

Case study:

Fighting corruption by improving transparency in Ukraine

Deployment value: £ 58,076 Duration: 6 deployments (69 days)



Context

Weak management of public resources in Ukraine has led to mismanagement and corruption, with deep and justified public and business distrust in the public financial management system. Systems were bureaucratic and did not deliver a transparent picture of the uses of public resources. Inefficiency and corruption have led to a declining economy so that the necessary investment in infrastructure, transport, education and skills has resulted in a worsening investment climate. Oversight of public finances is therefore critical. Parliament and the Chamber of Accounts have not worked effectively together and new approaches to audit were urgently required. The predatory taxation and customs regimes discouraged inward investment to the country. Decisions on budget allocations have been highly politicised and budgets changed frequently.

The World Bank identified that limited accountability as a core problem which undermined investor confidence and hindered the country's ability to attract long term investment. To help address the issue, the Accounting Chamber of Ukraine (ACU) requested UK expertise to help improve the transparency of public finances through a robust process of external audit to meet international standards in order to build investor confidence.

Deployment

Within six days of the request experts from the UK's National Audit Office (NAO) were deployed to Ukraine. They quickly began the revival of the ACU's audit function and the transformation of the ACU's audit processes to meet international standards, as well as exposing their auditors to modern audit techniques, and professionalising their approach.

Moreover the NAO's expertise was also shared with officials and bodies other than the ACU through engagement with Parliamentary interns and civil society organisations (e.g. Transparency International). UK experience of public accounting and transparency (e.g. audit practice, freedom of information act, online publishing of information) was shared much more widely, and empowered their work.

Impact

Interviews with in-country beneficiaries highlighted the important role that NAO expertise had in progressing new legislation. New draft legislation, reflecting considerable NAO input, was submitted to the Verkhovna Rada of Ukraine (Parliament) in April 2015 and will help transform the financial regulatory environment.

In-country partners noted the unique role that IFUSE played in catalysing UK expertise "IFUSE got UK experts involved, and it has facilitated passage of a new law within the accounting chamber. We couldn't contract with the NAO without IFUSE, and therefore wouldn't have had the benefit of NAO expertise".

If adopted, the new Law of Ukraine 'On Auditing' will enshrine the 'International Standards on Auditing' in Ukraine law, providing investors with greater confidence in financial regulation.

Partly as a result of the deployment, the NAO is now providing further support to deliver Public Expenditure and Financial Accountability (PEFA) assessments. These assessments will further contribute to improving the credibility of Public Financial Management in Ukraine, thereby building investor confidence further.