

THE ISSUES OF THE USE OF SUBVENTION FOR PROCURING THE HOUSING FOR ORPHAN CHILDREN: FROM NEGLIGENCE IN THE MINISTRY TO ABUSES AT THE MUNICIPAL LEVEL

Accounting Chamber of Ukraine

Since 2017, the State has intensified the support of orphans and children deprived of parental care in the realization of their constitutional rights to housing. On the basis of the principle of subsidiarity and according to the articles 82, 83 and 97 of the Budget Code of Ukraine, the expenditures for the specified targets, which are the functions of the State, have been transferred to local governance. However, the State, delegating these functions, only from the second half of 2017 has ensured the transferring of the necessary financial resources in the form of transfer from the State Budget of Ukraine to the local governments, according to article 85 of this Code.

Although it is guaranteed by the State on the legislative level the right to housing for a socially vulnerable category of people, that caused the purpose, subject, objects and audit tasks – the audit of these issues was conducted for the first time. The Accounting Chamber analysed the correctness of the definition and distribution, timeliness and completeness of transferring and utilizing funds of the subvention in 2017 – 2018 to the total amount of UAH 795.4 million (approx. EUR 25.95 million), and also verified legality and efficiency of the use of subvention funds in 8 regions and the capital city of Kyiv.

The auditors of the Accounting Chamber revealed the key problems and risks of using the state budget for the relevant purposes. The audit identified that one of the main problems was the improper activity of the Ministry of Social Policy – the chief budget manager of the subvention. Managerial decisions at the central level were adopted with considerable delays and were ineffective, which created the

prerequisites for the non-use of much of the subvention.

As a result, the state authorities and local governments acted in their own discretion, not in accordance with the law, as defined by article 19 of the Constitution of Ukraine, which led to inefficient use of the funds of subvention and a failure to provide the constitutional rights of citizens.

The regional commissions, which agreed on the procurement of housing, did not contain the specialists who checked residential premises for compliance with the requirements of state norms. The decision was made collegiately, which caused the absence of personal responsibility. The citizens – sellers of dwellings were the customers of the evaluation, who were directly interested in its overestimation. There were signs of overestimating the cost of the dwellings, as the facts of issuing reports of evaluation improperly. The report review procedure was not applied. There were recorded the facts of uneconomical, inefficient, unproductive, ineffective use of funds, the procurement of dwellings which were unsuitable for residence.

First of all, this applies to Procedures and conditions of providing the subvention. The Procedures, approved by the Cabinet of Ministers:

- Did not contain direct norms for the necessity of independent evaluation of property;
- Included requirements that couldn't be used in the purchase of flats and houses on the secondary market;
- Did not define unified approaches for free residential premises' searching;
- Did not include norms on the enforcement of the provisions of laws of Ukraine "On public procurement" and "On appraisal of property, property rights and professional appraisal activity in Ukraine" by executive authorities and local authorities while procuring the dwellings in the citizens;
- Did not include precise criteria for determining the suitability of premises, procured on the secondary market (their necessary conditions).



In general, it was determined that with the violation of the budget legislation almost UAH 12.2 million (approx. EUR 0.4 million)* of the subvention were used (of which UAH 9.3 million (approx. EUR 0.3 million)* were misused); UAH 51.5 million (approx. EUR 1.68 million)* were used inefficiently, unproductively and ineffectively. Taking into account the amount of the subvention (UAH 76.2 million (approx. EUR 2.49 million)*, which were audited for the legality and effectiveness of their use (21% of general cash expenditures of the state), 16% of funds were used with the violations of the budget legislation, almost 68% – inefficiently, which testified the low level of management of subvention funds and improper financial discipline while using funds at municipal level. The audit identified that in spite of the fact that budgetary allocations were given in time, at the 1st of October 2018 of UAH 517.7 million (approx. EUR 16.89 million)* of subvention from the state budget to the local budgets almost 80% of funds were not used in the regions in Ukraine. At the same time in Zhytomyr region and the city of Cherkasy there was no penny used of budget funds, provided and allocated for orphans and children deprived of parental care. Zakarpattia region didn't use 80% of the subvention funds at this date, taking into account that in 2017 in mentioned region 66% of the relevant budget resources weren't used.

The Accounting Chamber directed the information about the facts of officials' actions and omissions, having the signs of criminal offences to the Prosecutor General's Office of Ukraine. Eight criminal proceedings were registered, on which the prosecution authorities initiated the pre-trial investigations on the facts of official document counterfeiting, abuse of official position and unlawful possession of budget funds in particularly large sizes.

According to the audit results, there were formed a number of recommendations to the Cabinet of Ministers of Ukraine, the Ministry of Social Policy of Ukraine, the regional state administrations, local governments, that have been partially fulfilled. The subvention has been envisaged in the Law of Ukraine "On the State Budget of Ukraine for 2019" in the amount of UAH 717.7 million (approx. EUR 23.42 million)*. According to the audit recommendation, this Law has already provided the possibility to procure the housing for children deprived of parental care. Till that time the subvention hasn't been extended to the children of the specified category. The Ministry of Social Policy developed the amendments in a number of laws to ensure monetary compensation for their proper housing, as well as amendments to the Procedures, stipulated the execution of almost all recommendations and proposals of the Accounting Chamber.

The experts from state institutions, independent professional and public organizations were involved in the audit under the procedure of expert counselling.

The results of this external state audit were widely covered in the leading mass media of Ukraine, which became the result of the implementation of the publicity and transparency principles in the activity of the Accounting Chamber as the SAI. This is also explained by the great social weight of the selected audit theme.

* According to the official exchange rate of National Bank of Ukraine as at 27.02.2019.

