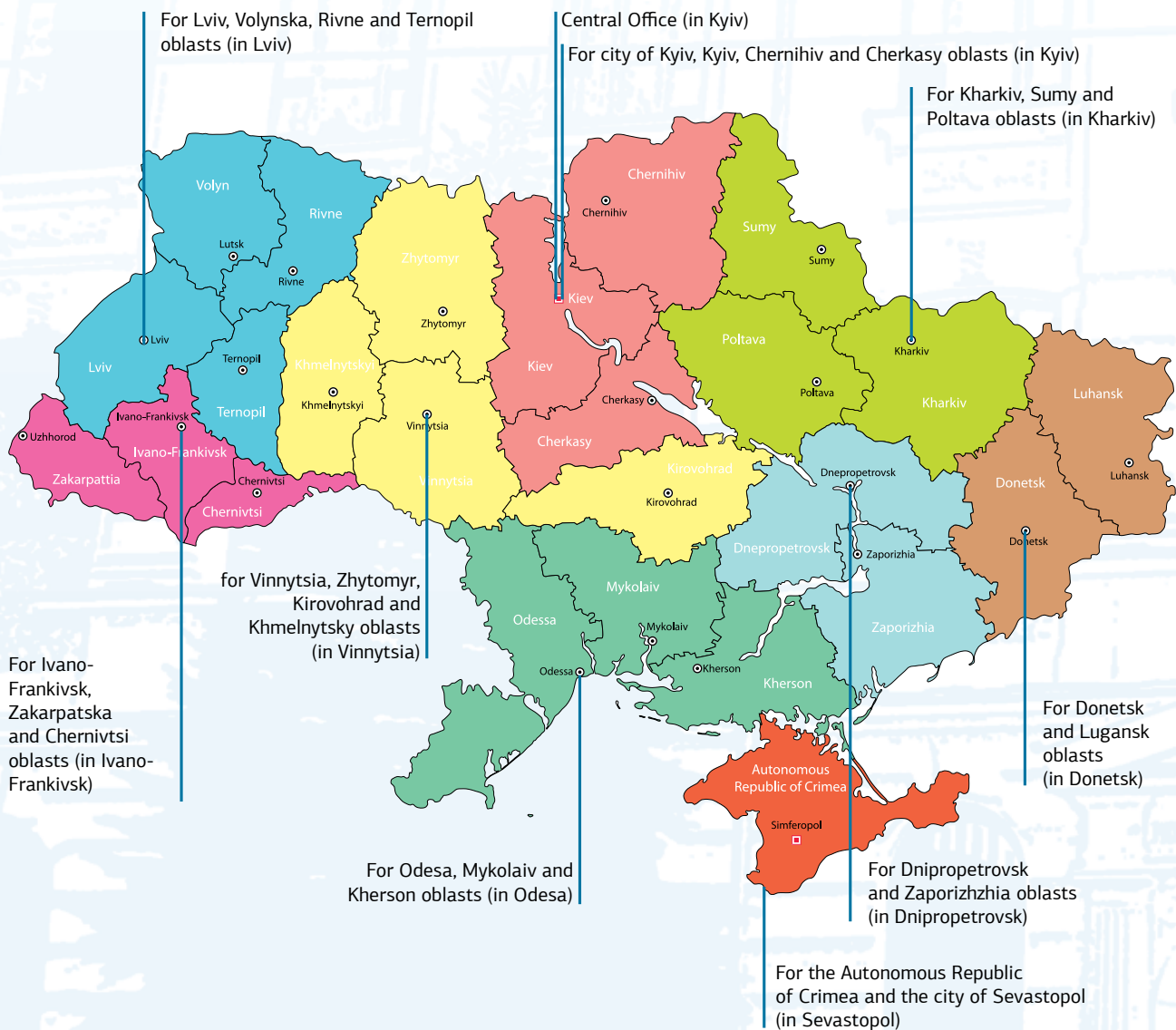
The tasks faced by the Accounting Chamber in 2012 were carried out by the following departments:

- Budgetary Policy Audit Department;
- Utilization of State Budget Funds by Financial and Controlling Bodies Audit Department;
- Legal Support Department;
- Defence 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.

The sphere of activity of eight regional departments covers 21 regions of Ukraine, the Autonomous Republic of Crimea as well as the cities Kyiv and Sevastopol. During the reporting period the regional department for Ivano-Frankivsk, Zakarpattia and Chernivtsi regions (with the 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 Activities

General overview

According to the Article 9 of the Law of Ukraine “On the Accounting Chamber”, the Accounting Chamber is governed by its Board, which considers the issues of planning, organizing and carrying out the control, analytical and expert activities.

Activity of the Accounting Chamber is based on the principle of collegiality as well the provisions of the Law of Ukraine “On the Accounting Chamber”, the Budget Code of Ukraine and the Regulations of the Accounting Chamber.

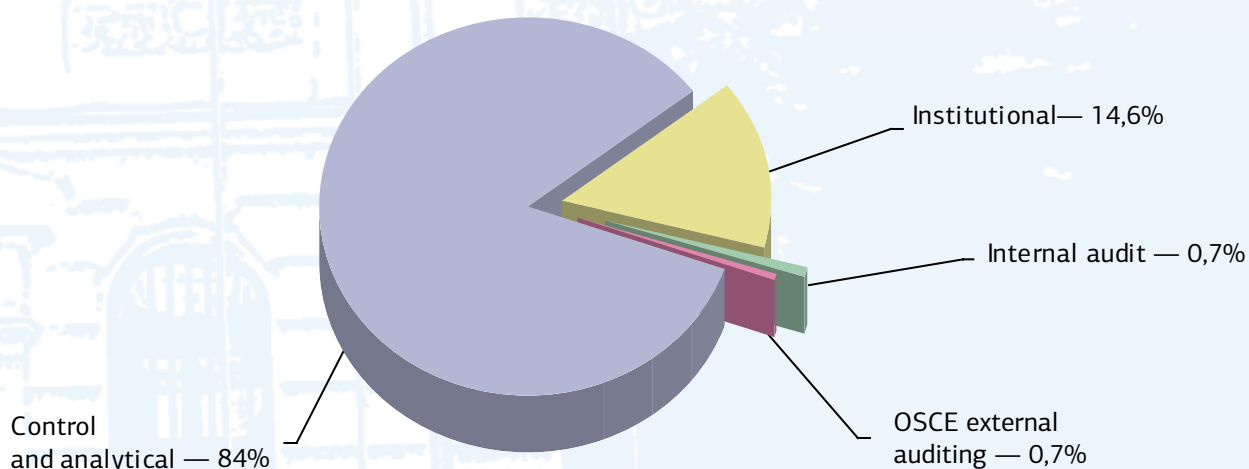
The Accounting Chamber’s Board was established on May 23, 1997. There were rotations of the Board members as according to the Verkhovna Rada’s Resolutions dated of June 17, 2004, March 25, 2009, July 7, 2011 and April 12, 2012.

Considering the end of term of the Chairman of the Accounting Chamber and several Chief Controllers, during the Ist quarter of 2012, the Board consisted of the Acting Chairman of the Accounting Chamber, Secretary of the Accounting Chamber and six Chief Controllers — Directors of the Departments.

On April 12, 2012 a new Chairman of the Accounting Chamber was elected by the Verkhovna Rada of Ukraine. Since that, the Board consisted of the Chairman of the Accounting Chamber, the Deputy Chairman, the Secretary of the Accounting Chamber and six Chief Controllers — Directors of the Departments assigned by the Verkhovna Rada of Ukraine by secret ballot.

In 2012 the Accounting Chamber’s Board held **24 meetings** and **considered 142 issues**.

Issues considered by the Accounting Chamber's Board in 2012

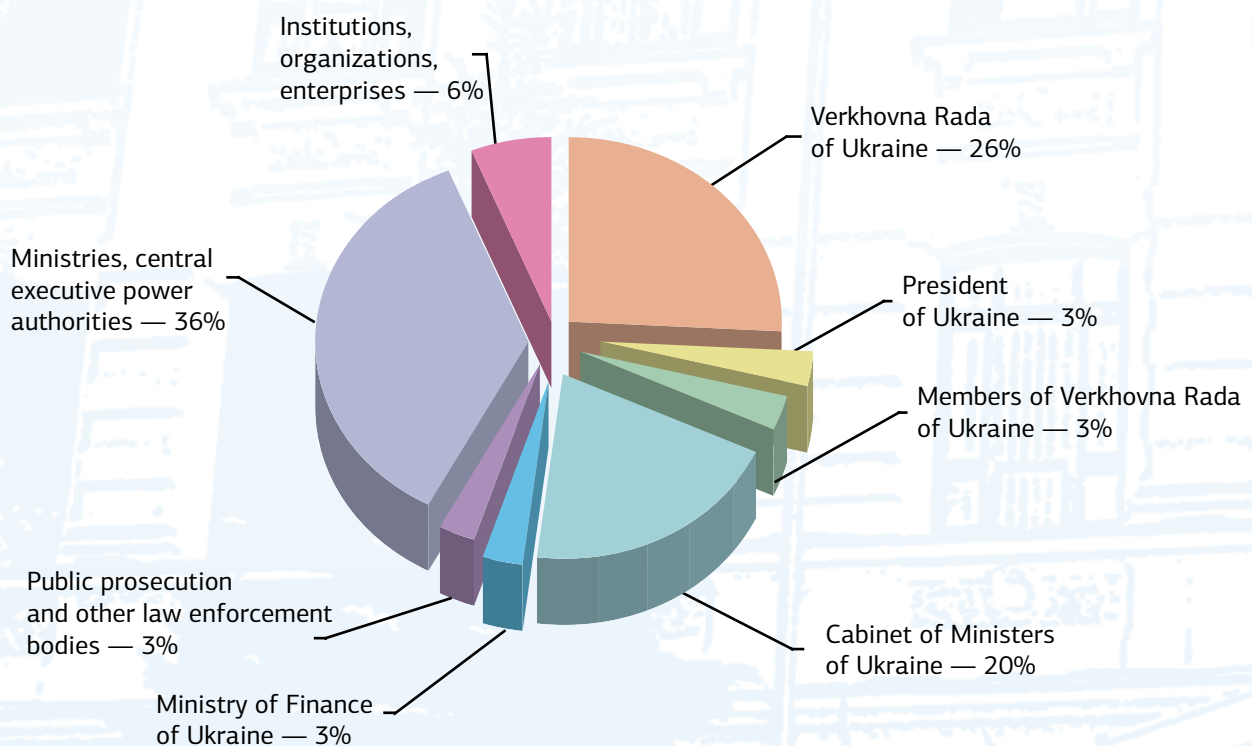


Departments and regional departments conducted **896 audits and control activities**; **116 reports were prepared upon the results thereof**.

Control activities over expenditures of the State Budget and the state special purpose funds were carried out in 24 regions of Ukraine and the Autonomous Republic of Crimea. Totally, 903 entities were audited.

Upon the results of the conducted audits and control measures 429 reports, conclusions, communications, certificates and letters were prepared and sent to the supreme bodies of legislative and executive power, institutions, organizations and enterprises for relevant reaction, elimination of the revealed violations and deficiencies, as well to compensate the losses and damages to the State Budget of Ukraine. All the above documents contained sound, reasonable and specific recommendations for improving the situation, prevention of violations and deficiencies from happening in the future, as well as increase efficiency, effectiveness and economy of budget funds spending, both at each line of budgetary funds application and in general.

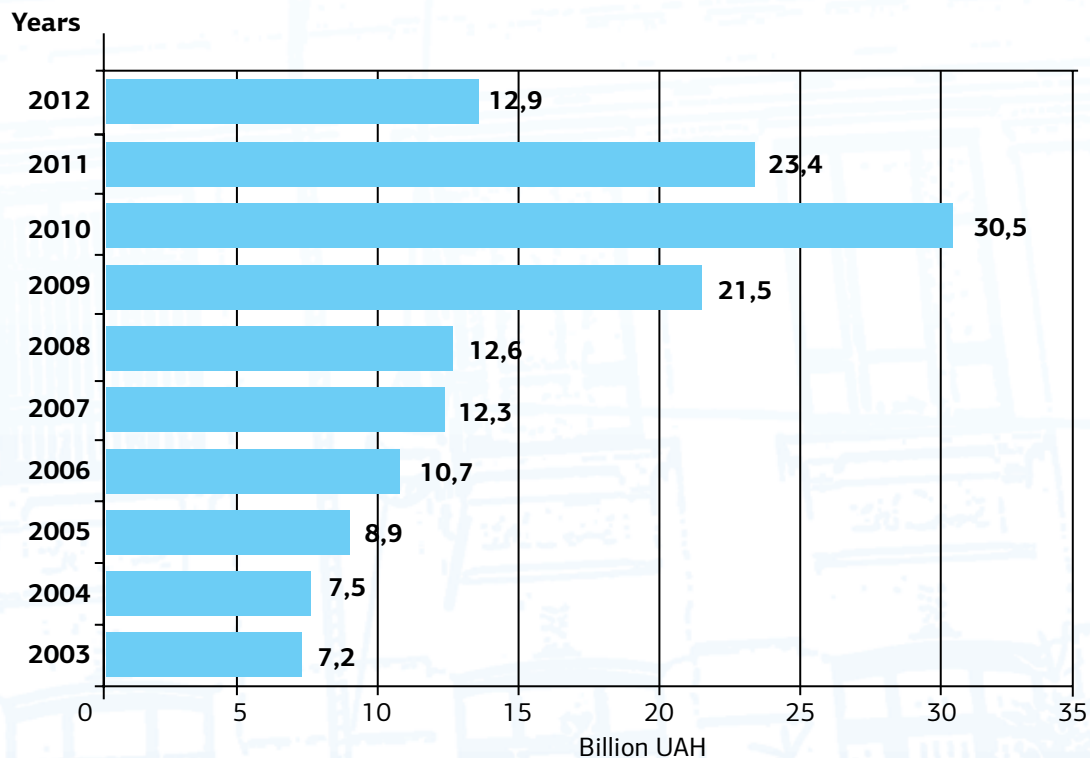
Structure of reports, conclusions, communications, certificates and letters on the results of audits and controls submitted for relevant response in 2012



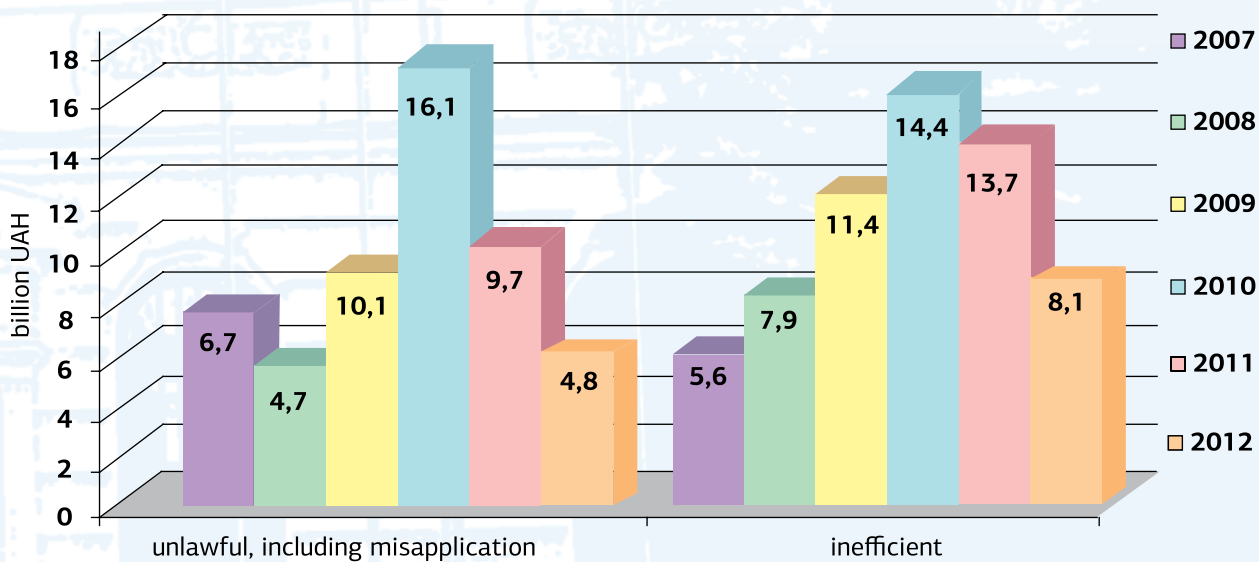
The Accounting Chamber's auditors had revealed violation of the budget law (unlawful spending, including misapplication of the budget funds) according to the Articles 166 and 119 of the Budget Code of Ukraine, inefficient spending of the State Budget and state special purpose funds in amount of **12 billion 943.8 million UAH** in total. From current amount:

- **unlawful spending, including misapplication of funds in amount of 4 billion 781.1 million UAH;**
- **inefficient spending of funds in amount of 8 billion 162.7 million UAH.**

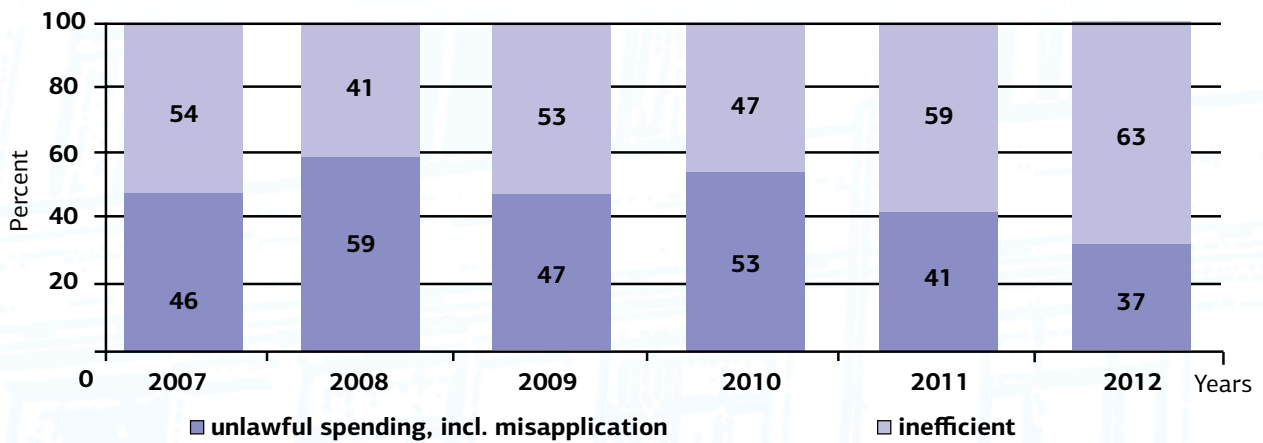
Violation of the budget law and inefficient spending of budget funds



Unlawful and inefficient spending of budget funds



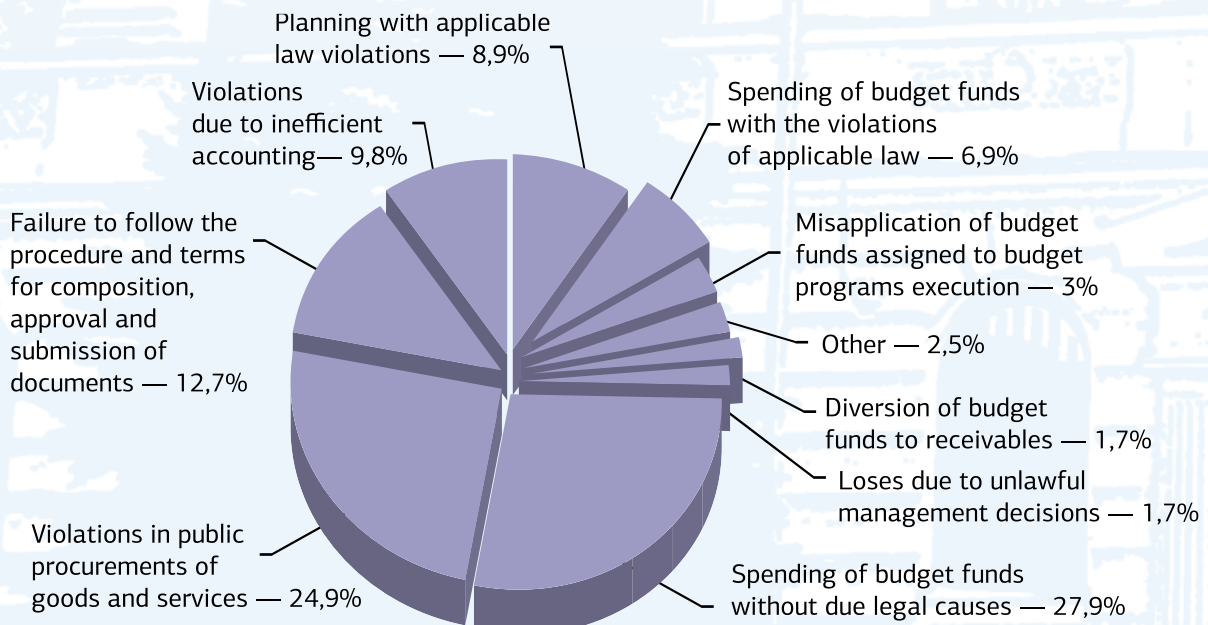
Unlawful and inefficient budget funds spending ratio



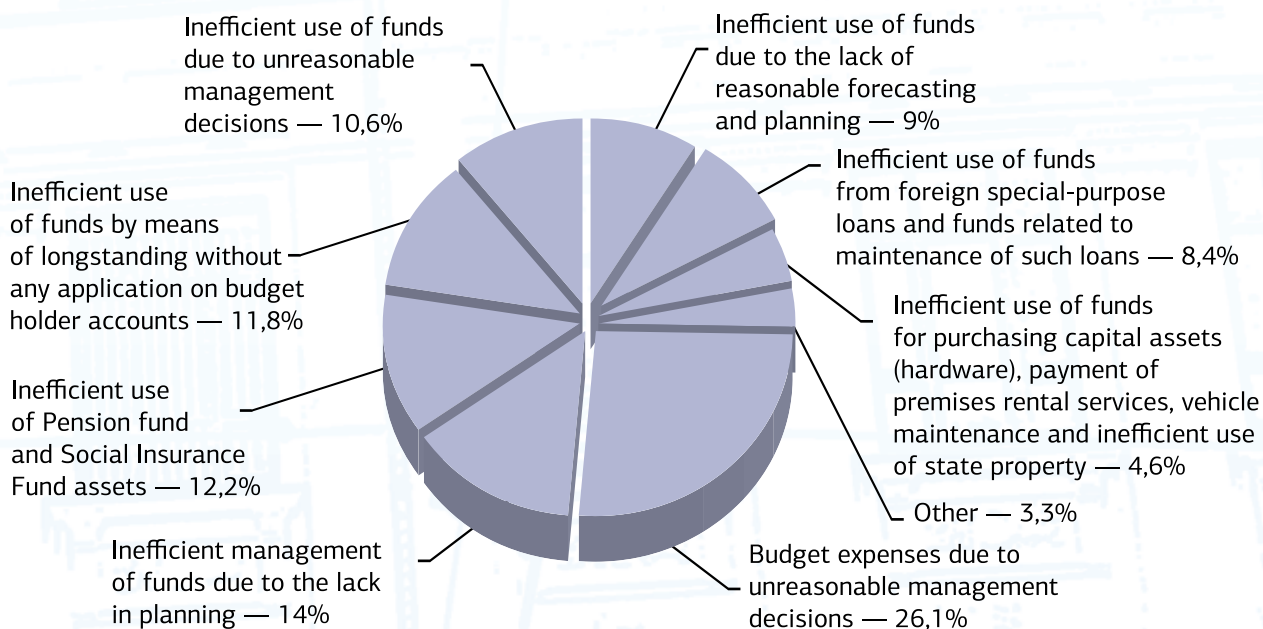
Comparing to 2011 the decrease in number of the revealed violations of the budget law and cases of inefficient spending of budget funds is explained by the fact that in reporting period the Accounting Chamber's work was directed to conduct audits and control measures in order to define the actual status for implementation of the Accounting Chamber's Board decisions and conclusions, encourage elimination of the revealed violations and deficiencies and improve effectiveness and efficiency of its audits. Almost each second control activity was aimed at execution of the abovementioned tasks. The attention was prima facie directed to the state special purpose programs and lines of application of budget funds which contain the essential social and economic part or under which the essential violations of the budget law, inefficient management and misapplication of budget funds were revealed.

Analysis of control and analytical measures conducted in 2012 demonstrates that the most part of budget law violations and cases of inefficient management and misapplication of budget funds still has systemic nature and repeat each year.

Structure of revealed violations in 2012 by types

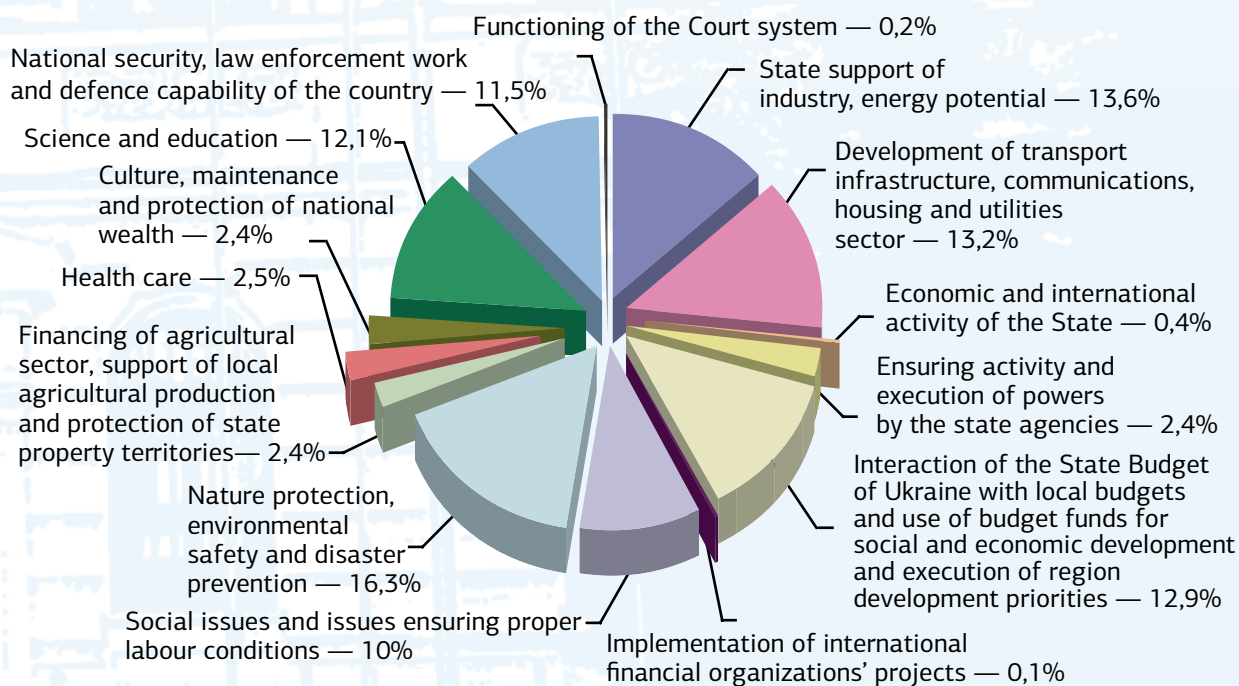


Structure of mismanagement and inefficient spending of budget funds in 2012 by types

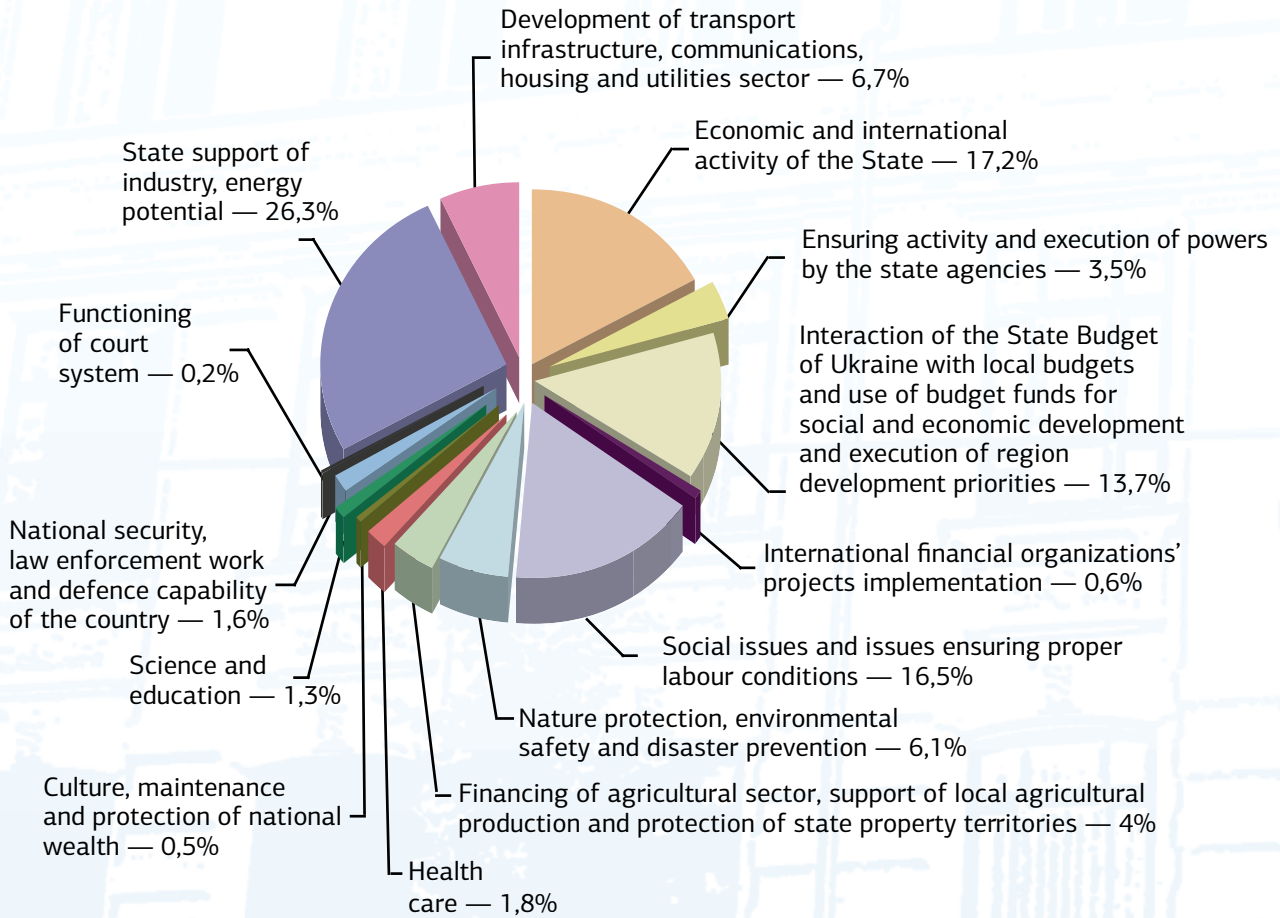


According to the Budget Code of Ukraine and the decision of the Budget Committee of the Verkhovna Rada of Ukraine dated of October 2, 2011 on consideration of the Accounting Chamber's report for 2011, the materials by the results of control, analytical and expert measures conducted in 2012 were grouped upon the main themes and fields of the State Budget funds and state special purpose funds spending. Structure of budget law violations, mismanagement and inefficient spending of state funds is provided in diagrams below.

Structure of revealed violations of budget legislation in 2012 by themes



Structure of mismanagement and inefficient spending of budget funds in 2012 by themes

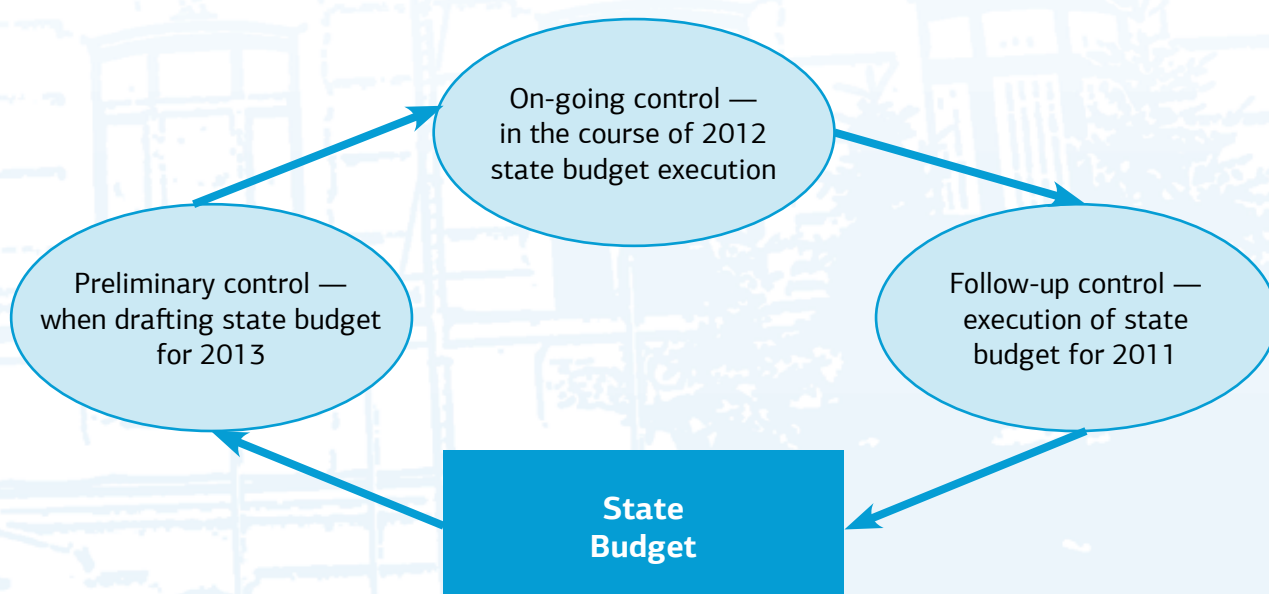


Control, Analysis and Expert Examination for Elaboration and Execution of the State Budget of Ukraine

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

In 2012 the Accounting Chamber audited budgets of three years: 2013 (at a stage of budget drafting), 2012 (in the course of current budget execution) and 2011 (executed budget). Budgets of each fiscal year form a separate 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 fiscal year budget which is realized in three consecutive stages: preliminary control while drafting the state budget, on-going control of budget execution and follow-up control of budget execution.



Themes of Control and Analytical Activities

Social issues and issues ensuring proper labor conditions:

- Summer improvement of children health;
- Implementation of the State Target Social and Economic Program on Affordable Housing Construction (Purchasing) for 2010–2017;
- Financial support of civic organizations of disabled people and veterans;
- Providing disabled people and Chernobyl elimination veterans with cars;
- Indexation of labor remuneration for budget sphere employees;
- Implementation of the budget of the Social Insurance Fund on Temporary Disability in 2011;
- Additional payment for work on contaminated territories; keeping of salary while transfer to other low-paid work and in relation with resettlement, repayment of enhanced stipends and provision of additional leave for citizens suffered from the Chernobyl catastrophe;
- Efficiency of introduction in Ukraine of the single social contribution to the compulsory state social insurance;
- Use of funds of the Fund of Obligatory State Social Insurance of Ukraine in case of unemployment provided for job placement of unemployed by means of dotations for employer;
- Use of funds from additional dotation from the state budget to the local budgets of Vinnitsa, Zhytomyr and Kirovograd regions to increase the rate of remuneration of the budget sphere employees;
- Provision of benefits and subsidies to the population for payment of housing and utilities services;
- Work safety and improvement of industrial safety on coal producers in Donetsk and Luhansk regions;
- Salaries payable for coalminers in Donetsk and Luhansk regions;
- Use of funds of the Social Insurance Fund on Temporary Disability in Dnipropetrovsk and Zaporizhzhya regions.



Nature protection, environmental safety and disaster prevention

- Execution of the Program on Complex Flood Protection in Tisa water-protection area in Zakarpattya region in 2006–2015;
- Ensure state regulation and management in the sphere of forest and hunting sectors by the State Forest Resources Agency of Ukraine;
- Prevention and consequences elimination of catastrophes;
- Implementation of the state policy in the sphere of environmental protection, sound use, improvement of, environmental protection and state supervision (control) within the current area by the state departments of environmental

protection and state environmental inspections in Kharkiv and Sumy regions;

- Use, conservancy and improvement of forest reserves in Vinnitsa, Zhytomyr and Khmelnytsky regions;
- Taking of nature protection measures on the territories of Odessa, Mykolaiv and Kherson regions;
- Reconstruction of treatment facilities and other objects to protect waters in the Azov and the Black Seas coasts from pollution.



Financing of Agricultural Sector, Support of Local Agricultural Production and Protection of State Property Territories

- Purchasing of technical equipment for agrarian sector with further transfer under financial lease conditions;
- Implementation of the State Target program on technical policy in the agricultural sector for the period to 2015;
- Implementation of the Project “Issuance of state acts for land title in a rural area and land cadastre system development”;
- Implementation of measures within the State Target Program of Ukrainian for village development for the period up to 2015;
- Development of gardening and winegrowing in Odessa and Kherson regions;
- Implementation of programs of selection in animal industry, poultry breeding and crop science within the scientific institutions, agricultural enterprises and research entities of Odessa and Kherson regions;
- Development of gardening by agrarian enterprises in Kyiv and Cherkassy regions.



Health care

- Implementation of measures of the National Program of immunoprophylaxis and population protection from infectious diseases;
- Ensure treatment of diabetics in Vinnitsa, Zhytomyr and Khmelnytsky regions;
- Medical treatment, rehabilitation and sanatorium therapy for the military personnel of the Armed Forces of Ukraine and social security beneficiaries on the territory of the Autonomous Republic of Crimea and the city of Sevastopol;
- Medical maintenance of employees, persons in the rank and file and command personal of internal affairs bodies and internal military forces personnel.

Culture, maintenance and protection of national wealth

- Library services;

- Providing financial support to the national creative associations in the sphere of culture and arts;
- Ensure operation of the National Museum of Folk Architecture and Ethnography;
- Maintenance and preservation of the national Museum Complex Sofia Kyivska and National Kyiv-Pechersk Historical and Cultural Preserve;
- Preservation of historical and cultural heritage of Lviv and Ternopol regions.



Science and Education

- Scientific activity and provision of the tertiary care to the afflicted persons by the National academy of medical sciences of Ukraine;
- Scientific researches of the National Academy of Pedagogical Sciences of Ukraine;
- Provision of basic and special education on physics and mathematics, physical training and sports by the comprehensive special residential schools;
- Training and in-service education of civil servants by the Main Department of the State Service of Ukraine;
- Informational support and computerization of the comprehensive schools;
- Scientific applied researches and developments and their implementation by the institutions of the National Academy of Sciences of Ukraine in Donetsk region.



National security, law enforcement and defence capability of the country

- Maintenance and development of Land Forces of the Armed Forces of Ukraine;
- Functioning and development of the State Automobile Inspection;
- Taking measures to fight corruption;
- Participation in international peacekeeping operations;
- Maintenance of the International Peacekeeping and Security Center (military unit A-4150);
- Centralized logistical support of the internal affairs bodies;
- Use of budget funds provided for:
 - Security Service of Ukraine;
 - State Space Agency of Ukraine;
 - State Science-Research Expert-Criminal Center of the Ministry of Internal Affairs of Ukraine and Science-Research Expert-Criminal Centers within the Main Divisions of the Ministry of Internal Affairs of Ukraine in the city of Kyiv, Kyiv region and within the Division of the Ministry of Internal Affairs of Ukraine on South Western Railway for their performance.



Functioning of the Court System

- Use of funds of the special fund of the State Budget of Ukraine in 2012 by the State Court Administration of Ukraine and general jurisdiction courts;
- Delivery of justice by local courts.

State support of industry, energy potential of Ukraine

- Actions on nuclear and radiation security;
- Actions on development of domestic manufacture of nuclear fuels;
- Ensure state support of coal producers for partial coverage of expenses for production costs;
- Ensure vitality of Kryviy Rih mineral processing plant of oxide ore.



Development of transport infrastructure, communications, housing and utilities sector

- Implementation of the National Program “Pure Water of Ukraine” for 2006–2020;
- Construction and development of Kyiv Underground Railway System;
- Construction of the highway via Dnipro river in the city of Zaporizhzhya;
- Designing and construction of the airport in the city of Lviv;
- Implementation of actions of the State Program for Introduction of the Digital Television and Radio Broadcasting;
- Ensure functioning of the state communications system and information protection;
- Modernization and construction of the system of centralized water disposal.



Economic and International Activity of the Country

- Implementation of measures of the State Target Program on Formation of the Positive International Image of Ukraine for the period to 2011;
- Implementation of the state policy in the sphere of securities turnover and functioning of the stock market in Ukraine;
- Implementation of measures on promotion of entrepreneurship in Ukraine;
- Status of the state and government-backed debt for 2011;
- Ensure state production, social and cultural needs in precious metals and precious stones by the State Depository for Precious Metals and Gems;

- Implementation of measures in the sphere of investment activity and management of the national projects by the State Agency for Investment and National Projects of Ukraine.

Operation and powers of the State Bodies

- Ministry of Foreign Affairs of Ukraine for functioning and development of foreign diplomatic missions of Ukraine;
- State Special Transport Service;
- State Enforcement Service;
- Ministry for Regional Development, Building and Housing;
- State Tax Service of Ukraine for control over tax legislation adherence and application;
- Bodies of the State Service of Mining Supervision and Industrial Safety of Ukraine in Dnipropetrovs'k and Zaporizhzhya regions;
- Antimonopoly Committee of Ukraine for implementation of the antimonopoly and competitive legislation;
- Establishments of the National Academy of Medical Sciences of Ukraine;
- Administration and management in the sphere of education and science, youth and sport;
- Entity management of state property by the bodies of public administration;
- Applied researches, elaboration, development and modernizations of the customs service objects;
- Use of state budget funds under the budget program "Parliamentary Control over Adherence to the Constitutional Human Rights and Freedoms".



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

- Relationships between the State Budget of Ukraine and local budgets in 2010–2011;
- Formation and spending funds considered during determination of the inter-budget transfers from the State Budget to local budgets for local government bodies;
- Implementation by the executive bodies of the state policy in the sphere of general secondary education in Vinnytsia and Zhytomyr regions at the expenses of local budgets considered during allocation of inter-budget transfers;
- Ensuring by the executive bodies in Sumy and Poltava regions provision of outpatient and institutional care at the expenses of local budgets considered during allocation of inter-budget transfers;
- Construction, reconstruction and maintenance of streets and roads of communal property in population centers;



- Debt redemption from difference in tariffs on heating energy, which was produced, transported and delivered to the population of Kharkiv and Poltava regions;
- Construction of the tomography center, capital repair and reconstruction of hospitals and procurement of expensive medical equipment in Donetsk region;
- Procurement of wear part and medical equipment for the healthcare institutions in Poltava, Sumy and Kharkiv regions;
- Implementation of measures social and economic development of Dnipropetrovs'k and Zaporizhzhya regions;
- Implementation of measures for social and economic development of the Autonomous Republic of Crimea;
- Development of social and economic spheres of the city of Sevastopol and other residential areas with dislocation of military forces of the Black Sea Fleet of the Russian Federation on the territory of Ukraine;
- Implementation of development priorities for Lviv, Rivne and Ternopol regions;
- Implementation of priorities for development of Odessa and Mykolaiv regions.



Implementation of international financial organizations' projects

- Implementation of the Social Aid Improvement Project supported by the loan of the International Bank for Reconstruction and Development granted in 2011;
- Use of loan funds received under the state guarantee for creation of the National Satellite Communication System and state budget funds allocated for its maintenance.

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

- Annual financial statements for 2011–2010 within the IBRD loan for “Modernization of the State Tax Administration - 1” project implementation;
- Annual financial statements for 2011 within the IBRD 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 the Law of Ukraine “On the State Budget of Ukraine for 2011”;
- State of public procurements in Ukraine in 2011.

In accordance with the Work Plan of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes and the Work Plan of the EUROSAI WGEA on the International Audit on Adaptation to Climate Change, the Board had considered the following issues:

- Report on the audit of budget funds spent for prevention and consequences elimination of disasters and Information to the parallel/coordinated audit on disaster preparedness (in the framework of INTOSAI Working Group on Accountability for and Audit of Disaster-related aid);
- Report by the results of audit on efficiency of the use of state budget funds aimed at implementation of provisions of Kyoto Protocol to the UN Framework Convention on Climate Change, including funds received from sale of parts of defined number of greenhouse gas emissions;
- Joint report on international audit on adaptation to climate changes.



Performing functions of the OSCE External Auditor by the Accounting Chamber of Ukraine

The Board had considered and adopted the Report and the Audit Conclusion on the OSCE consolidated financial statements for 2011.

Internal audit issues

- The results of activities performed by the Accounting Chamber's regional department for the Autonomous Republic of Crimea and the city of Sevastopol in 2010–2011.

According to the functions and powers, the Accounting Chamber conducted the annual control over the use of funds of the Reserve Fund of the State Budget of Ukraine, analyzed reports of the Antimonopoly Committee of Ukraine, State Property Fund of Ukraine and budget of the National Bank of Ukraine for 2011.

Off-schedule audits and controls were carried out under the Accounting Chamber's Board resolutions or orders of the Parliament of Ukraine, requests of Parliamentary Committees and People's Deputies according to which the Verkhovna Rada of Ukraine took relevant decisions.



Feedback of State Bodies, Institutions and Organizations to Conclusions, Proposals 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 by the results of the conducted audits. Audit is deemed to have reached its objective only in case of relevant positive response to communications and conclusions of the Accounting Chamber's Board by the Cabinet of Ministers, ministries, central executive bodies or other auditees.

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

Audit conclusions and recommendations on elimination of revealed violations and improvement the use of state budget funds, approved by the Accounting Chamber's Board, were considered and taken into account by public bodies — main disponents of public funds.

In order to execute 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, **13 materials** were submitted to the General Prosecutor's Office in 2012 for taking decisions in accordance with the procedure stipulated by the Article 97 of the Criminal and Procedural Code of Ukraine. Particularly, **two materials** were submitted to the General Prosecutor's Office as according to the decisions of the Accounting Chamber's Board, and under request of the General Prosecutor's Office — **11 materials**.

In 2012 the Accounting Chamber's representatives took part in 45 meetings of the Parliamentary Committees which considered 67 issues under results of the Accounting Chamber audit, control and expert actions. Besides, in 2012 the Accounting Chamber's representatives participated in the meeting of the Parliamentary Special Control Commission on privatization which considered issues “On Report of the State Property Fund of Ukraine and status of implementation of the State Program in 2011”. Also, the Accounting Chamber experts were engaged in activity of two Parliamentary round tables — “Remuneration of labor — Ukrainian realities and Reforming Perspectives” and “Realities and Perspectives of Poverty Alleviation” and three Parliament hearings — “Rural Education: recessionary trends and overcoming ways”, “Status and perspectives for development of Military Organization and Security Sector of Ukraine”, “Ukrainian Book: current realities and perspectives for development of domestic book industry and books distribution”.

International Cooperation

According to the Law of Ukraine “On the Accounting Chamber”, international cooperation of the Accounting Chamber of Ukraine in 2012 was mainly focused on:

- participation in the activities of INTOSAI and EUROSAI;
- contributing to the efforts of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes;
- participation in the SAIs’ Heads Council of the CIS members countries;
- establishment and development of bilateral and multilateral cooperation with foreign Supreme Audit Institutions;
- enhancement of cooperation with international organizations.

In the reporting year the Accounting Chamber actively participated in the activities of international organizations, such as EUROSAI and INTOSAI. In comparison with the previous years, our institution enhanced participation in **activities of EUROSAI**.

As a member of the **EUROSAI Governing Board** the delegation of the Accounting Chamber of Ukraine chaired by Roman Maguta took part in **XXXIX EUROSAI Governing Board Meeting** (May 28–30, 2012, Ankara, Turkey). Through the agenda of the meeting, the participants debriefed the report on EUROSAI activities in 2011–2012, reports of the Goal Teams and Task Forces of the organization, analyzed trends of role strengthening of external state control and SAIs’ independence according to the declaration of UN, cooperation development with INTOSAI (IDI) and AFROSAI, discussed measures of organization’s budget funding for 2012–2014.



Mr. R. Maguta, Chairman of the Accounting Chamber participates in XXXIX EUROSAI Governing Board Meeting (May 28–30, 2012, Ankara, Turkey)

During the meeting the Chairman of the Accounting Chamber of Ukraine represented a report on activities of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes. Roman Maguta emphasized on experience of parallel audits conducted by the Ukrainian SAI which was an integral part of international cooperation of our institution.

With the purpose to enhance international image of our institution, the delegation of the Accounting Chamber chaired by Mr. Maguta took part in **VII EUROSAI-OLACEFS International Conference** (September 17–19, 2012, Tbilisi, Georgia) devoted to “Good Governance in Public Sector: Role of SAIs”.

During the sessions the participants discussed issues of audits transparency, governance and reporting as formula for strengthening administration's credibility, also, they exchanged experience of reforming in the sphere of public finance administration. The Chairman of the Accounting Chamber of Ukraine represented the Ukrainian experience in the sphere of public administration audit transparency and reforming of public finance administration.



Mr. Maguta, Chairman of the Accounting Chamber, participates in the work of VII EUROSAI-OLACEFS International Conference (September 17–19, 2012, Tbilisi, Georgia)

Furthermore, during the Conference, the Chairman of the Accounting Chamber of Ukraine hold bilateral meetings with Mr. Oviir, General Auditor of National Audit Office of Estonia, Mr. Jezierski, President of the Supreme Audit Office of Poland, and Mr. De Miranda, President of the Spanish Court of Audit, who is a General Secretary of EUROSAI. During the meetings, the issues of bilateral cooperation and further development of EUROSAI were discussed.

The representatives of the Accounting Chamber of Ukraine contributed to **the meetings of the EUROSAI Goal Teams 2 “Professional Standards” and 3 “Knowledge Sharing”** within the activity of the EUROSAI working bodies.

In the course of the EUROSAI Goal Team 2 “Professional Standards” meeting (November, 2012, Potsdam, Germany) the delegation of the Accounting Chamber was involved in discussion of ongoing activities of this Team.

Translation of International Audit Standards from English is an issue of particular significance for our institution. This task is foreseen by the EUROSAI Strategic Plan for 2011–2017. The Accounting Chamber of Ukraine is one of the most active exerciser in this issue.

Besides the participation in discussions of issues that were material for further activities of Goal Team 3, the delegation of the Accounting Chamber also made a presentation on the results of activities of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes in 2012 and its plans for 2013 during the EUROSAI Goal Team 3 “Knowledge Sharing”, hold in Warsaw, Poland, on December 4–5, 2012.

After a long term pause, the Accounting Chamber's representatives were engaged in activities of the **EUROSAI Working Group on Informational Technologies**, namely, meetings of Project Teams “IT Self-Assessment” and “IT Audit Self-Assessment” hold in November and December of 2012 in Zurich (Switzerland). It shall be noticed that this course is one of the main priorities of EUROSAI Working Group on Informational Technologies for the recent seven years. It foresees taking measures of defining relevant IT used by SAIs for their functions and tasks performance.

In October 2012, the delegation of the Accounting Chamber participated in **X EUROSAI Working Group of Environmental Auditing (EUROSAI WGEA) Meeting** in Ayia Napa (Cyprus).

Ms. Shulezhko, Chief Controller-Director of the Department of the Accounting Chamber, made a report on activities and plans of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes for 2013. Moreover, the participants of the meeting were acquainted with the report on results achieved in work of the Task Force since the last meeting of EUROSAI WGEA in October 2011.

Therewith, the Accounting Chamber, within the scope of activities of the EUROSAI Working Group of Environmental Auditing (EUROSAI WGEA), was engaged into three international audits, particularly, on adaptation to climate change (completed in 2012), biofuel and national parks.

During the reporting year the participation of the Accounting Chamber in activities of the working bodies of the **International Organization of Supreme Audit Institutions (INTOSAI)** was very substantive.

The Accounting Chamber's representatives took part in two meetings of the **INTOSAI Working Group on Accountability for and Audit of Disaster-related Aid (INTOSAI AADA)**, namely:

- II Meeting of SAIs — participants of parallel/coordinated audit on disaster preparedness (April 23–26, 2012, Ankara, Turkey);
- VI INTOSAI Working Group on Accountability for and Audit of Disaster-related Aid Meeting (June 4–6, 2012, Yogyakarta, Indonesia).

On April 3–4, 2012, the Accounting Chamber's delegation attended the Vth Meeting of the **INTOSAI Working Group on Key National Indicators** (Riga, Latvia). During the Meeting, the comments and proposals to draft “KNI White Paper” and draft “Methodology of KNI Selection for SAIs Activities” were discussed; also, the Working Plan of the Group for 2012 was approved.

During the meeting of the **INTOSAI Working Group on Public Debt**, which was held in Helsinki, Finland on September 9–13, 2012, the delegation of the Accounting Chamber presented the results of contingent debt investigation. The Working Group decided to submit summary report on the results of study to the Secretariat of the INTOSAI Professional Standards Committee (PSC) for its further expert assessment concerning possible approval as an official INTOSAI document. Moreover, the Accounting Chamber put forward an initiative to carry out a parallel coordinated audit of public debt management information systems.

As previous years, an integral part of the Accounting Chamber's international cooperation was the activity in the chaired by the Ukrainian SAI the **EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes**. In 2012, according to the Operational Plan of the Working Group for 2012–2014, a range of measures were taken.

In particular, on March 21–23, 2012, in Wroclaw (Poland), IV Meeting of the Working Group took place, during which a number of issues of prime importance for Group's activity was considered, namely:

- evaluation criteria of effectiveness of the use of state budget funds during audits in the sphere of disasters and catastrophes was considered;
- the second edition of Good Practice Recommendations for the Audit of Funds Allocated to Disasters and Catastrophes was presented;
- a Common statement on Cooperation for International Coordinated Audit (Control) of Public Funds Allocated to Disasters and Catastrophes was signed with SAIs of Azerbaijan, Belarus, Italy, Kazakhstan, Moldova, Poland and Russia.

Moreover, in 2012, the Task Force initiated carrying out audit of funds allocated to prevention and fighting natural fires and international audit on implementation of the Convention on Cooperation for the Protection and Sustainable Use of Danube River.

During the reporting period, the Accounting Chamber actively continued its participation in the Council of **Heads of SAIs of CIS members**.

On September 4–6, 2012, in Cholpon-Ata, Kyrgyz Republic, XII session of the SAIs' Heads Council of the CIS members took place, the theme of which was “On Role and Place of Supreme Audit Institutions of CIS Members in Audit of Electric-Power Industry”. The delegations from SAIs of Belarus, Armenia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Georgia and Ukraine attended the session.



XII session of SAIs' Head Council of the CIS members
(Cholpon-Ata, Kyrgyz Republic, September 4–6, 2012)

During the session Roman Maguta, the Chairman of the Accounting Chamber of Ukraine, as the Chairman of the Council made a summary report on the Council's activities in a period between XI and XII sessions and handed over the chair in the Council to the Chairman of the Accounting Chamber of Kyrgyz Republic.

During the issue-related panel, the Chairman of the Accounting Chamber of Ukraine made a report “On activities of the Accounting Chamber of Ukraine in the sphere of audit of national electric-power sector”.

According to the results of the session the Resolution “On Role and Place of Supreme Audit Institutions of CIS Members in Audit of Electric-Power Industry” was adopted and working plan of the Council for the period between XII and XIII sessions was approved.

The Heads of SAIs of CIS members met with Almazbek Atambayev, the President of Kyrgyz Republic during the session. The President made an accent on importance of SAIs' constitutional independence.

Expert Group on Key National Indicators under the Council also continued its activity. Its V meeting was held in May 2012 (Chisinau, Moldova) where the representatives of the Accounting Chamber of Ukraine took part.

Within the framework of bilateral agreements on cooperation signed by the Accounting Chamber of Ukraine with foreign SAIs, cooperation on planning and implementation of concrete joint actions continued in 2012.

During the year, bilateral cooperation was actively developing with SAIs of Russia, China, Poland and Great Britain whose activities are of high interest for our institution.

One of the examples of bilateral cooperation on experience exchange between the Accounting Chamber of Ukraine and the National Audit Office of Great Britain was the workshop “Performance audit” held in the Accounting Chamber on February 27–29, 2012.

The workshop was dedicated to the discussion of tasks and practice of step-by-step audit conduction. Besides, the participants' attention was drawn to the requirements for documents and reports.

In order to strengthen cooperation with the Georgian SAI, on June 27, 2012 Roman Maguta, the Chairman of the Accounting Chamber, met with Grigol Katamadze, Ambassador Extraordinary and Plenipotentiary of Georgia to Ukraine. During the meeting the issues on cooperation development in the context of institutional reforms in SAI of Georgia were discussed.



Roman Maguta, Chairman of the Accounting Chamber meets with Grigol Katamadze, Ambassador Extraordinary and Plenipotentiary of Georgia to Ukraine (June 27, 2012, Kyiv)

As a part of implementation of the Agreement on cooperation between the Accounting Chamber of Ukraine and the National Audit Office of the People's Republic of China (CNAO), the delegation of CNAO, headed by Mr. MA Qingshan, Director of Jinan Resident Office, visited the Accounting Chamber on July 19–23, 2012. This working visit was made in order to enhance cooperation through experience exchange between the regional offices of both SAIs.

Conduction of parallel audits remained an integral element of international cooperation and practical aspect of implementation of the Accounting Chamber of Ukraine bilateral agreements both in the previous and current reporting periods. Particularly, conduction of international audit of funds allocated to disasters and catastrophes (jointly with SAIs of Azerbaijan, Belarus, Italy, Kazakhstan, Moldova, Poland and Russia) was continued. Also, the Accounting Chamber started carrying out two new parallel audits.



Meeting of Roman Maguta, Chairman of the Accounting Office, with delegation of National Audit Office of People's Republic of China (Kyiv, July 19, 2012)

The Accounting Chamber's international events on a bilateral level also were focused on further development of cooperation on experience sharing with SAIs of foreign countries. The representatives of the Accounting Chamber took part in the international seminar on



“Relations between the SAI and Parliament — ways to improve performance” (March 29, 2012, Yerevan, Armenia).

During 2012, the Accounting Chamber of Ukraine kept **cooperating with international organizations**. In particular, such cooperation was actively developed with international organizations namely: the OSCE, UNIDO, GIZ, the World Bank and the European Commission.

On March 1, 2012 in Vienna during the meeting of the Permanent Council **of the Organization for Security and Cooperation in Europe (OSCE)**, 56 countries-members of this organization took a decision to continue for one year the term of performing by the Accounting Chamber of Ukraine functions of the OSCE External Auditor.

While performing these functions in 2012, the audit team carried out six audits of field missions in Kazakhstan, Georgia, Tajikistan, Kosovo, Kyrgyz Republic and Macedonia and audit of the OSCE consolidated financial statements.

As the OSCE External Auditor, the Accounting Chamber took part in the OSCE Audit Committee meeting on May 22–24, 2012, in order to discuss the OSCE financial statements for 2011, conclusions on the level of internal control, priorities of external audit conduction in 2012 and planning transferring powers to a new External Auditor of the OSCE in 2013.

On July 9–12, 2012 the Accounting Chamber of Ukraine attended meetings of the OSCE Permanent Council and the OSCE Advisory Committee on Management and Finance which took place in Vienna (Austria). The summary report on the OSCE annual financial statements in 2011 was presented during the meetings. The report of the Accounting Chamber of Ukraine, the External Auditor of the OSCE, was unanimously approved and highly estimated by the OSCE Permanent Council.

In order to implement a range of measures aimed at nominating the candidacy of the Accounting Chamber of Ukraine for as the position of External Auditor of the **United Nations Industrial Development Organization (UNIDO)**, on November 20, 2012, the delegation of the Accounting Chamber took part in the 40th session of the UNIDO Industrial Development Board. During the session the ACU representatives made a presentation for the delegations of the EU Member States on activities of the Ukrainian SAI and it had a bilateral meeting with Mr. Piskunov, Deputy Director General of UNIDO.

Cooperation between the Accounting Chamber of Ukraine and the German Society of International Cooperation assumed an active character within GIZ Project “Support to Public Finance Reforms”. One of the priorities of the project implies strengthening the role of external controller (the Accounting Chamber) as an integral part of the country’s financial system. A series of meetings between experts of the Accounting Chamber and GIZ were held during September–December 2012. The main purpose of the meetings was acquaintance of GIZ experts with the work of the Accounting Chamber and provision of operational consultations with regards to possible ways of cooperation between our institution and GIZ, determination of concrete focus areas for assistance provision by German Society of International Cooperation to the Accounting Chamber within GIZ Project implementation. The work on approval of cooperation agreement between the Accounting Chamber and GIZ, as well as a Plan of cooperation for 2013, was started.

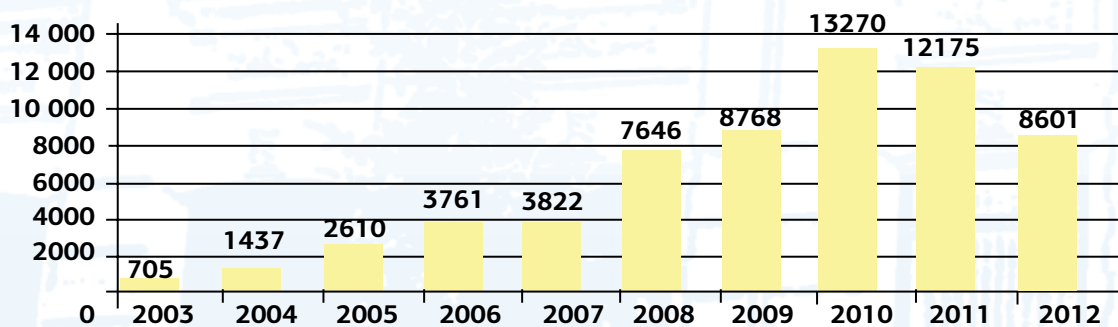
During 2012, the Accounting Chamber of Ukraine held bilateral meetings with representatives of the **World Bank and the European Commission**, with the purpose to discuss such important issues as Report on Effectiveness of Public Finance Administration, provisions of the Memorandum of understanding for receiving of Macrofinancial Assistance by Ukraine and the Program of cross-border cooperation of the European Neighborhood Policy Instrument for 2014–2020.

Transparency in the Activities of the Accounting Chamber

As in the previous years, the principle of transparency was a background for the Accounting Chambers' information policy in 2012. In accordance with the Law of Ukraine "On the Accounting Chamber" the transparency is an integral part of activity of an independent constitutional body of financial control in the country. Through mass media, the Accounting Chamber timely kept the public informed about findings of the conducted audits and controls thus enhancing public control over budget funds spending.

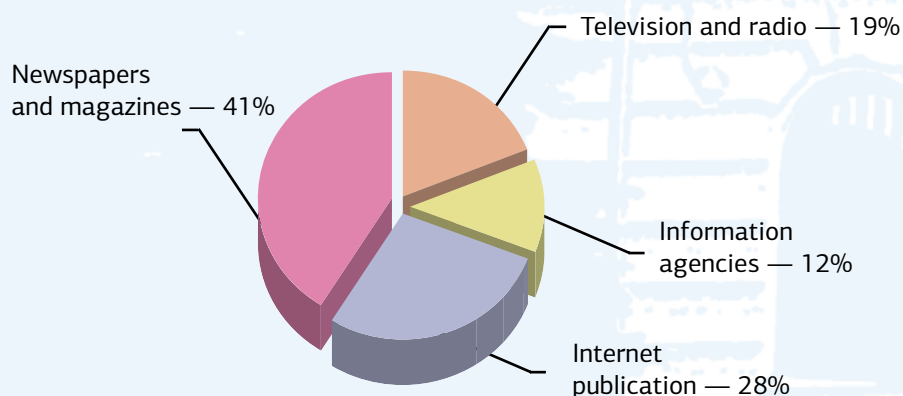
During the reporting year the Accounting Chamber elaborated and disseminated 112 official communications upon results of the conducted audits and controls, 10 official communications on international events attended. At large, 8601 materials related to the Accounting Chamber's activity were published in mass media during the reporting year.

General number of publications upon Accounting Chamber's materials



In 2012 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.

Accounting Chamber in mass media





Resources of the Accounting Chamber

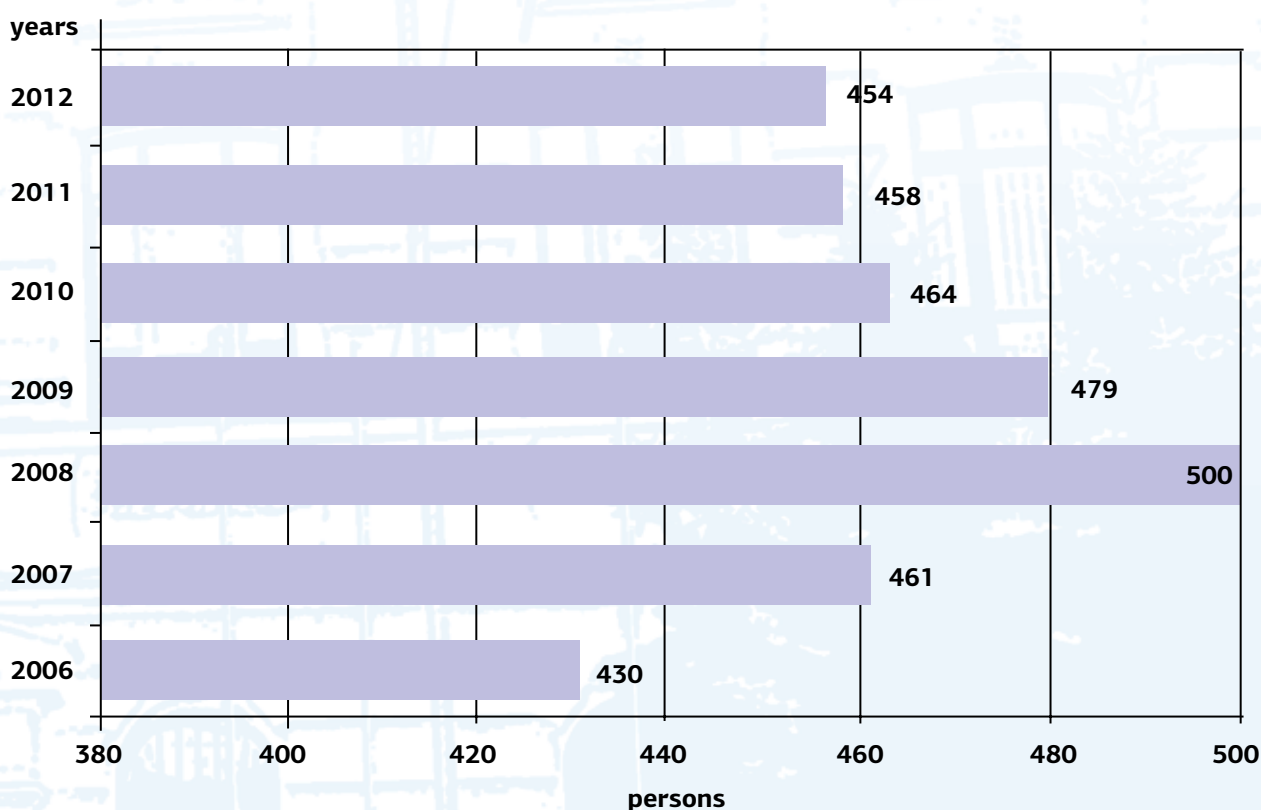
Human Resources

As of December 31, 2012 the actual staff number amounted to 454 persons or 84% of the statutory staff number, of which 424 persons — civil servants, 30 — administrative staff.

Average age of employers — 42.

Scientific potential of the Accounting Chamber has remained stable for the recent years: 2 doctors of economics, 21 PhDs, 8 postgraduate students and 2 postdoctoral students. All civil servants have higher education, of them 129 persons have Master's degree, 113 persons have two diplomas of higher education, 14 persons — three diplomas and 1 — four diplomas. Another 13 persons have been pursuing their second or third degree.

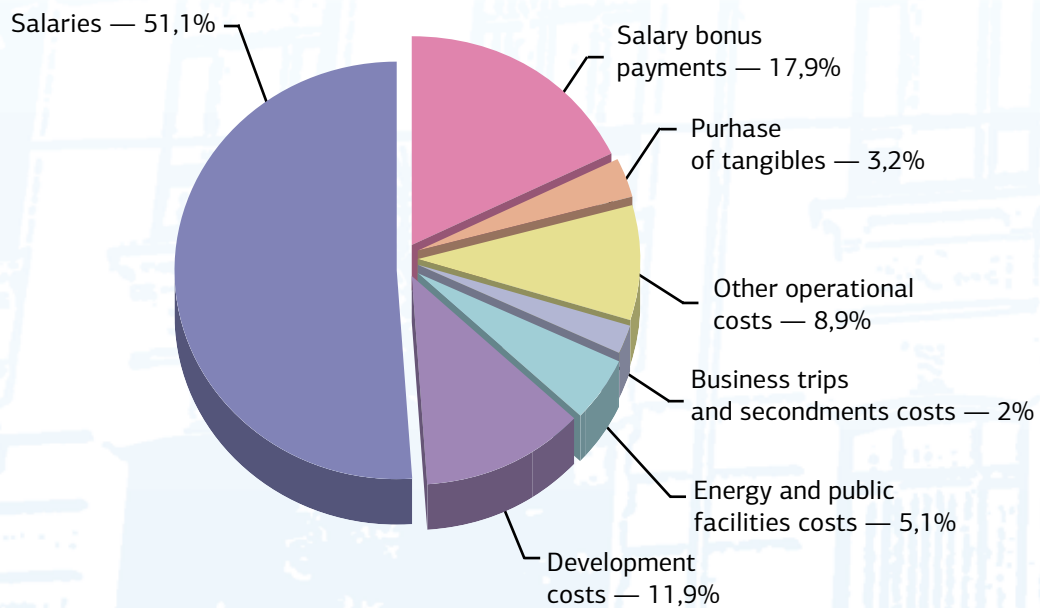
Actual number of the Accounting Chamber staff



Financing and Logistics

In 2012 budget appropriations to the Accounting Chamber amounted to **84 million 210.4 thousand UAH**.

Structure of Accounting Chamber expenses in 2012





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During its activity, the Accounting Chamber gained substantial experience in conduction of audits and controls of spending budget funds, in analysis of social and economic processes in the country and in implementation of progressive forms and methods of carrying out different types of audits. However, as time passes the Accounting Chamber faces new challenges that don't give the right to stop or roll back in its institutional development. Therefore, in order to further improve efficiency and effectiveness of activities, it is essential to take following primary steps:

- to follow to its logical end the regain of the Accounting Chamber's powers to control revenues of the State budget of Ukraine through amending the Article 98 of the Constitution of Ukraine;
- in accordance with renewed powers, to draft and submit to the Parliament of Ukraine the new version of the draft Law of Ukraine "On the Accounting Chamber of Ukraine";
- to constantly update normative and methodological documents of the Accounting Chamber of Ukraine through implementation of new standards and guidelines of INTOSAI;
- to actively participate in work of the EUROSAI Governing Board;
- to perform general coordination and management of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes;
- to continue practice of conducting parallel, common and coordinated international audits that are of common interest for the Accounting Chamber of Ukraine and SAIs of other states;
- to strengthen the control and accountability of audited objects' management with regards to timely and fully implementation of recommendations given by the Board of the Accounting Chamber of Ukraine and based on results of conducted audits;
- to further develop the Accounting Chamber's Regional Departments, particularly, to find funds for establishment of the Regional Office activities in Ivano-Frankivsk, Carpathian and Chernivtsi regions (in Ivano-Frankivsk city);
- to improve forms and methods of informing the society about findings of control, analytical and expert measures carried out by the Accounting Chamber;
- 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 of Ukraine during adoption of the abovementioned budget laws;
- to continue activities of the Accounting Chamber of Ukraine as the OSCE External Auditor.

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