

Рахункова палата України

Accounting Chamber of Ukraine



ANNUAL REPORT

2009



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Kyiv
2010

“Control over revenues and 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 colleagues!
Ladies and Gentlemen!***

We hereby pleased to present you the Annual Report of the Accounting Chamber of Ukraine for the year 2009 which contains the main results of our activities, examples of violations detected in the course of taking control, analytical and expert measures, achievements at the international level, in the kingdom of publicity, as well as main trends of further development of our institution.

We hope that presented material will enable our community, the Supreme Audit Institutions of INTOSAI and other stakeholders in cooperating with us to receive complete knowledge about the activities and achievements of the Accounting Chamber in 2009 in the sphere of financial and economic control over formation and use of funds of the State Budget of Ukraine.

Chairman of
the Accounting Chamber

A handwritten signature in black ink, appearing to read 'V.K. Symonenko', written over a light-colored rectangular background.

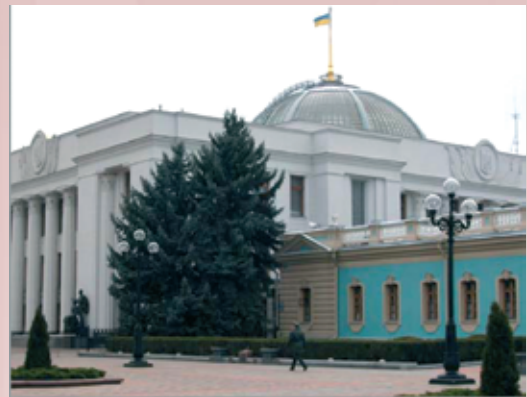
V.K.Symonenko

MANDATE AND ACTIVITIES BACKGROUND

The Accounting Chamber (AC) as an independent body of financial and economic control in the country performs its activities based on the 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 normative and legal acts of Ukraine determine that the Accounting Chamber of Ukraine exercises control on behalf of the Verkhovna Rada of Ukraine over revenues and expenditures of the State Budget of Ukraine.



MAIN TRENDS OF 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



In 2009, the implementation of tasks and powers set out by the Accounting Chamber was provided by the following AC Departments:

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

The sphere of activity of currently operating eight regional offices covers 21 oblast's of Ukraine, the Autonomous Republic of Crimea, Kyiv and Sevastopol cities.

REGIONAL OFFICES OF THE ACCOUNTING CHAMBER



MAIN RESULTS OF CONTROL, ANALYTICAL AND EXPERT MEASURES GENERAL DESCRIPTION OF ACTIVITIES

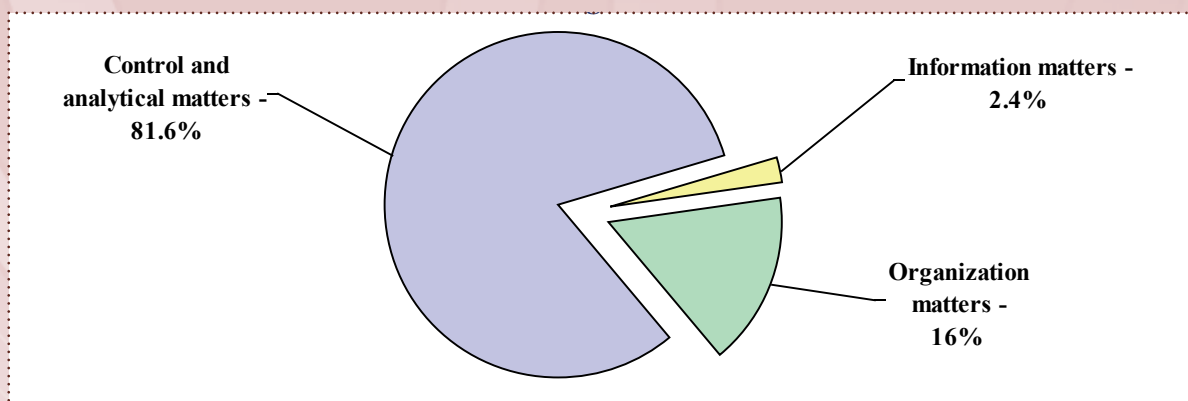
According to Article 9 of the Law of Ukraine “On the Accounting Chamber”, the Board of the Accounting Chamber is the main managing body and considers matters of organization and operation, planning, performance of control, revision, analytical and expert activities.

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 AC Regulations.

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

The Board consists of: Chairman of the Accounting Chamber, two Deputies, Secretary of the Accounting Chamber and nine Chief Controllers – Directors’ of Departments, approved by the Verkhovna Rada of Ukraine by means of secret ballot for that term of 7 years.

Classification of Matters Considered by the Board of the Accounting Chamber in 2009



In 2009, **29 meetings** of the Board took place, which considered and resolved **163 matters** in total.

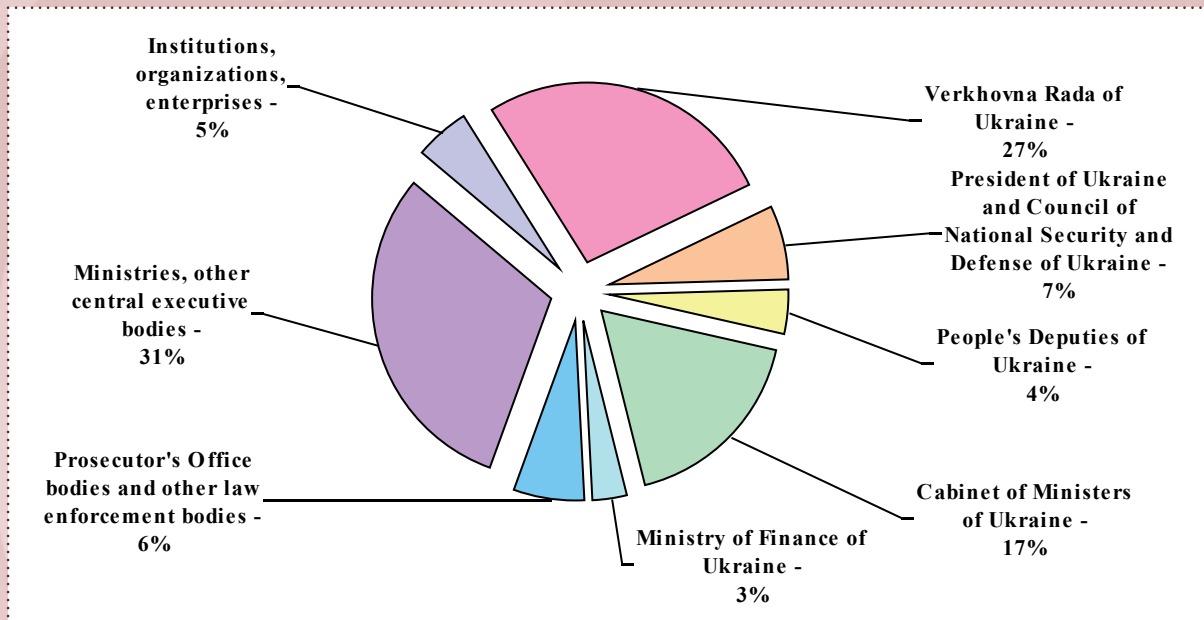
Departments and regional offices performed **1199 control, analytical and expert measures**, and **130 reports and conclusions** were prepared.

Control over the use of budget funds and extra-budgetary funds was exercised in 23 oblasts of Ukraine and the Autonomous Republic of Crimea. 910 objects were examined.

According to the results of control, analytical and expert measures, 610 reports, conclusions, information reports, acts and letters were prepared and forwarded to the supreme legislative and executive bodies for respective 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 as to 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 both as a whole and in the sphere of each individual direction of the use of budget funds.



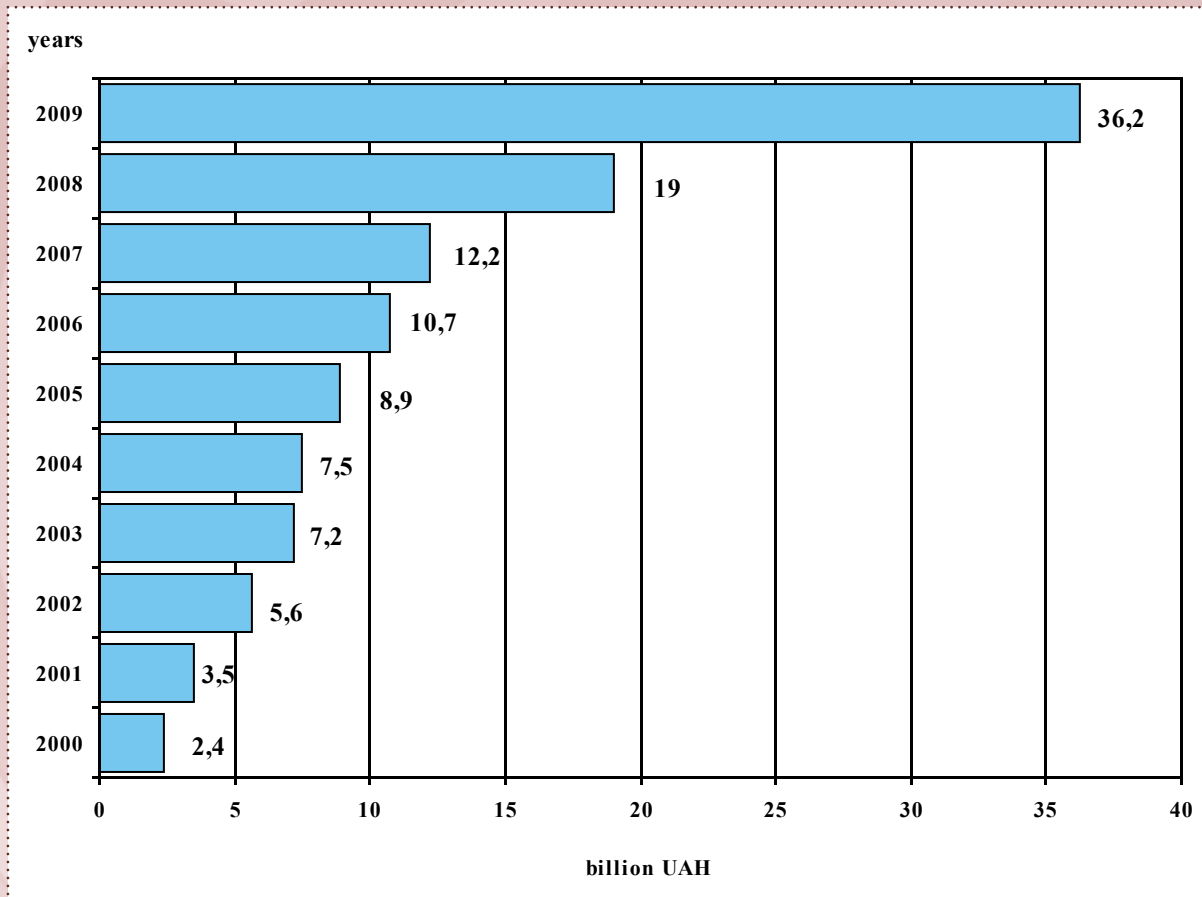
Structure of Reports, Conclusions, Information Reports, Acts and Letters based on Results of Control Activity Forwarded in 2009 for Respective Reaction



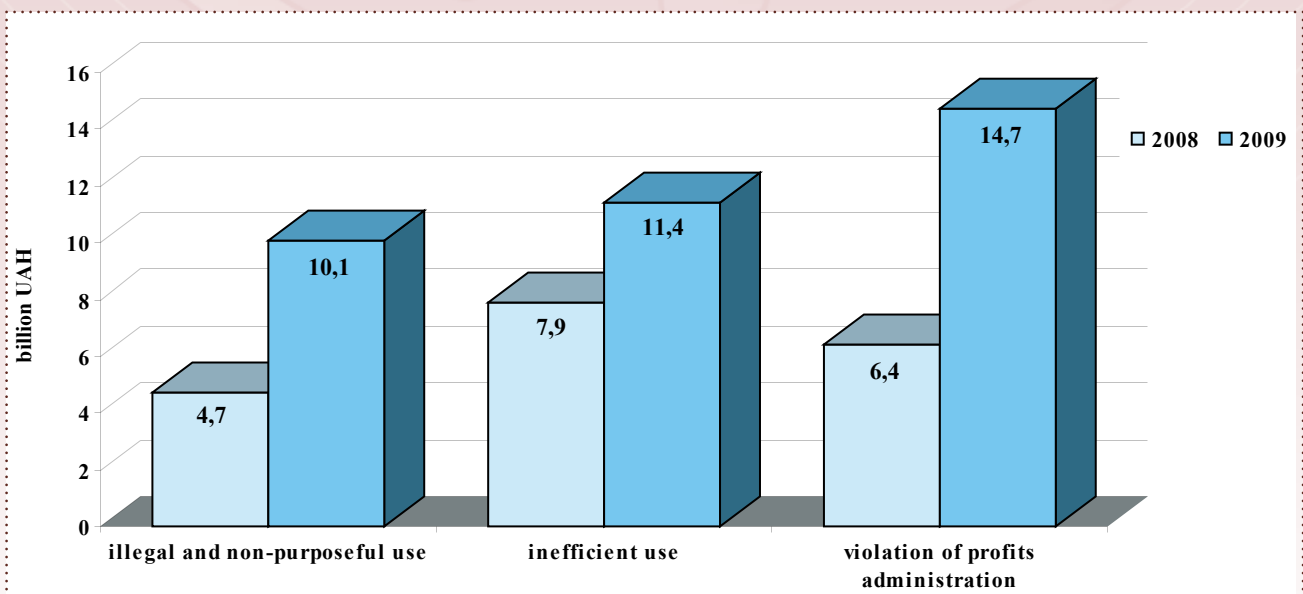
In the course of control, analytical and expert measures taken by the auditors of the Accounting Chamber, according to Articles 116 and 119 of the Budget Code of Ukraine, the following violations were detected: budget violations (illegal and non-purposeful) in the form of inefficient use of funds of the State Budget of Ukraine and state off-budget funds, as well as violations and deficiencies in administration of revenues of the State Budget for the total amount of **UAH 36 billion 226.5 million**. Of this amount:

- illegal and non-purposeful use of funds estimates UAH 10 billion 81.6 million,
- inefficient use – UAH 11 billion 454.3 million,
- violations of revenues administration – UAH 14 billion 690.6 million.

Rates of Budget Violations, Inefficient use of Budget Funds and Deficiencies of Revenues Administration Detected by the Accounting Chamber

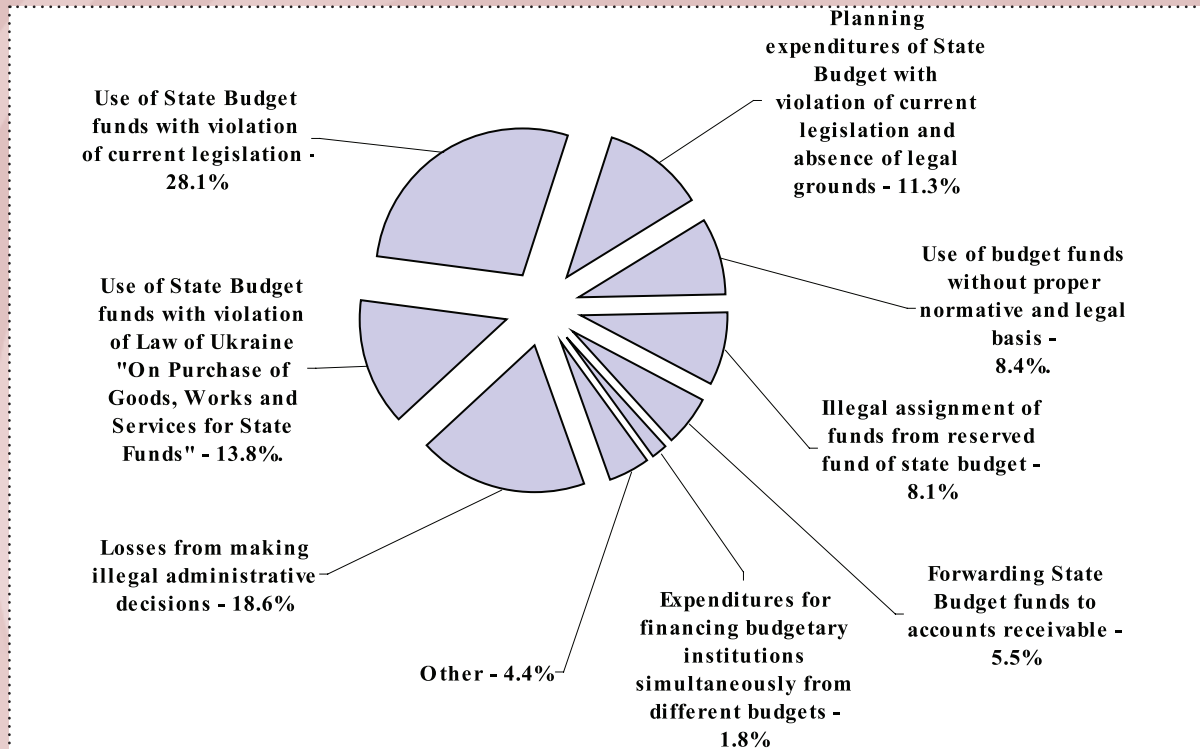


Rates of Detected Violations in Using Budget Funds

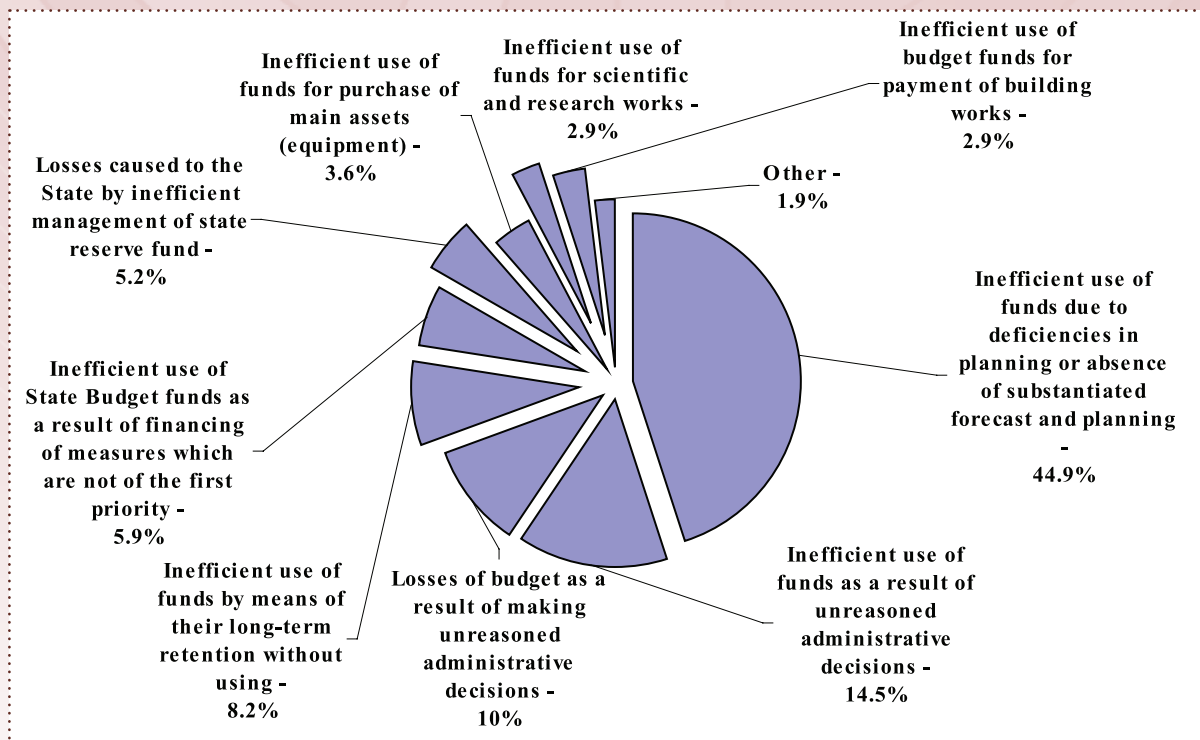




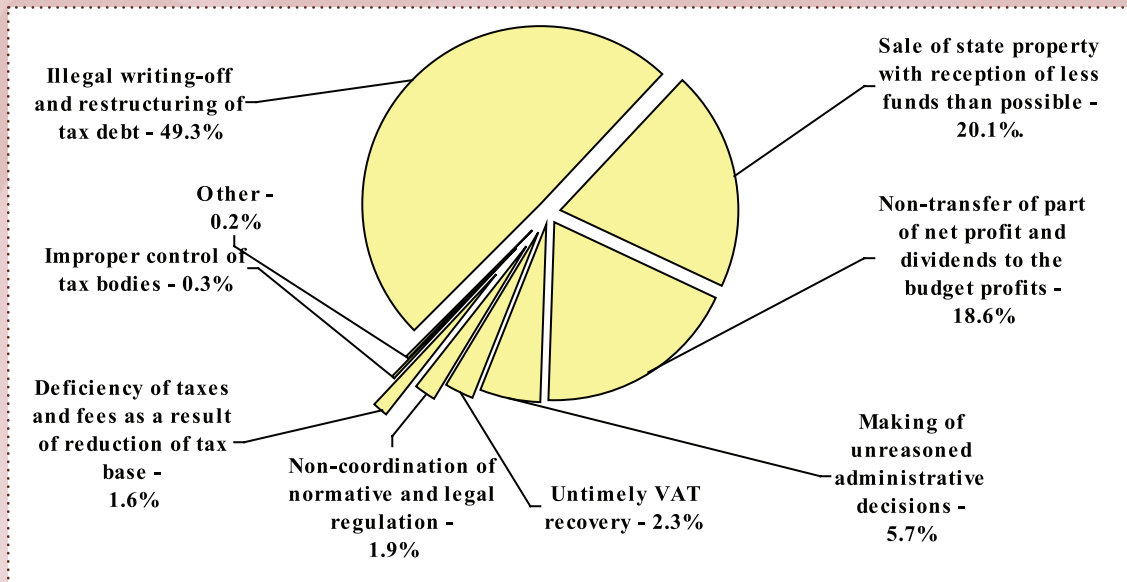
Structure of Detected Budget Violations in 2009



Structure of Inefficient Use of Budget Funds in 2009



Structure of Violations and Deficiencies in Revenues Formation of the State Budget Detected in 2009



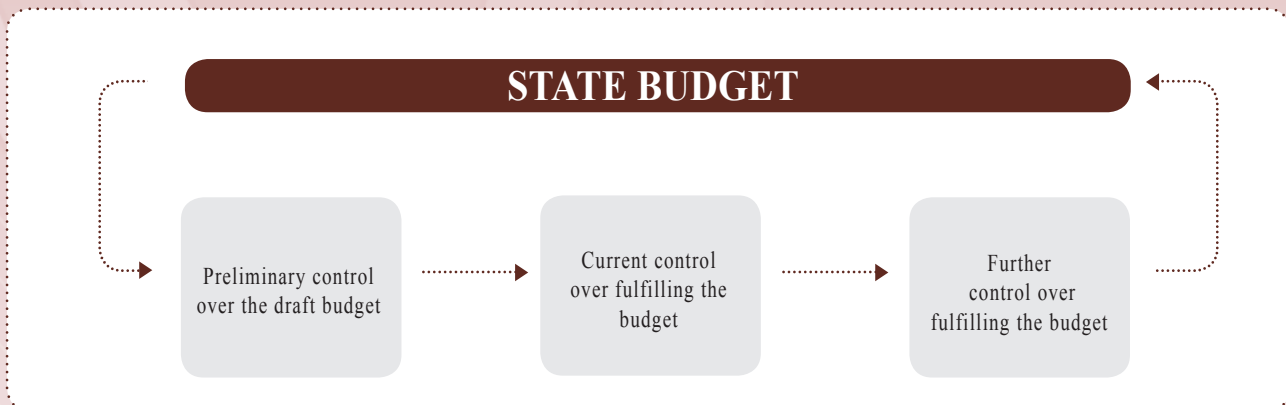


CONTROL, ANALYSIS AND EXPERTISE OF FORMATION AND EXECUTION OF THE STATE BUDGET OF UKRAINE

During the financial 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 budgets of state funds-in-trust, according to requirements of legislation currently in force. This stipulates taking an integral and interrelated complex of control and expert measures.

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 draft budget; current control of budget execution and further control of budget execution.

In 2009, the Accounting Chamber exercised control of budgets of the three year's the cycle: 2010 (at the stage of formation of draft budget), 2009 (in the course of current execution) and 2008 (executed budget). Budgets of each financial year are on one of the stages of a three-year cycle.



THEMES OF CONTROL AND ANALYTICAL MEASURES

SOCIAL MATTERS AND PROVISION OF PROPER LABOUR CONDITIONS:

- Settling and development of deported Crimean Tatars and persons of other nationalities who were deported from the territory of Ukraine, in the Autonomous Republic of Crimea;
- Taking state policy measures on matters of children, youth, women and family;
- Formation and use of funds of special state budget fund by the Fund of Social Protection of Disabled;
- Formation and performance of state program “School Bus”;
- Introduction of innovative technologies in production of technical means for rehabilitation of disabled persons;
- Recovery for citizens who suffered after the Chernobyl catastrophe;
- Use of funds of the state budget by the State Fund of Facilitation of Housing Building for Youth;
- Social protection of orphans and children deprived of parental care, by principle “money follows the child”;
- Provision of subsidies to individual categories of citizens for services of communication and compensation for reduced travel fee;
- Provision of subsidies and housing/utilities subsidies to the population for purchase of solid and liquid domestic stove fuel and liquefied gas;
- Repayment of debt in depreciated savings of citizens in 2008;
- Payment of reimbursement to families with children and expenses for free catering of children who suffered after the Chernobyl catastrophe in Rivne and Volyn oblasts.



STATE SUPPORT OF INDUSTRY AND ENERGY POTENTIAL

- Settling and development of deported Crimean Tatars and persons of other nationalities who were deported from the territory of Ukraine, in the Autonomous Republic of Crimea;
- Taking state policy measures on matters of children, youth, women and family;
- Formation and use of funds of special state budget fund by the Fund of Social Protection of Disabled and Organizations of Defense Complex;





- Ensuring completeness of accruals of funds to the State Budget of Ukraine from mining, transportation and sale of natural gas by National Joint Stock Company “Naftogaz of Ukraine”;
- Reimbursement of losses of state communications enterprises for distribution of domestic periodical editions and publications;
- Development of domestic motor-car construction and interactions with the state budget (based on the example of companies in Zaporizhzhia oblast).

MATTERS OF STATE SECURITY, LAW ENFORCEMENT ACTIVITY, DEFENSIVE CAPACITY OF THE STATE AND MATERIAL SECURITY OF ARMED FORCES OF UKRAINE:

- Taking measures on establishment of integrated interdepartmental information and telecommunication system on control of persons, transport vehicles and cargo that cross the state frontier;
- Provision of activity of investigation and intelligence bodies;
- Taking measures on liquidation of consequences of extraordinary situation which occurred in the territory of the 61st arsenal of the Southern major commands of the Armed Forces of Ukraine;
- Development and reconstruction of check-points (frontier cross points) across the state frontier with the Republic of Poland;
- Provision of activity of the State Special Communication Service and protection of information of Ukraine;
- Execution of the State Program on improvement of keeping convicted persons and persons kept in custody;
- Execution of the Program of utilization of solid propellant of intercontinental ballistic missiles RC-22;
- Building (purchase) of housing for junior and senior enlisted, as well as military men of law enforcement bodies and the Armed Forces of Ukraine.



Besides, the audit of efficiency of the system of sale of excessive armament, military and special machinery and other mobile military property of the Armed Forces of Ukraine has been performed.

CONTROL OVER USE OF STATE FUNDS BY JUDICIAL POWER:

- Supreme Economic Court of Ukraine;
- Supreme Court of Ukraine;
- For support of activities of the Constitutional Court of Ukraine;
- For performance of justice by administrative courts of appeal and local administrative courts.

MATTERS OF DEVELOPMENT OF TRANSPORT, ROAD CONSTRUCTION, HOUSING AND UTILITIES INFRASTRUCTURE:

- Execution of the State Program of building and development of subway network;
- Condition of implementation of state policy in the sphere of development of municipal electric transport in Donetsk city;
- Execution of tasks and functions by inspections of state architectural and building control in Kharkiv and Sumy oblasts;
- All-state program of reformation of housing and utilities infrastructure.



MATTERS RELATED TO ECONOMIC ACTIVITY OF THE STATE:

- Management of tangible assets of the state material reserve;
- Use of funds of the Stabilization Fund of the State Budget in 2009;
- Efficiency of actions of state power bodies at preservation and use of state property which is not included in the authorized funds of joint stock companies in Kharkiv and Sumy oblasts;
- Restructuring and writing-off of tax debt to enterprises of fuel and energy complex according to the Law of Ukraine “On Measures Aimed at Provision of Stable Operation of Companies of Fuel and Energy Complex” and their influence upon implementation of profits of the State Budget of Ukraine;
- Formation of the State Fund of Precious Metals and Stones and provision of state production, social and cultural needs in precious metals and stones.

PROBLEMS OF FINANCING OF AGRICULTURAL COMPLEX, SUPPORT OF DOMESTIC AGRICULTURAL MANUFACTURERS AND PROTECTION OF STATE PROPERTY LAND:

- State support of agricultural complex;
- Management in the sphere of use and protection of lands in administrative and territorial boundaries of Sevastopol city;
- Execution of project “Issue of State Certificates for Ownership in Land in Rural Areas and Development of Cadastre System”;
- Management in the sphere of use and protection of lands;
- Cattle breeding subsidy and state support of plant growing products for manufacturers of agricultural products in Odesa, Mykolayiv and Kherson oblasts;
- State support of plant growing production, development of cattle breeding, payment of grants to agricultural manufacturers for dairy products and meat delivered by them to processing enterprises in live weight in Vinnytsya, Zhytomyr and Khmelnytsk oblasts.





MATTERS OF HEALTH CARE, CULTURE, SPORTS AND TOURISM:

- Execution of tasks and functions on provision of state sanitary and epidemiological supervision and disinfection measures;
- Prevention and treatment of oncological diseases;
- Operation and reconstruction of Ukrainian state medical and social center for war veterans;
- Use of funds in the Ukrainian scientific and research institution of medical rehabilitation and balneology of the Ministry of Health Care of Ukraine;
- Performance of state functions in the sphere of tourism by the Ministry of Culture and Tourism of Ukraine and State Service of Tourism and Health Resorts;
- Preservation of historical buildings and renewal of historical legacy of Lviv city;
- Financial support of national theaters;
- Production and distribution of television and radio broadcasts for state needs;
- Construction of the Memorial for victims of famine genocide in Ukraine;
- Financial support of national and state artistic groups, concert and circus organizations.



MATTERS CONCERNING USE OF BUDGET FUNDS FOR SCIENCE AND EDUCATION:

- Training of personnel for enterprises of Dnipropetrovsk oblast;
- Increase of qualification level, retraining of personnel and training of scientific and pedagogical personnel in the sphere of culture and art;
- Scientific research and status of integration of science and production;
- Use of funds by Kyiv National University named after T.G. Shevchenko;
- Execution of State Program of IT-system development and computerization of higher educational institutions of the I-II accreditation levels;
- Training of personnel and specialists in the sphere of civil protection.

PROBLEMS OF ENVIRONMENTAL PROTECTION, ECOLOGICAL SAFETY AND PREVENTION FROM EMERGENCY SITUATIONS:

- Completeness of formation, management and use of funds of the State Fund of Environmental Protection;
- Execution of the State Program “Forests of Ukraine”;

- Provision of development and preservation of natural reserves of all-state importance in the Autonomous Republic of Crimea;
- Execution of the State Program “Forests of Ukraine”;
- Provision of development and preservation of natural reserves of all-state importance in the Autonomous Republic of Crimea;
- Liquidation of consequences of flooding of territories in cities and villages of Ukraine;
- Liquidation of consequences of flooding and conservation of mines No. 8 and 9 of Solotvynskyi saline mine of Tyachivskyi area of Zakarpattia oblast.



MATTERS OF FORMATION OF MODERN INFORMATION SYSTEM OF REGISTRATION ACCOUNTING AND DOCUMENTATION OF POPULATION:

- Activity of state power bodies on establishment and operation of state registers;
- Establishment and operation of the State Information System of Registration Accounting of Natural Persons and their documentation.

MATTERS OF INTERRELATIONS OF THE STATE BUDGET OF UKRAINE WITH LOCAL BUDGETS AND USE OF BUDGET FUNDS FOR SOCIAL AND ECONOMIC DEVELOPMENT OF REGIONS:

- Social and economic development and support of housing and utilities infrastructure of Alchevsk city;
- Execution of functions of the capital by Kyiv city;
- Enhancement of Berdyansk split;
- Execution of subvention from the State Budget to local budgets for social and economic development;
- Analysis of interrelations of the State Budget of Ukraine and local budgets;
- Provision of subsidies and housing subsidies to the population and subsidies for repayment of debt in difference of tariffs for heat energy, water supply and water drainage in Odesa oblast;
- Use of funds of additional grant from the State Budget for performance of authorities established by the Law of Ukraine “On Approval of the Constitution of the Autonomous Republic of Crimea” and funds of the state budget for exercise of executive power in the Autonomous Republic of Crimea;
- Analysis of execution of provisions of article 39 of the Law of Ukraine “On State Budget of Ukraine for 2009” by local power bodies concerning use of target funds included at determining inter-budget transfers.



PROBLEMS OF STATE DEBT, USE AND RECOVERY OF LOANS OBTAINED UNDER STATE SECURITY, IMPLEMENTATION OF PROJECTS OF INTERNATIONAL FINANCIAL ORGANIZATIONS:

- Status of state debt and debt guaranteed/secured by the State for the year 2008;
- Use of state and borrowed funds for implementation of Project “Equal Access to High-Quality Education”;
- Implementation of project “Program of Investments and Development of the System of Water Supply and Water Treatment of Zaporizhzhia City” supported by a loan of the European Bank of Reconstruction and Development;
- Use of state and loaned funds for implementation of Project “Development of System of State Statistics for Monitoring of Social and Economic Transformations”.

MATTERS OF CONTROL OF REVENUE PART OF THE STATE BUDGET OF UKRAINE:

- Substantiation of planning and effectiveness of control over the completeness of accrual and timely income of excise duty for tobacco and tobacco products to the State Budget of Ukraine;
- Execution of authorities by state power bodies in the part of payment for rent of state property to the State Budget of Ukraine;
- Payment of fee for special water use to the State Budget of Ukraine;
- Timely and complete payment of taxes and fees (mandatory payments) and income of additionally accrued penalty sanctions according to results of performed documentary inspections by state tax service bodies of Vinnytsya and Zhytomyr oblasts;
- Payment of fee for geological exploration works performed at the expense of state budget in the territory of Kharkiv and Poltava oblasts;
- Status of payment of value added tax in agricultural industry and effectiveness of its use by agricultural manufacturers.

MATTERS OF BANKING ACTIVITY AND FINANCIAL INSTITUTIONS:

- Cost estimate of the National Bank of Ukraine for 2008;
- Substantiation and provision of volumes of bank refinancing provided by the National Bank of Ukraine in the period between October and December 2008;
- Execution of tasks and performance of functions of the State Service of Export Control and Expenditure of Budget Funds for their implementation.

In cooperation with international financial institutions and according to the international treaties, the following were considered:

- Annual financial reports for 2008 within frameworks of the International Bank of Reconstruction and Development for implementation of Project “Improvement of Social Security System”;
- Status of payment of loans of the International Bank of Reconstruction and Development for implementation of project “Control over tuberculosis and HIV/AIDS in Ukraine”;

- Execution of provisions of Bucharest convention on protection of the Black Sea from pollution;
- Status of implementation of Project “Improvement of Social Security System” supported by the loan of the International Bank of Reconstruction and Development.

ACCORDING TO THE PLAN OF EUROSAI WORKING GROUP ON ENVIRONMENTAL AUDITING FOR THE YEARS 2008-2011, THE FOLLOWING WERE CONSIDERED:

- Results of the audit on implementation of the Ukraine’s commitments under Kyoto Protocol to the United Nations Framework Convention on Climate Change;
- Information of the Accounting Chamber to the Joint Audit Report on EUROSAI audit on change of climate.

According to the agreement on cooperation with the Supreme Audit Institution of the Republic of Poland and within the framework of international parallel audit, **significant attention was paid to matters which concerned performance of measures of the State Target Program of Preparation and Hosting the Final Part of European Football Championship in 2012 in Ukraine, namely:**

- Preparation of road infrastructure;
- Preparation of railroad transport;
- Building, reconstruction and repair of airports;
- Exercise of authorities by the Ministry of Regional Development and Construction of Ukraine in the part of provision of implementation of measures on preparation and hosting the European football championship in 2012;
- Taking measures by the National University of State Tax Service concerning preparation of the final part of European football championship in 2012.



Matters of **adherence to budget legislation and normative and legal support of the budget process:**

- Analysis of normative and legal support by the Cabinet of Ministers of Ukraine concerning execution of Section I of Law of Ukraine “On State Budget of Ukraine for 2008 and Making Amendments to Several Legislative Acts of Ukraine”;
- Analysis of status of state acquisitions in Ukraine in 2008 and the first half of 2009;
- Analysis of formation, allocation and execution of state orders for delivery of products for state needs in 2008;



- Analysis of conformity of current normative and legal regulation on the matter of fighting against corruption in Ukraine with the requirements of GRECO conclusions.

Matters of **using funds of the State Budget for provision of execution of functions:**

- By the Ministry of Economy of Ukraine;
- By the Ministry of Environmental Protection of Ukraine;
- By the Ministry of Labour and Social Policy of Ukraine;
- By the State Committee of Ukraine on matters of technical regulation and consumption policy;
- Antimonopoly Committee of Ukraine;
- State Committee of Financial Monitoring of Ukraine.

According to the functions and authorities of the Accounting Chamber, annual control was exercised over the use of funds of the reserve fund of the State Budget of Ukraine, reports of the Antimonopoly Committee of Ukraine and the State Property Fund of Ukraine were analyzed.

The Board paid attention to the effectiveness of its work, namely, considering legislation proposals of the Accounting Chamber **on matters of the State Budget and finances of Ukraine**, in the context of which matters on considering conclusions and offers of the Board of the Accounting Chamber have been considered according to the results of analysis and expertise of draft law of Ukraine “On State Budget of Ukraine for 2009”.

With the purpose of exercising functions of the OSCE External Auditor by the Accounting Chamber, an audit group was established to perform external audit, which audited of the OSCE Project coordinator’s in Ukraine (PCU) and Uzbekistan (PCUz), as well as the financial activities of the OSCE mission to Serbia in 2009.

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, applications of its committees and inquiries of People’s Deputies of Ukraine according to which the Verkhovna Rada of Ukraine made respective decisions.



RESULTS OF PERFORMANCE AUDIT OF THE STATE TARGET PROGRAMS AND OTHER TRENDS OF BUDGET FUNDS USE

One of the main tasks of all Supreme Audit Institutions and INTOSAI members is conducting performance audits. The Accounting Chamber of Ukraine as a full member of INTOSAI takes an active part in these processes. It is the performance audit that makes it possible to perform a comprehensive analytical control and became the main trend of conducting control measures by the Accounting Chamber.

During the financial year, practically each control, analytical and expert measure led to specific and principal conclusions concerning efficiency, expediency, legality and effectiveness of making administrative decisions, use of budget funds, system and mechanism of budget programs financing, trend in use of budget funds and individual main administrators.

The Accounting Chamber, according to its mandate, has ensured control over execution and financing of programs of economic, scientific, technical, social, national and cultural development, environmental protection, reformation of housing and municipal economy, building, reconstruction and repair of airports, preparation of road infrastructure etc. 20 audit reports, or 15% of their total number, have been prepared according to the audits results of budget funds use for performance of 15 state target programs or their individual trends.

The specified audits confirmed that the state target programs for the implementation of which the state forwarded budget funds for a lengthy period of time did not achieve their aim as a rule, after their expiration, meaning that funds spent on their implementation were spent ineffectively.

During the financial year, the specific feature of performance of the majority of state target programs was failure of the Cabinet of Ministers of Ukraine to provide for complete financing of measures, and failure of the Ministry of Economy and the Ministry of Finance to distribute state resources proportionally for the implementation of programs at planning of indices of social and economic development of the State and draft state budgets for respective year in conditions of insufficient financing of programs. All this led to reduction of the rates of state programs implementation, failure to implement them according to the schedule, created real risks of further falling behind when achieving planned results and threatened achievement of the main goal of such programs. As a result of that, the majority of problems which were planned to be solved within frameworks of execution of this or that state program are still unresolved.



REACTION OF STATE AUTHORITIES, INSTITUTIONS AND ORGANIZATIONS TO CONCLUSIONS, PROPOSALS AND RECOMMENDATIONS OF THE AC BOARD

Everyday work of the Accounting Chamber is meticulous, methodical tracking and analysis of execution of recommendations and proposals approved by the AC Board according to the results of performed audits. A control measure shall be deemed successful only in case there is a respective positive reaction upon conclusions of the Board of the Accounting Chamber by the administration of the Cabinet of Ministers of Ukraine, ministries, other central executive bodies and audited objects.

Proposals which were contained in the conclusions of the Board of the Accounting Chamber according to the results of control, analytical and expert measures have been reflected in a series of laws approved and adopted by the Verkhovna Rada of Ukraine in 2009.

The results of control and analytical measures of the Accounting Chamber were used in the operation of Committees of the Verkhovna Rada of Ukraine.

AC's proposals were taken into account when preparing decrees of the President of Ukraine and implemented in resolutions of the National Security and Defense Council of Ukraine.

Individual conclusions of the Board of the Accounting Chamber made according to the results of performed control, analytical and expert measures have been reflected in resolutions approved by the Cabinet of Ministers of Ukraine in the part of improvement of state financial and budget policy, improvement of the level of life of the population.

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

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 on matters of preparation, submission and consideration of materials of inspections and notification about the results of their consideration, taking measures of prosecutor's persecution approved by managers of specified departments, within 2009, for making decisions according to Article 97 of the Criminal Procedural Code of Ukraine and taking measures of prosecutor's persecution, **25 reports were forwarded to the General Prosecutor's Office of Ukraine**. Namely, by the AC Board decision, the General Prosecutor's Office of Ukraine received 14 conclusions. By inquiries of the General Prosecutor's Office, 11 reports were forwarded.

The analysis of responses which were received in 2009 based on AC audit conclusions, and the status of taking measures based on results of preliminary control and analytical measures testify that the majority of addressees paid attention to recommendations and proposals of the Accounting Chamber.

INTERNATIONAL COOPERATION

During the financial year, the Accounting Chamber developed international cooperation according to the point 12 of the Article 6 of the Law of Ukraine “On the Accounting Chamber” by the following main trends:

- **Development and enhancement of bilateral and multilateral cooperation with foreign Supreme Audit Institutions;**
- **Activities within the framework of International (INTOSAI) and European (EUROSAI) Organization’s of Supreme Audit Institutions ;**
- **Activities of EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes;**
- **Participation in the Council of the SAI’s Heads of the Commonwealth of Independent States.**

In 2009, the Accounting Chamber of Ukraine continued the development of bilateral cooperation with foreign SAI’s the activity of which was of interest for our institution, as well as with those who expressed their intention and wish to cooperate with AC. **Agreements on bilateral cooperation were concluded in 2009** with the State Audit Office of the Republic of Latvia, the German Federal Court of Audit. The main aim of concluded Agreements is to improve interrelations of both institutions, development of initiatives and institutional opportunities for further development of experience in the sphere of state financial control and audit.



The meeting of the Chairman of the Accounting Chamber of Ukraine, Dr. Valentyn Symonenko with the delegation of the State Audit Office of the Republic of Latvia headed by the Auditor General of Latvia, Mrs. Inguna Sudraba (Kyiv, October 2009)

With the purpose of cooperation development and mutual exchange of experience, a delegation of the State Audit Office of Vietnam paid a working visit to the Accounting Chamber in September 2009, headed by its Head, Vuong Dinh Hue. The purpose of the visit was to determine specific trends in which cooperation between our institutions might take place.



As a whole, currently the Accounting Chamber signed agreements on cooperation with Supreme Audit Institutions of 21 countries.

Within the frameworks of these agreements, during the year, a fruitful cooperation occurred concerning planning and execution of specific joint measures, namely, with the SAI's of Bulgaria, China, Poland, the Russian Federation and Sweden.

Based on the Agreement on cooperation between SAI's of Ukraine and China, the delegation of the National Audit Office of the People's Republic of China headed by Deputy Auditor General Sun Baohou paid a visit to Ukraine. The purpose of the visit was to discuss cooperation in the sphere of environmental auditing, prevention and elimination of disaster consequences, prospects of further joint work during preparation to the XX Congress of INTOSAI in 2010, as well as further development of cooperation in the sphere of informational technologies.

Within the framework of implementation of the Agreement on cooperation between SAI's of Ukraine and Sweden in 2009, the Accounting Chamber visited representatives of the Swedish National Audit Office with the purpose of development of a draft document concerning development of institutional cooperation and joint plan of actions for the year 2010.

An integral element of international cooperation of the Accounting Chamber over the past years has been performance of parallel audits. Such form of cooperation is extremely efficient and effective for determining new approaches and methods of taking measures, search of optimal ways to solve problems, including those which are unified for several countries.

In 2009, parallel audits were completed and joint reports of their results were signed, namely:

- parallel performance audit of planning, execution and control of using the budget funds which are assigned for liquidation of emergency situations, including those that were caused by human influence (executed jointly with the SAI of Kazakhstan);
- parallel audit in the sphere of mining, transportation and sale of natural gas (executed jointly with the SAI of Russian Federation).

Performance of three parallel audits have been executed which were initiated in 2008:

- parallel audit of preparation of Poland and Ukraine to hosting the final European football championship, “Euro-2012” (report of the 1st stage of audit was signed, Kyiv, June 23, 2009);
- coordinated EUROSAI parallel audit on climate change (performed jointly with the supreme financial control bodies of Azerbaijan, Denmark, Estonia, Kazakhstan, Cyprus, Israel, Macedonia, Poland, the Russian Federation and Sweden, national inspection has been completed, the report has been considered by the Board of the Accounting Chamber);
- parallel audit of execution of provisions of the Bucharest convention on protection of the Black Sea from pollution (executed jointly with the SAI of Bulgaria).

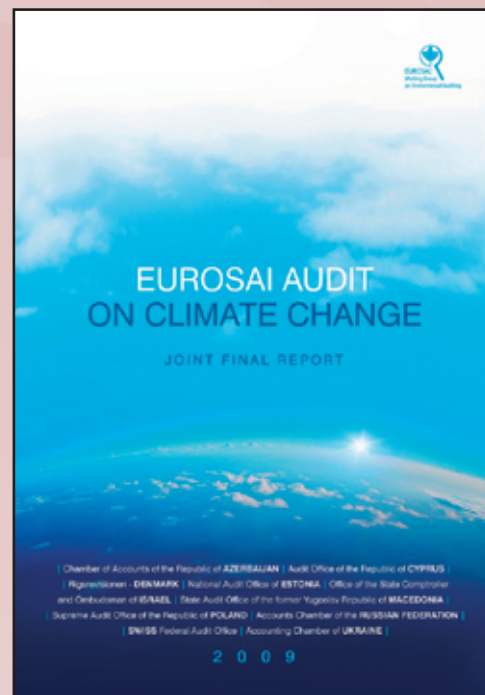
Considering the importance of such joint work for mutual exchange of experience and complex solution of researched matters, the Accounting Chamber achieved an agreement in the 2nd half of 2009 concerning hosting two more control measures with the SAI's of Russia and Poland, completion of which and preparation of respective final documents are scheduled for 2010.

It should be noted that the major part of parallel audits has been performed with the purpose of execution of developed joint actions plans which are one of the means of practical implementation of signed agreements on cooperation and allow planning of international activities in the sphere of audits for 2-3 years as they clearly determine the subject of research and terms of taking the specific control measure.

The international activity of the Accounting Chamber was marked by active participation in activities and initiatives taken by international organizations INTOSAI, EUROSAI and the Council of SAI's Heads of CIS countries.

An important event for Accounting Chamber as the member of the EUROSAI Governing Board was successful hosting of its XXXV meeting in Kyiv on June 23-24, 2009.

During the meeting, the Governing Board approved accounting, financial and audit reports of EUROSAI for the year 2008; considered the program of activity of EUROSAI President for 2008-2011 as well as reports on activity of the EUROSAI Task Force on Strategic Planning, activity of the EUROSAI Training Committee, EUROSAI IT Working Group, EUROSAI Working Group on Environmental Auditing, EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes, as well as Working Group on Audit Quality.





The Governing Board approved applications for financing of training activities within the EUROSAI frameworks and financing of participation of EUROSAI members in the Interregional Program on Institutional Development, the Program of INTOSAI Development Initiative (IDI) “Audit of State Debt Management” (2009-2011), as well as approved application of the SAI of Serbia to the EUROSAI membership.



*XXXV meeting of the EUROSAI Governing Board
(Kyiv, Conference Hall of the Verkhhovna Rada of Ukraine, June 2009)*

In March 2009, the Accounting Chamber as a Chair of **EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes** organized the 1st meeting of the specified group at which Terms of Reference and Working Plan for 2009-2011 were approved along with the plan of hosting the plenary sessions.

The Accounting Chamber also organized and hosted an annual **meeting of the INTOSAI Working Group on Public Debt** in October 2009, in which 30 delegates from 17 countries worldwide took part.



*Meeting of INTOSAI Working Group on Public Debt
(Kyiv, October 2009)*

In the course of the meeting, reports were considered on execution of current projects of the working group. Its members also got acquainted with the presentations made by participating SAI's and IDI. According to the results of the meeting, decisions were made on establishment of a network of experts on state debt, update of the working group web page, present a list of terms of the state debt to be included in the glossary of audit terms of INTOSAI and make changes to the working plan. The initiative of the Accounting Chamber concerning conducting the research of Contingent Debt was approved.

As a member of INTOSAI, the Accounting Chamber took part in the XII meeting of INTOSAI Working Group on Environmental Auditing (Doha, Qatar), in the international symposium OON-INTOSAI (Vienna, Austria), the II meeting of INTOSAI Working Group on Key National Indicators (Beijing, People's Republic of China).

The specialists of the AC took an active part in the regular meetings of the Steering Committee of the EUROSAI Working Group on Environment Auditing (EUROSAI WGEA).

As a member of the EUROSAI Governing Board, the representatives of the AC took part in the work of the II conference EUROSAI-ARABOSAI (Paris, France) as well as the VI conference EUROSAI-OLACEFS (Parlamar, Venezuela).

On April 30, 2009, the Accounting Chamber was elected as **the External Auditor of the Organization of Security and Cooperation in Europe**. This decision was unanimously supported by all 56 states, members of OSCE.



This particular election became an extraordinary event, because for the first time in the history of OSCE this high post is taken by the state institution of Ukraine. Before that, external audit of the OSCE was performed in turn by SAI's of Switzerland, Finland, Sweden, Great Britain and Norway.

During 2009, the AC's selected audit group performed audits of administrative and financial position of the OSCE and prepared recommendations on its improvement. Particularly, audits of the OSCE Project Coordinator in Ukraine (PCU) and Uzbekistan (PCUz) was performed, as well as the OSCE mission in the Republic of Serbia. Also, preparation to audit of OSCE Secretariat and annual financial report of the organization scheduled for the beginning of 2010 has been performed.

In the reported year, the delegation of the Accounting Chamber headed by the Chairman Dr. Valentyn Symonenko participated in the work of the **IX session of the Council of the Head's of SAI's of CIS countries** (in Dushanbe, Tadjikistan), during which a series of resolutions have been approved. Namely, Resolution "On the Role of Supreme Audit Institutions of CIS Countries in Overcoming the Consequences of Global Financial and Economic Crisis" was approved, along with the Provision on the Secretariat of the Council and Work Plan between the IX and the X sessions.

It should be also noted that an important task of international cooperation of the Accounting Chamber was to take measures aimed at modernization and improvement of methodological base, increase of qualification level of employees and institutional development on the basis of studying the international experience. Thus, in 2009, implementation of pilot project "Initiative on Risk Assessment" was started with financial support of the Embassy of Great Britain in Ukraine and participation of representatives of the National Audit Office of Great Britain.

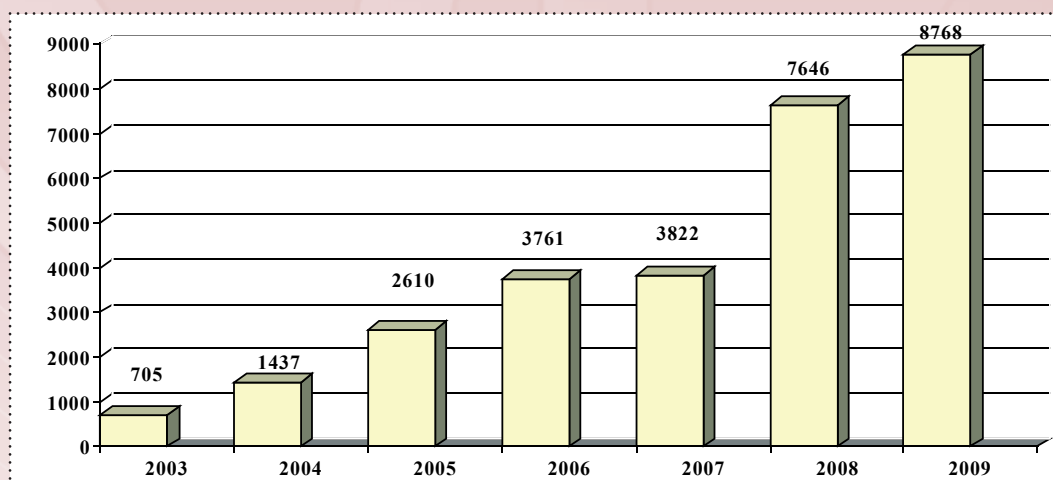
In the financial year, important steps were taken to deepen, improve and develop cooperation with SAI's of foreign countries, increase of the role and enhancement of image of the our institution within the system of International and European organization's of Supreme Audit Institutions, as well as development and introduction of new forms of cooperation with the international organizations.

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 in 2009. Through the mass media, population was notified about the results of control, analytical and expert measures taken by it, thus enhancing public control over revenues and expenditures of the State Budget funds.

The number of publications in mass media prepared according to the results of consideration of control, analytical and expert measures by the Board of the Accounting Chamber remained stable and high during the whole year. 115 official notifications and publications were prepared and distributed, concerning the results of audit activities performed. Generally, the mass media published 8768 pieces of information during the year, related to the AC activity or referring to it. Such amount of published material in 2009 concerning the activity of the Accounting Chamber shows the permanent interest of the society concerning objective information about the status of state financial and economic sector

**General Amount of Publications Based on Materials
of the Accounting Chamber**



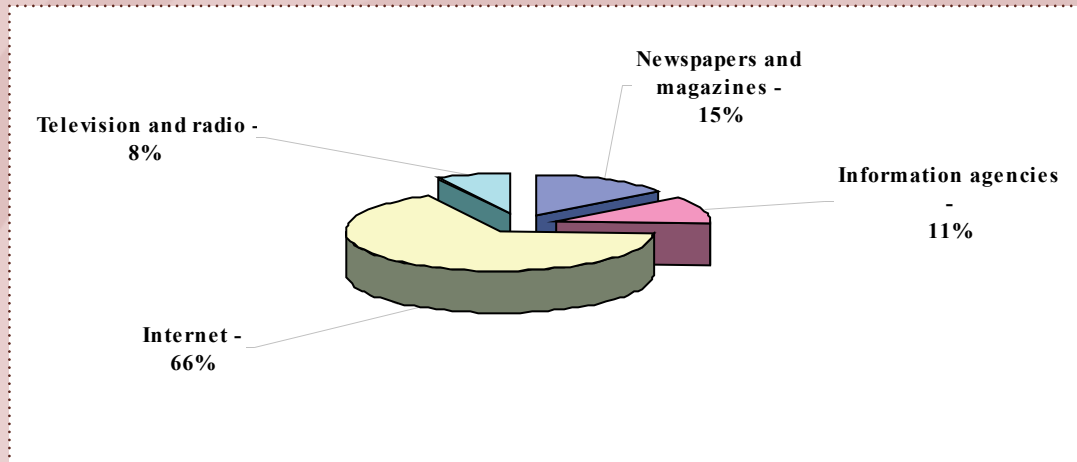
and the right choice of trends of cooperation with the representatives of the media and the public. Use of AC audit materials by politicians, economists, experts and journalists to illustrate opinions and facts, proving principles, enhancement of arguments etc. has been on a regular basis.

Materials about the activity of the Accounting Chamber were published by central, regional and foreign editions. Information with reference or complete use of notifications of the AC press service could be found on official websites of the state government institutions, banks, parties and politicians.

Central and regional information agencies and Internet editions also published the AC materials on the audit results.



Coverage of the Accounting Chamber in Mass Media



On the basis of audits performed, materials of control and analytical measures and events hosted in 2009, **15 information bulletins were prepared**. The materials of these bulletins which were distributed in the Verkhovna Rada of Ukraine were thoroughly studied and used by the People's Deputies in their activity in the committees of the Verkhovna Rada of Ukraine and in their speeches during plenary meetings and sessions.

The representatives of the Accounting Chamber participated in the work of 25 committees of the Verkhovna Rada of Ukraine during the year and generally were present at their 60 meetings and parliamentary hearings. 11 matters were considered according to the results of audits performed by the Accounting Chamber.

STAFF SUPPORT

As of December 31, 2009, the total number of employees was 479 persons (out of 543 approved by the staff list), 448 of whom are civil servants, 31 – supporting staff. The central office of the Accounting Chamber had 362 employees and eight regional offices had 117 employees.

The Accounting Chamber has its own scientific potential: 2 doctors of economic sciences, professors, one of them is the correspondent member of the National Academy of Science of Ukraine, 22 candidates of science, 12 post-graduates and 2 persons working for doctor's degree.

All 448 civil servants have higher education, and 116 of them have master's degree, 110 persons have two higher educations, 13 persons have three higher educations and one person has four higher educations.

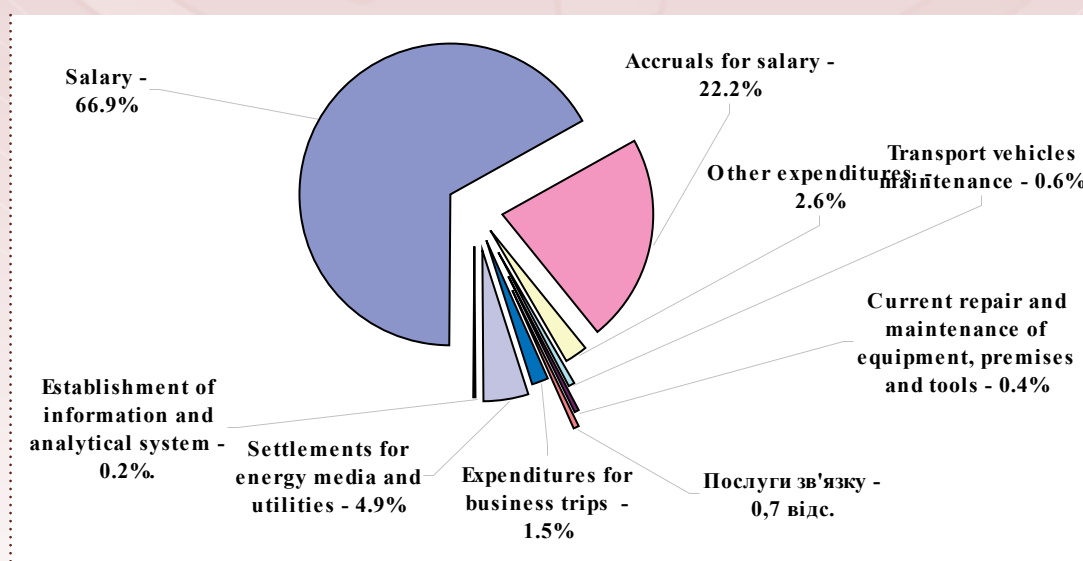
During 2009, the results of efficient work and high personal achievements of the team were noted. Among 90 employees, including 19 from regional offices were honored with state, governmental and departmental awards.

The Chairman of the Accounting Chamber, Dr. Valentyn Symonenko, was granted the highest state title of Ukraine – Hero of Ukraine with “Golden Star” medal, for significant personal contribution to the state development of Ukraine, establishment of the Accounting Chamber as a constitutional body of independent financial control.

FINANCIAL SUPPORT AND LOGISTICS

Law of Ukraine “On State Budget of Ukraine for 2009” approved estimate allocations to the Accounting Chamber for 2009 in the amount of **UAH 54 million 126.1 thousand**.

Structure of Expenditures of the Accounting Chamber in 2009





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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 normative and legal acts of Ukraine.

But at the same time a series of matters exist, which could foster our further institutional development. With the purpose of increasing the efficiency and effectiveness of our activities, the following first priority measures shall be taken:

- Complete the work related to development and submission of a new draft Law of Ukraine “On the Accounting Chamber of Ukraine” to the Verkhovna Rada of Ukraine. It shall contain a clear status of institution as an independent body of state financial and economic control and audit which shall perform general coordination of control activity of state financial control bodies as a special constitutional body, development of standards of taking control, analytical and expert measures, their unification, methodological and normative provision and support of activity of state financial control bodies, inspection and analysis of results of activity of control bodies, provision of assistance and consulting on matters of content of control, coordination of plans of control measures. The draft law shall also stipulate expansion of authorities of the Accounting Chamber according to amendments made in article 98 of the Constitution of Ukraine, determining the types of audit which the Accounting Chamber is authorized to perform – performance audits, financial audits and compliance audits, changes of current legislation concerning its activities, acquired experience of control measures, international standards and practices of the Supreme Audit Institutions of the leading countries of the world;
- To develop the draft Law of Ukraine “On the System of State Financial Control in Ukraine” which shall establish the general principles of operation of the system of financial control bodies in Ukraine, determine the list of control bodies, stipulate their hierarchy, subordination, managing bodies, peculiarities of their financial control. At that, external control and audit shall be exercised by the Accounting Chamber as the body of special constitutional competence;
- To take measures to enhance activities concerning exploratory studies of specific real recommendations and proposals on detection of reserves of filling the revenue part and efficient, legal and effective use of State Budget of Ukraine funds, opportunities of expanding the tax base, detection of losses and deficiencies of budget funds;
- To enhance analytical, cause-and-effect component in the system of planning the operation of the Accounting Chamber, selection of subjects of control, analytical and expert measures, development of program and target method of planning;
- To take permanent measures on elaborating methodological documents of the Accounting Chamber, taking into account new guiding INTOSAI principles and standards;



- To enhance administrative and methodological measures on increase of efficiency and effectiveness of operation of all structural departments of the Accounting Chamber;
 - To take an active part in the activities of the EUROSAI Governing Board;
 - To continue performing external audit of the OSCE with the aim of prolongation of authorities of the Accounting Chamber for two more years;
 - To perform general coordination and administration of activity of the EUROSAI Task Force on the Audit of Funds Allocated to Disasters and Catastrophes;
 - To continue participation in the activity of INTOSAI subcommittees dealing with development of renewed guiding principles on performance audit;
 - To enhance control and increase liability of managers of audited objects over timely and complete follow-up of recommendations provided by the Board of the Accounting Chamber;
 - To develop further activities of regional offices of the Accounting Chamber;
 - To improve forms and methods of notification society about results of control, analytical and expert measures taken by the Accounting Chamber;
 - To initiate the issue of providing independent financing for the Accounting Chamber by approving its budget by the Verkhovna Rada of Ukraine in the course of formation and consideration of the draft laws on the State Budget of Ukraine.



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