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**Expert discussion onHow to Improve Performance of Public Expenditures. The Role of the Accounting Chamber**

On 30 June 2022, CASE Ukraine think tank held a discussion on the topic of ***How to Improve Performance of Public Expenditures. The Role of the Accounting Chamber.*** The event featuredChair ofthe Accounting Chamber Valeriy Patskan and was moderated by CASE Ukraine Executive Director **Dmytro Boyarchuk**.

Keynote points of the discussion and abridged expositions of speaker reports are published below.

***Keynote Points:***

* Most of the national budget is currently earmarked for social expenditures and defence. The cabinet approved a decision to sequester expenditures in 2022 by UAH165 billion.
* Three ways to reshape budget funds: 1) Compare the target costs vs. the actual ones and forward the non-appropriated funds to the most high-demand areas; 2) Review all the budget programmes and re-route funds onto purchases of primary-need goods and services; 3) Analyse the cost structure of each budget target: assess potential risks and analyse cost appropriation.
* Rationality in the spending of budget funds is necessary. Every ministry and institution have to submit their proposals on expenditure spending.
* The Accounting Chamber observes the standards of international partners and has identified its course of action along the lines of: judiciary aspects, identification of the size of reparations, implementation of international projects, transparent spending of national budget funds for the recovery and restoration of Ukraine.
* Sectoral analyses on excise duties, taxes, the agrarian sector, direct damage from the war have been started.
* The Accounting Chamber is a partner of government institutions involved in the provision of recommendations on efficient use of public expenditures for administrative decisions-making.
* Increasing the institutional independence of the Accounting Chamber is among the priority legislative changes. A strong, independent audit authority will mean the strong Ukraine and the worldwide respect of the nation.

***Transcript of discussion (for the full video of discussion please follow*** [***the link***](https://www.youtube.com/watch?v=FZFvyqB6HAc&ab_channel=%D0%A6%D1%96%D0%BD%D0%B0%D0%94%D0%B5%D1%80%D0%B6%D0%B0%D0%B2%D0%B8)***)***

**-Do you see some sources and possibilities for saving in the current circumstances and for a more efficient spending of public funds?**

Let us begin with the fact: there is a war in Ukraine. In February and March, the Parliament adopted a range of nonstandard decisions, which granted the government an authority to reshape national budget funds and their subsequent transfer to the reserve fund. The government independently decides on certain individual expenditures. The defence and social welfare expenditures are the two things that have largely remained.

In March and April, the cabinet made six decisions to sequester 2022 expenditures by almost UAH165 billion. Capital and development expenditures will be accumulated to the maximum and channelled primarily towards defence capacities of our nation and social support.

For example, the capital expenditures to repair premises in Vinnytsia and Transcarpathian area have been cut this year by UAH117 million, of them UAH65 million capital expenditures and UAH31 million payroll.

I would outline some programmes that may be reshaped or corrected to ensure the maximum compliance of the budget with the realities we are having now.

**The first option** is to check the planned and the actual expenditures and to reallocate everything not appropriated. If there are budget programmes that have not been started yet, it is necessary to analyse the expedience of starting them now and continue with their costs. E. g., the Physical Education, High-Performance Sports and Reserve Sports Development Programme had UAH2.1 billion earmarked for it this year, of them UAH433 million to pay for various services and UAH 542 million on business trips. The programme further has the item of researches and certain individual measures of its politicisation for the total of UAH80 million, of which amount some UAH 51million have not been appropriated as of early June. This is not to say the programme has to be cancelled altogether, it simply has to be analysed how, in which way to leave the priority expenditures and accumulate, save the rest for the use in the defence. E. g., the funding of the statutory activities of political parties makes UAH236 million. In martial law conditions, one has to understand in which way the funding of political parties may be necessary.

The financial assistance to the Social Insurance Fund of Ukraine to secure insurance payments to health care personnel at state-owned and communal health care institutions and their family members who have contracted COVID-19 has been underused by UAH77 million. I would have a look at the programme and its aspects and would leave the necessary money and would channel the balance to the reserve fund to finance defence needs of the Armed Forces of Ukraine and the social domain.

The ensuring, coordinating and exercising flights by the air force have been given UAH60 million. One has to understand whether and how the money will be used and if it is really utterly necessary in conditions when all air travel is banned.

**The second option** is to review all the budget programmes and repurpose all the fund for the procurement of first-priority goods and services. For example, of UAH21 billion earmarked the budget’s capital expenditures as of early June, only UAH1.4 billion were used. Three things here: health services to the staff of the National Academy of Sciences (UAH37 million-worth of capital expenditures: it is necessary to understand if our academicians really need such services and to review how priority they are. The managing and the testing of space exploration measures (UAH33 million); physical and sports training of young pupils and students (almost UAH120 million).

**The third option** is to necessarily analyse the structure of expenditures of each budget programme, its objectives and tasks and access potential risks and level of appropriation of those expenditures.

The attention should be given to those things, then the Executive has to analyse. Every representative of a ministry, institution or government body should have his/her proposals submitted to the cabinet. Today, in martial law circumstances, these expenditures could be redirected.

**- Cuts are always unpopular. How these can be practically implemented?**

It has to be discussed with each budget-spending unit – ministry, institution, government authority – and surveys have to be made. Let each budget-spending unit submit its proposals and gives a first-hand review of whether the money really need to be spent now and, if yes, in which way. This is really an unpopular political move but we all need to unite in war circumstances.

Funds application has to be feasible: e. g., funds can be redirected onto repairs of kindergartens and schools in the areas where there is no war as many of our nationals have been compelled to leave their places of residence so that their children could continue going to schools. Making classes bigger requires additional money, so a non-standard, unpopular but viable solution will have to be made.

**- Have there been any assessments made to see how much such resources could be freed that way?**

We did not assess each programme separately. We regularly assess the budget and submit the results to the parliament focussing attention on the most obvious aspects. If need be, we are ready to provide expanded information on each budget programme but this will require a responsible approach from each ministry and institution.

For example, we distributed UAH117 million because we had decided we would rather channel the money to the AFU rather than repair our administration department. Everyone with budget money at disposal has to contribute to our victory.

**- The Accounting Chamber is the institution that monitors the efficiency of public expenditures. Do you also have some additional functions that might be useful in wartime conditions?**

We have to be, and are, a partner for the government, the parliament and the president. We have to provide our analysis of National Budget performance and, in wartime conditions, assist our country to gain victory sooner; we are not above all the processes.

In late May, I took part in a congress of the Eurosight, which unites the auditing oversight bodies of the European Union. Ukraine applied for membership in the Eurosight; we have also suggested to our colleagues to include us in the contact committee. The European Union comprises bodies, one of them is the European Court of Auditors that monitors and accesses EU revenues and expenditures. In Prague, we were included in the contact committee that only comprises 13 countries. The Accounting Chamber, together with our country, is already an associate member of the European Union, that is, we, with our institutions, will be members in the Eurosight.

In our work we are governed by standards designed at the level of international organisations and audit institutions. My address received such a trust and support from my European colleagues that a half of the audience of 55 representatives wept after the presentation video. We had a first working meeting with peers from the UK who will be helping us with the methodology for an analysis of military conflict aftermath. Israel that has been in war for decades also supported us: we had a first working meeting with them and received feedback. The Baltic states, Czechia and Poland also join our joint work.

What is our objective and tasks? I would like the inflicted costs and damage caused by war crimes that we will calculate to be confirmed both inside the country and internationally.

An example: an UK colleague upon his return home wrote me in two days to notify of his meeting with the Prime Minister and their readiness to engage the immediate work. By involving the maximum number of powerful representative offices of supreme audit authorities it will be possible to corroborate and assess the inflicted damage. The assessment will be necessary for presentation in courts demanding the payment of reparations to Ukraine and for Ukraine to further receive from our international partners the funds that will be used to overcome military action aftermath.

We have identified the four aspects we will be working along: **first**, we will work for prosecution purposes, that is, during the filing of suit with the international court; **second**, to identify the scope of reparations; **third**, receiving and implementing projects from our international partners; **fourth**, ensuring the most transparent use of public funds for the recovery and restoration of Ukraine.

We need to be trusted in that the funds provided to us will be fully channelled onto the recovery of our nation without any corruption component for them to help us to rebuild the economy and overcome war aftermath.

**- Could you provide more detail as to whether some work has been started already or there are just some preparations towards this going on?**

Currently, we are conducting sectoral analyses, for example, regarding excise duty, taxes; we are also starting to work in the agrarian sector, [to access] direct losses from the war. That is, the work has already begun, we have revised our plan and will continue to adjust it so that in this way to help the government see the gaps and where the losses are to be calculated.

I know that each agency provides its own methodology, which we analyse together with our colleagues – a special group has been created to analyse these methodologies for assessment of losses.

We are a partner of government bodies able to point out to flaws in the sense of managemerial decisions-making, inefficient use of funds or their use in violation of the law. Take our recommendations and it will be easier to make decisions, channel funds to programs and perform performance audit.

The work will continue. In the wartime, in martial law circumstances we must be united to the maximum; however, the Accounting Chamber will be providing its independent assessment of each aspect.

**- How the Accounting Chamber will work and transform post-war?**

We are already doing this: literally, just a week ago changes to the structure and the manning schedule of the Accounting Chamber have been introduced in which we identified the matter of the indebtedness, of the money that will be provided to Ukraine as assistance from the World Bank and other partners as one of the priorities. We have created an entire department to monitor the money that will come into the country.

If we show the use of funds to as best as we can, the trust in us will increase. We will have to provide the parliament, the president, the cabinet with the assessment of the use of these funds. There are already requests for audit from the World Bank; the work has started. We will operate in compliance with the standards set out by our global organisations.

The International Organisation of Supreme Audit Institutions unites 202 countries worldwide. While the UN has 194 countries, the INTOSAI unites bodies that neither the parliament nor other institutions have. We prescribed INTOSAI standards that have already been approved. We will use these standards, involve international partners and determine the aid, the quality of the usage of the aid provided to our country.

For example, the US government provided USD1.3 billion in grant aid yesterday. Grant aid is a kind of non-interest-bearing assistance provided irrevocably. I would really like these funds to be used as efficiently as possible. In order for international partners to recognize their performance, for the money not to be stolen, with no place for corruption, misuse or manipulation of the national budget, for these money to be used as much as possible to overcome the consequences of the hostilities.

**- Will it be necessary to strengthen the role of the Accounting Chamber in its performance audit function?**

There are currently discussions in the parliament about strengthening the powers of the Accounting Chamber. We have missed on a number of aspects like public joint-stock companies, foundations, some local budgets and many other. The Parliament is ready make amendments to strengthen and expand the function and powers of the Accounting Chamber. We will analyse every proposal coming from the parliamentarians. I would also invite you to support us when the amendments to the law are ready to make the role of the Accounting Chamber strong. At the same time, we must be independent because being depend on anyone would mean our inability to provide an objective audit of public funds.

It is about strengthening the Accounting Chamber and expanding its powers. I hope that in the near future the parliament will grant hearing to the matter of amendments to the Law on the Accounting Chamber and other legislative acts.

**- The Accounting Chamber is already successfully integrating in the EU now. What are the challenges on its way to it?**

The first challenge is the trust in our nation in general. Calls from all our international partners to the Accounting Chamber are about strengthening the institutional independence of the Accounting Chamber and providing our opinions in respect of budget analysis and effective/inefficient use of funds.

Currently, our international partners, peers, supreme audit institutions of the European Union have many other audits (e.g., compliance audit, IT audit). We will propose amendments to our Law in order to have the greatest chance of covering the use of public funds. A strong, independent Accounting Chamber means a strong Ukraine because the trust in our opinions will translate/shape into a worldwide trust in our nation.

**– The matter of public control: in which capacity can civic society organisations join your work, the one on the usage of expenses in a corruption-free way or on promotion of your work results, reports?**

We regularly publish our reports that are not classified or confidential on the Accounting Chamber’s website. Surely, certain things, like, for example, the defence procurement, cannot be made public, We keep in touch with civic society organisations that address us with inquiries. One of the topics concerns the anti-corruption programme. The NACP has recognised our anti-corruption programmes the best one among all government bodies.

I do my best to communicate with, meet professional associations, experts (you included) and journalists. I am interested in hearing your ideas and having feedback. We have a scientific and advisory council with researchers among its members; there are some powerful personalities in the areas of budget or budget expenditures working there. We have regular meetings with economic experts. And I am ready to continue communicating. The law says nothing which might prevent us from talking to the civic sector. I have always been public and ready to talk.

**- The Accounting Chamber was to publish a report on value-for-money audit of the Academy of Sciences. Could you tell us at which stage the work currently is? Are there any interesting analytical proposals to share?**

The report has been approved and sent to the Verkhovna Rada for discussion in committees. We also sent our recommendations to the National Academy of Sciences. The most poignant aspect of it we audited almost 70% their enterprises (institutes and other system enterprises) as well as advice on the management of assets, land plots and account restructuring.

There have been numerous discussions regarding first steps to be made to reform the National Academy of Sciences. At this stage, all the floor space has to be reviewed: if there is some to discontinue, let the State Property Fund overtake and sell it, and the receipts will be channelled for science development. One needs not to hold onto land, premises, let us develop science instead. I will always support science; being a doctor of law myself, I will promote the development of science in our nation.

Science – in particular, progress in the design of UAVs and defence technologies - is rather relevant for our nation these days. All this has to be stimulated. I do hope they will hear us. A working group has been established to analyse our recommendations for the Academy of Sciences and I am ready to have a thorough discussion in all matters.

I wish tenacity to all of us. I hope our nation will overcome soon and become a decisions-making centre, for Europe and internationally, because we have strong people, a strong nation and the strong Armed Forces. We will hold out!