



Ukraine
VINNYTSIA CITY COUNCIL

**PUBLIC EXPENDITURE AND FINANCIAL
ACCOUNTABILITY (PEFA) PERFORMANCE ASSESSMENT
REPORT 2021**

Final Report
March 24, 2022

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PEFA Check



**PUBLIC EXPENDITURE AND FINANCIAL
ACCOUNTABILITY (PEFA)
GENDER RESPONSIVE PFM ASSESSMENT**

**ASSESSMENT OF VINNYTSIA CITY SUB-NATIONAL
GOVERNMENT (UKRAINE)**

MARCH 2022

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the '**PEFA CHECK**'.

PEFA Secretariat

March 31, 2022

ASSESSMENT MANAGEMENT AND QUALITY ASSURANCE

The assessment management framework, oversight and quality assurance are summarized in Box 1.1 below. The assessment was funded by **Swiss SECO** under the ElocFin Project. **Dr Boris Petkov** (Overall Team Leader, Linpico SARL) was the assessment manager, supported by **Ms. Sophie Djugeli** (Linpico SARL).

Members of the oversight team are: (i) Tetiana Hrytsun - Head of Inter-budgetary Relations and Local Budgets Planning, Inter-budgetary Policy and Local Budgets Department, Ministry of Finance; (ii) Mr. Andriy Ocheretny, Vinnytsia Deputy City Mayor, ably supported by Ms. Natalia Lutsenko, Head of Finance Department of Vinnytsia City Council. The main donors on the oversight team include: (i) Mr. Thomas Stauffer, Programme Manager, Macroeconomics SECO; (ii) Ms. Ilona Postemska, Senior National Programme Officer, Embassy of Switzerland in Ukraine; (iii) Natalia Starostenko, Sector Manager, Local development, EU Delegation to Ukraine; and (iv) Iryna Shcherbyna, Senior Public Sector Specialist, Governance Europe and Central Asia, World Bank. Ms. Antonina Les, Deputy Head of Finance Department – Head of Budget Division of Vinnytsia City Council was the focal person; she facilitated all the meetings.

PEFA Check

The quality assurance framework has been reinforced as of January 1, 2018 (see PEFA Secretariat Note: PEFA Check: Quality endorsement of PEFA assessments from January 1, 2018, www.pefa.org). The quality assurance process of this report is shown in Box 1.1 below. The draft report was submitted for peer review on the 13th of December 2021.

Box 1.1: Assessment management and quality assurance arrangements

PEFA Assessment Management Arrangements

- Oversight Team Chair & Members:

Name, position, and organization	Role
Tatiana Hrytsun , Head of Inter-budgetary Relations and Local Budgets Planning, Inter-budgetary Policy, and Local Budgets Department, Ministry of Finance of Ukraine	Chairperson
SECO Ilona Postemska , Senior National Programme Officer, Embassy of Switzerland in Ukraine	Oversight team member
EU Delegation to Ukraine Natalia Starostenko , Sector Manager, Local development, EU Delegation to Ukraine	Oversight team member
World Bank Iryna Shcherbyna , Senior Public Sector Specialist, Governance Europe and Central Asia, World Bank	Oversight team member

- Assessment Manager: **Dr. Boris Petkov**, Overall Team Leader
- Assessment Leaders: **Göran Steen**, Team Leader (Sub-team 2)
- Assessment Team members: **Yuliia Ostrishchenko**, PEFA Expert (Team 2)

Review of Concept Note

- Concept Note was circulated to peer reviewers on **7 August 2021**.
- Invited Reviewers:
 - Julia Dhimitri**, PEFA Secretariat;
 - Guillaume Brule**, PEFA Secretariat;
 - Tetiana Hrytsun**, Ministry of Finance of Ukraine;
 - Stefan Bruni**, SECO;
 - Natalia Starostenko**, EU Delegation to Ukraine;
 - Iryna Shcherbyna**, World Bank;
 - Andriy Ocheretnyy**, Vinnytsia Deputy City Mayor.
- Reviewers who provided comments and did not: **all reviewers responded and provided comments**.
- Date of final concept note sent to PEFA Secretariat: **29 August 2021**

Review of the Assessment Report

- Draft circulated: December 13, 2021
- Invited reviewers and date they provided comments:
 - Julia Dhimitri**, PEFA Secretariat – 1st draft January 11, 2022; 2nd draft March 15, 2022.
 - Tetiana Hrytsun**, Ministry of Finance of Ukraine – January 31, 2022;
 - Stefan Bruni**, SECO – January 11, 2022;
 - Natalia Starostenko**, EU Delegation to Ukraine – December 19, 2021;
 - Iryna Shcherbyna**, World Bank – January 6, 2022;
 - Andriy Ocheretnyy**, Vinnytsia Deputy City Mayor – February 4, 2022.

PEFA CHECK

- The two stages of the PEFA CHECK process were complied with the Concept Note and the response to comments on the draft report

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ABBREVIATIONS AND ACRONYMS

ATO	Antiterrorist Operation
ACU	Accounting Chamber of Ukraine
BCU	Budget Code of Ukraine
CPI	Consumer Price Index
EBU	Extrabudgetary Unit
FY	Fiscal Year
GDP	Gross Domestic Product
GRB	Gender-responsive Budgeting
GRPFM	Gender-responsive Public Finance Management
KSU	Key Spending Unit
LLC	Limited Liability Company
MoF	Ministry of Finance of Ukraine
MTBF	Medium-term Budget Framework
NA	Not Applicable
PC	Public Corporation
PE	Private Enterprise
PFM	Public Finance Management
PPP	Public Private Partnership
SAS	State Audit Service of Ukraine
SD	Service Delivery
SRDF	State Regional Development Fund
TSA	Treasury Single Account
Vinnysia CTC	Vinnysia City Territorial Community

METHODOLOGY

The Swiss State Secretariat for Economic Affairs (SECO) has identified Oblast Capitals (OCs) as the most suitable beneficiaries for ELocFin. Expenditures of OCs amount to almost 50% of total sub-national expenditures and 20% of total public expenditures. At the sub-national level, they also have the highest share of revenues at around 6.5% of GDP. In its selection of target municipalities for the present PEFA assessments, SECO has given priority to OCs with which SECO is already cooperating in the areas of energy efficiency and integrated urban development.

Therefore, the selection criteria for SNGs for this project were based on the existing relationship between SECO (and other development partners) and the oblast cities, as these oblast cities have had experiences in managing development partner grants including building of technical capacity for its public servants. Additionally, the oblast cities expressed their interest to conduct a PEFA assessment in order to identify PFM strengths and weaknesses for future improvements. The Oblast Capitals being assessed are: (i) Chernivtsi City, (ii) Lviv City, (iii) Zhytomyr City, and (iv) Vinnytsia City.

Type of assessment: The assessment was conducted in line with the PEFA 2016 Framework as developed by the PEFA Secretariat, and the October 2020 guidance for sub-national PEFA assessments. These documents, as well as other guidance documents available from the PEFA website (www.pefa.org) such as the 2nd edition of the PEFA Handbook – Volume II dated December 2018, were used to conduct the assessment. The assessment adhered to the requirements for PEFA CHECK quality process as of January 2018. The PEFA indicators were assessed covering data for a time period, as specified in the PEFA 2016 Framework and with focus on the most up-to-date information possible. In addition to the standard PEFA, the assessment team also assessed the gender-responsiveness of the PFM systems in Vinnytsia City as well as the service delivery implications of budget policies using the October 2020 pilot framework for service delivery and the January 2020 guidance for gender-responsive PFM.

Number of indicators used: The assessment covered 32 performance indicators. The October 2020 guidance on SNG PEFA assessment has introduced two new indicators (HLG-2¹ and PI-9bis²) to the existing HLG-1³ for SNG assessments, and reformulated PI-14 to include some elements of the standard PEFA PI-15 and PI-16. The reformulated SNG guidance dated October 2020 now excludes the standard PI-15 and PI-16. Thus, the new (pilot) SNG guidance now has 98 dimensions in total. It is important to clarify that some performance indicators/dimensions were not applicable for this SNG PEFA assessment, which include but are not limited to:

- (i) PI-7 (i.e., transfers to sub-national governments) – because there is no lower-tier government below Vinnytsia City Council;
- (ii) dimensions 10.2 and 10.3 (i.e., monitoring of sub-national government and contingent liabilities respectively) – because there is no sub-national first-tier of government below Vinnytsia City Council and also no contingent liabilities and PPP arrangements;
- (iii) PI-19 (i.e., tax administration) – because the State Fiscal Service of Ukraine administer all taxes.

Assessment coverage: The SNG PEFA assessment covered Vinnytsia City Council and City Government budget units (specifically Executive Committee of the City Council, Finance Department, Education

¹ HLG-2 is “fiscal rules and monitoring of fiscal position”.

² PI-9bis is “public consultation”.

³ HLG-1 is “transfer from higher-levels of government”.

Department, Economic Development and Investment Affairs Department, Communal Property Department), extra-budgetary units, municipal (public) corporations/enterprises, the State Audit Service of Ukraine, the Accounting Chamber of Ukraine, territorial offices of State Fiscal Service and State Treasury Service of Ukraine. Currently, there are 42 municipal (public) corporations/enterprises, but there are no social security funds in Vinnytsia CTC.

Assessment timing: The FYs for the assessment are 2018, 2019, and 2020. The last budget submitted to the City Council is that of FY2021. Some indicators/dimensions were assessed as at the time of the fieldwork in September/October 2021 (June 2021 as cut-off period in accordance with the concept note).

Fieldwork: The field mission began on September 27, 2021, and ended on October 12, 2021, with a debriefing and discussion of preliminary scores with SNG officials. The team launched a PEFA training workshop on September 27 and 28, 2021. The workshop was organized to train and prepare key government officials of Vinnytsia City Council on PEFA methodology and its application. The workshop was carried out by the PEFA assessment experts recruited by SECO for this assignment. The workshop provided a practical approach to PEFA assessment, using exercises, participative discussion, and case studies to build and/or strengthen knowledge on the planning, implementation, and the use of PEFA 2016 framework and its application at SNG level. Additionally, the PEFA experts provided training on gender-responsive PFM as well as the Service Delivery Modules.

The meetings were organized based on a draft meeting schedule submitted by the assessment team to the SNG ahead of the proposed field mission in September 2021. Ms. Natalia Lutsenko, Head of Finance Department of Vinnytsia City Council, was responsible for organizing and coordinating all meetings; she ensured all planned meetings were honoured by the SNG officials, including follow-up meetings. The PEFA experts also submitted a list of data requirements (in English and Ukrainian) in advance of the fieldwork. All responsible SNG officials gathered the requested data prior to the arrival of the assessment team. Where data gaps were identified, the PEFA experts explained all specific requirements to the data, and it was obtained during the field mission. Ms. Viktoriia Volos provided interpretation and translation services.

Sources of information: Annexes 3.1 and 3.2 outline a detailed list of information used for this assessment and a list of stakeholders interviewed respectively. There were no other related surveys and/or analytical work specifically linked to Vinnytsia City that were used for this assessment.

Country fiscal year: 1st January to 31st December.

Exchange rate: Currency unit = Ukrainian hryvnia (UAH).

EUR1 = UAH31.59647 (as of September 2021).

EXECUTIVE SUMMARY

Rationale and purpose

Ukraine's macroeconomic growth remained on track since 2016, following the 2014-2015 economic crisis, partly due to the first IMF's Stand-By Arrangement (SBA) approved in December 2018 and the second 18-month COVID-19 related SBA request of USD5 billion approved in June 2020, coupled with sound fiscal and monetary policies, which culminated into the reduction of public debt. The country was not spared by the global COVID-19 pandemic; the humanitarian and economic crisis have derailed efforts towards a stronger and all-inclusive growth.

Several years ago, Ukraine adopted a very bold and elaborate decentralisation agenda which became a top reform priority of the Government. The reform included the shift of fiscal responsibilities to local governments, which was adequately being followed by decentralisation of the delivery of key public services such as education, health, and social welfare. As decentralisation gains momentum, sub-national government levels are taking up an increasing share of the overall public expenditure.

In accordance with the Budget Code of Ukraine, the main sources of revenue of the Oblast Capitals include: 60% of the personal income tax, excise tax, rent, and fees for use of natural resources, corporate income tax from communal enterprises, and local taxes (firstly flat tax, property tax, and land tax). Meanwhile, the expenditure responsibilities of the Oblast Capitals include: education (pre-school education, secondary education, high-school communal institutions, extra curriculum education, professional education), healthcare, local fire department, housing and communal services, transport and road infrastructure, mass media, social services, physical education, culture development, libraries, museums, and communal zoos.

The bold decentralisation drive of the Government led to the first sub-national PEFA assessment of Starosynnyavska Amalgamated Territorial Community in 2019, followed by other SNG PEFA assessments for Khmelnytsky Oblast, Khmelnytsky Oblast Capital, and Iziaslavskyy Rayon between 2019 and 2020. At the national level, three PEFA assessments have been conducted, in 2012, 2016, and 2019.

This PEFA assessment in selected cities (including Vinnytsia City) is part of a preparatory phase of the "Effective Local Public Financial Management in Ukraine" Project (ELocFin), which is planned to be implemented between 2022-2025 with the financial support of the Swiss State Secretariat for Economic Affairs (SECO).

Overall Objectives

The overall objectives of this sub-national PEFA assessment are to:

- (i) Contribute to an up-to-date picture of the quality of sub-national PFM system at oblast capital level in Ukraine;
- (ii) Enable the relevant central and local governments to identify reform priorities based on the findings of the PEFA assessment;
- (iii) Provide the basis for PFM capacity development initiatives in local governments of Ukraine;
- (iv) Inform possible adjustments to relevant ongoing reforms in the country.

Based on this information, the local governments would be in a stronger position to prepare a list of PFM improvement proposals for submission to the Ministry of Finance (the proposals may include amendments to the budgetary legislation or additional reform initiatives/measures to the PFM Strategy and/or its Action Plan). The assessment results will be used for identification of the PFM strengths and weaknesses in the respective city and, as a result, for determination of the underlying causes of the PFM performance. On the

other hand, as the Ministry of Finance is directly involved in this PEFA assessment both as a member of the Oversight Committee and as a peer reviewer, the results can be directly used by the Ministry for further adjustments (if necessary) in PFM or in decentralisation reform.

Specific Objectives

The specific objective of this PEFA assessment is to improve public service delivery through supporting PFM reforms at the sub-national level (oblast capital level) in line with Swiss SECO's ELocFin project. Following an evidence-based approach, this preparatory stage assesses the strengths and weaknesses of PFM in the pre-selected Oblast Capitals will using the PEFA 2016 methodology, including gender and service delivery modules. On the one hand, the ensuing assessment reports will provide the basis for the final selection of participating Oblast Capitals as well as for the development of individual reform action plans (including baselines) during the inception stage of the first project phase. On the other hand, they will contribute to an increasingly granular understanding of PFM in Ukraine, which is the basis for the dialogue on PFM reform strategies and priorities both among local stakeholders and with international development partners.

The primary beneficiaries of this PEFA assessment are the Ministry of Finance of Ukraine and the Vinnytsia City Council. Key officials involved in the assessment were trained on the use of the PEFA methodology, gender-responsive PFM and the service delivery module as part of internal capacity building to facilitate the assessment and communication of results.

Main strengths and weaknesses of the PFM systems

PFM strengths

PFM laws, regulations and guidelines established by the central government are strong; they form the basis of a strong PFM system. Not only the laws are strong, but also compliance levels are high.

The good performance of budget classification and documentation included in the budget proposal enhances transparency. Transparency and publication of fiscal data (budget, execution reports, procurement information, performance information for service delivery, etc.) encourage financial accountability. There is also citizens engagement during the budget formulation and preparation process through public consultations, which further improves transparency.

The debt management system is well-regulated and supported by the national government in terms of ensuring local debt approval and monitoring by the Ministry of Finance on the regular basis. This is an efficient instrument for managing risks and increasing efficiency of local investments.

The public procurement system is solid. The Prozorro online portal provides a lot of information on procurement, including procurement plans, bids, contract awards, procurement complaints resolution, and procurement statistics. This information is made available to the public promptly. Transparent procurement systems contribute to reducing service delivery costs, leading to efficiency and effectiveness.

There is a strong cash management framework coupled with a good revenue reporting mechanism which ensures a timely release of funds to key spending units for payment of expenditure, thereby eliminating expenditure arrears. The cash management system is effective thanks to TSA, which allows the City Government to properly track its cash/bank balances.

PFM weaknesses

The huge expenditure reallocations for both economic and functional classification, resulting from higher level government transfers originally not budgeted for, has a negative impact on the execution of planned sub-national government policies and programmes. The good news, however, is that these activities are predetermined by the central government and therefore cannot be altered.

Though annual financial statements are comprehensive, they are not directly comparable with the approved budget; this makes it difficult to properly track the city government budget.

External oversight carried out by the Accounting Chamber of Ukraine is partial; it fails to provide a comprehensive and an independent overview of the operations of the City Government. This is because of the limitations of the legal framework that governs the activities of ACU. The City Council also cannot scrutinise external audit reports, because these reports are not prepared and submitted to the Council for scrutiny.

Impact of PFM performance on budgetary and fiscal outcomes

Aggregate Fiscal Discipline

Aggregate fiscal discipline is strengthened by the existence of strong PFM laws promulgated by the state government for all levels of government. There is also high compliance with payment rules and procedures; this strengthens fiscal discipline. Fiscal discipline is also strengthened by the reliability of aggregate revenues. At the same time, it is weakened by the variances in revenue composition. The expenditure budget is reliable at the aggregate level, but it is unreliable at both economic and functional classification levels because of the unpredictable and unbudgeted higher level government transfers; this has a negative impact on fiscal discipline.

At this stage, revenues and expenditures outside the City Government budget and reports are not a threat to fiscal discipline since they represent less than 6% of the City Government operations. They could, however, affect fiscal discipline in the future if they are allowed to expand and if the city is not establishing a proper internal audit function that can monitor the development. In fact, good practice suggests as threshold not more than 1% of revenue and/or expenditure budget. However, operations outside the City Government are monitored and reported timely.

The city public corporations are fairly monitored, with the majority of them being audited annually; this reduces the risk of providing additional funding to unprofitable corporations. That said, public enterprises with poor performance could be a pointer in terms of strengthening the oversight responsibilities of public corporations. Payroll controls are satisfactory to the extent that they provide reasonable assurance for strengthening fiscal discipline.

The ineffectiveness of the external oversight roles by the ACU and the City Council - mainly due to legal limitations of the former - and the consequential lack of auditing and submitting external audit reports of the local government for legislative review, have the potential to weaken the internal control framework with a consequential negative impact on fiscal discipline.

Strategic allocation of resources

The City Government's budget classification meets international standards. This good practice coupled with comprehensive budget documentation information enhances the strategic allocation of resources. Resources allocated can be easily traced.

The underlying assumptions for forecasting the budget set the tone for resource allocation in a strategic manner. The insufficient time allocation for key spending units to meaningfully prepare their budget proposals reduces KSUs ability to effectively prioritise their programmes and expenditure requirements. That said, the approval of the annual budget promptly allows key spending units to commence their annual programmes and activities in time to ensure the full utilisation of allocated resources for improved service delivery.

The adequacy of resources available to the City Government for the execution of its policies and programmes through transfers from higher level government, even though unpredictable, supports the provision of service delivery. The concern, however, is about the frequency and significance of budget reallocations within the year; this defeats the purpose of strategic resources allocation. This negative effect is, however, minimised by pre-determined activities to be funded, meaning that funds can only be used for these activities. Strategic resource allocation is strengthened by a good revenue accounting framework and an efficient cash management system, together with ensuring the availability of resources promptly for improved service delivery.

Efficient use of resources for service delivery

The efficiency in the use of resources for service delivery has been positively impacted by a good budget classification which allows strategic allocation of resources. That said, in-year budget virements are significant and frequent. This could have a negative impact on strategic resource allocation, leading to inefficient service delivery, but the negative impact is reduced by the availability of cash for payment of expenditures/services.

Procurement management system is good with most procurement activities going through open tender, leading to cost reduction and, consequently, improved service delivery. There is good public access to service delivery information, both planned and achieved. This has led to citizen engagement for more accountability, resulting in the efficiency of the use of resources for service delivery. Public consultation is equally satisfactory; more public engagement in the design of public service means improvement in the efficient use of resources for service delivery. The existence of proper accountability for resources received in cash and kind has led to an improvement in the delivery of primary services.

The efficiency in the use of resources for service delivery is negatively affected by the low internal and external audit coverage. Improved audit coverage ensures that the performance of service delivery is assessed to evaluate its efficiency and effectiveness. The timely preparation and publication of fiscal data (in-year budget execution reports) has led to improvement in public accountability, thereby leading to an efficient use of resources for service delivery. Fixed assets that are needed for the delivery of service are well kept, accounted for and monitored; this has a positive impact on the efficiency of service delivery since resources are not wasted.

Impact of PFM performance on service delivery

Service delivery process is a ground for formulating one of the key principles of the budgetary system, that is the principle of subsidiarity. It implies the distribution of different groups of expenditure between the state budget and local budgets, as well as different levels of local budgets, based on the need to bring public services closer to citizens.

Improvement of the quality of public services and consequent increase in citizens' welfare were among the main tasks of the Government budget and decentralisation reform which has started in 2014 and were a basis for gradual transferring of powers and responsibility of public service delivery from the central level to local governments.

As a result of the recent implementation of the decentralisation reform, a lot of administrative services are currently implemented at the local level. Among them are: residence registration, ID issuance, state registration of entities, entrepreneurs, associations of citizens, registration of civil status, property rights, and land issues regulation. This contributes to the improvement of citizen’s accessibility to the public services and shorten the time required for services delivery.

Performance changes since the previous assessment

Since this is the first PEFA assessment, there is no tracking of performance changes. This assessment therefore forms the baseline for future assessments.

Table 1 below provides a **summary of PFM performance** of each dimension and indicator. Chapter 2 provides a detailed analysis and assessment of PFM performance of each dimension/indicator. Chart 1 shows a **graphical presentation of PFM performance** at the indicator level.

Chart 1: Graphical presentation of PFM performance at the indicator level.

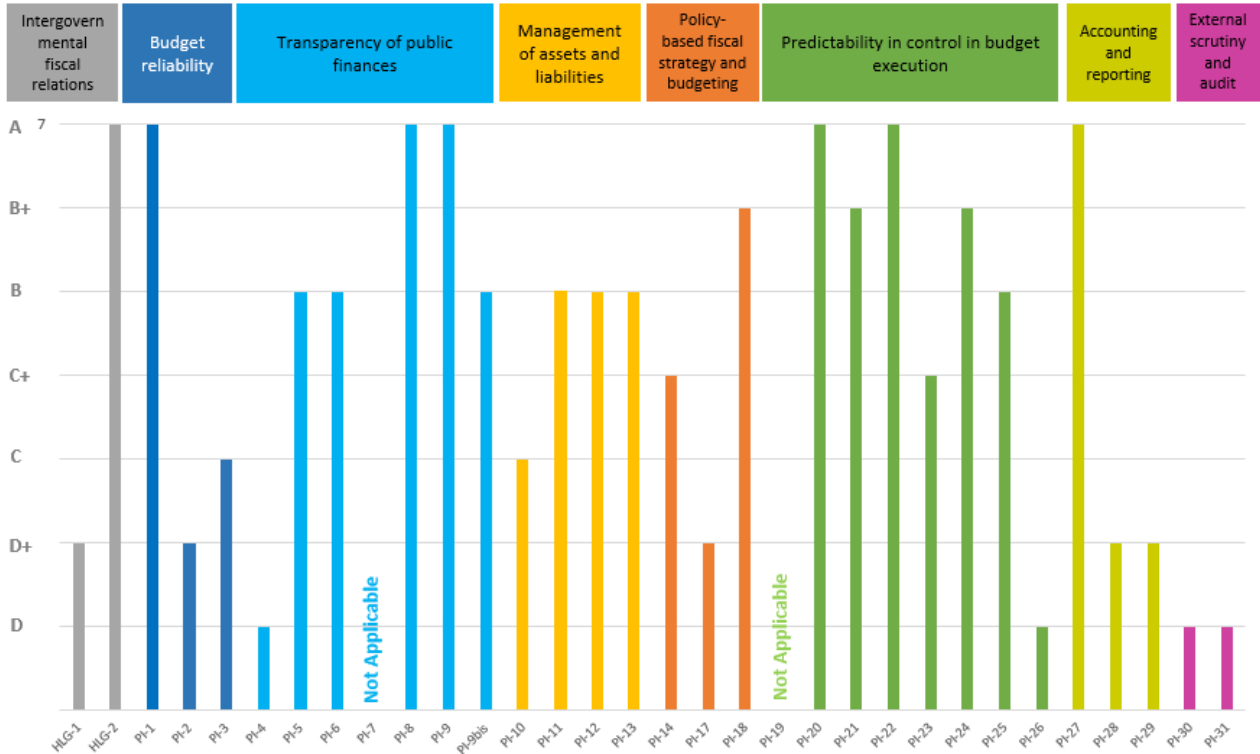


Table 1: Overall summary of PFM Performance Scores 2021

PFM Performance Indicator (PI)		Scoring Method	Dimension Ratings				Overall Rating
			i	ii	iii	iv	
SNG Pillar: Intergovernmental fiscal relations							
HLG-1	Transfer from a higher-level government	M2	D	D	A	D	D+
HLG-2	Fiscal rules and monitoring of fiscal position	M1	A	A	A		A
Pillar I: Budget reliability							
PI-1	Aggregate expenditure outturn	M1	A				A
PI-2	Expenditure composition outturn	M1	D	D	A		D+
PI-3	Revenue outturn	M2	C	C			C
Pillar II. Transparency of public finances							
PI-4	Budget classification	M1	D				D
PI-5	Budget documentation	M1	B				B
PI-6	Central government operations outside fiscal reports	M2	C	C	A		B
PI-7	Transfers to sub-national governments	M2	NA	NA			NA
PI-8	Performance information for service delivery	M2	A	A	A	B	A
PI-9	Public access to fiscal information	M1	A				A
PI-9 bis	Public consultation	M2	A	C	C		B
Pillar III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	C	NA	NA		C
PI-11	Public investment management	M2	C	A	C	A	B
PI-12	Public asset management	M2	C	C	A		B
PI-13	Debt management	M2	A	A	D		B
Pillar IV. Policy-based fiscal strategy and budgeting							
PI-14	Medium-term budget strategy	M2	A	D	B	D	C+
PI-17	Budget preparation process	M2	C	C	D		D+
PI-18	Legislative scrutiny of budgets	M1	A	A	A	B	B+
Pillar V. Predictability and control in budget execution							
PI-19	Tax administration	M2	NA	NA	NA	NA	NA
PI-20	Accounting for revenues	M1	A	A	NA		A
PI-21	Predictability of in-year resource allocation	M2	A	A	A	C	B+
PI-22	Expenditure arrears	M1	A	A			A
PI-23	Payroll controls	M1	B	A	A	C	C+
PI-24	Procurement	M2	A	C	A	B	B+
PI-25	Internal controls on non-salary expenditure	M2	A	C	B		B
PI-26	Internal audit	M1	D	NA	NA	NA	D
Pillar VI. Accounting and Reporting							
PI-27	Financial data integrity	M2	A	NA	A	B	A
PI-28	In-year budget reports	M1	D	A	C		D+
PI-29	Annual financial reports	M1	D	D	B		D+
Pillar VII. External Scrutiny and Audit							
PI-30	External audit	M1	D	D	NA	D	D
PI-31	Legislative scrutiny of audit reports	M2	D	NA	NA	NA	D

1. COUNTRY AND SNG BACKGROUND INFORMATION

1.1 Economic situation

1.1.1. Country economic situation

1. With a developing economy and a 41.9 million population of which more than 30% is rural, Ukraine has been battered by the COVID-19 global pandemic. Economic growth was about 3.5% in 2018 and then decreased slightly to 3.2% in 2019. In 2020, there was a sharp decline to -4% due to the pandemic. Unemployment figures stood at 8.8% in 2018, but they declined by 0.6% in 2019 to 8.2%. Although there was a strong expectation on a very high level of unemployment rate by the end of 2020 due to effects of COVID-19, the Government preventive measures led to its actual level to become 9.5%. Inflationary pressure slowed down in 2019 to 4.1%, from a high rate of 9.8% in 2018. The inflation increased by only 0.9% to 5.0% in 2020. Fiscal balance appears to be widening; in 2018, it was negative UAH75.1 billion. Negative fiscal balance increased further to UAH84.5 billion and UAH237.1 billion in 2019 and 2020 respectively. The economic imbalances resulted in the central government requesting for an IMF facility in 2018 with an extension in 2020 to help stabilize the economy. Public debt as a share of GDP declined by 10.7% in 2019 against 2018 and stood at 50.2%. However, debt reduction halted due to the pandemic in 2020 and the amount of debt returned to the level of 2018 – 60.9%. Table 2 below provides some key national economic indicators.

Table 2: Selected national economic indicators (UAH billion)

Economic indicators	2018	2019	2020
GDP	3,560.3	3,977.2	4,191.9
GDP per capita (UAH thousand)	84.0	94.4	100.0
Real GDP growth, at constant market prices (%)	3.5	3.2	-4.0
Unemployment rate (%)	8.8	8.2	9.5
Inflation (consumption price index, %)	109.8	104.1	105.0
Public finance (% of GDP)	41.9	41.6	45.7
Central government budget (GPB)			
Revenues	1,417.7	1,569.0	1,677.0
Expenditures	1,492.8	1,653.6	1,914.0
Fiscal balance (official)	- 75.1	- 84.5	- 237.1
Debt (% of GDP)	60.9	50.2	60.9

Data source: State Statistics Service of Ukraine (<http://www.ukrstat.gov.ua/>), including:

Unemployment rate: http://www.ukrstat.gov.ua/operativ/vidkryti_dani/menu/rp_vd.htm

GDP: http://ukrstat.gov.ua/operativ/operativ2003/vvp/vvp_kv/vvp_kv_u/arh_vvp_kv.html

CPI: http://www.ukrstat.gov.ua/operativ/menu/menu_u/cit.htm

Public finance: [https://mof.gov.ua/storage/files/2_Budget_of_Ukraine_2020_\(for_website\).pdf](https://mof.gov.ua/storage/files/2_Budget_of_Ukraine_2020_(for_website).pdf)

1.1.2. Main facts and economic indicators of the SNG

2. Main facts and selected economic indicators for Vinnytsia City Territorial Community are summarized in the Tables 3 and 4 below.

Table 3: Summary of main facts of Vinnytsia CTC

SNG	Detail
Tier of government	2 nd tier
Population	370,601
Main characteristics	Oblast Capital city
Economy	Food industry (51.8% of total output), wood industry (8.4%), chemical industry (4.7%), manufacturing (4.0%), production of mineral products and metal products (6.5%)
Services provided by the SNG	Public administration, education, healthcare, physical training, culture development, public transport, road infrastructure, housing and communal infrastructure

Data source: State Statistics Service of Ukraine (<http://www.ukrstat.gov.ua/>); Vinnytsia city council (<https://www.vmr.gov.ua/Branches/Lists/EconomicsBusinessAndInvestmens/ShowContent.aspx?ID=6>).

Table 4: Selected economic indicators for Vinnytsia CTC (2018-2020)

Economic indicators	2018	2019	2020
Number of newly registered business entities*, including:	4613	4380	3568
<i>Private enterprise</i>	3900	3583	2969
<i>Legal entities</i>	713	797	599
Industrial product sales (UAH million)**	31 459.7	33 595.8	33 259.0
Industrial product sales per capita (UAH thousand)	84.5	90.6	89.8
Foreign Trade Balance (USD million)	567.2	433.2	520.8

Data source: * Information of Administrative Services Department of Vinnytsia city council;

** Information of General Statistics Department in Vinnytska oblast.

1.2 Fiscal and budgetary trends in the SNG

3. Table 5 below outlines sub-national government's fiscal and budgetary trends. Actual total revenues increased marginally by 2.9% in FY2019 compared with FY2018, even though grants decreased by 24.2% in FY2019 compared with FY2018. Total revenues declined by 11.9% in FY2020 in comparison with FY2019 figures, mainly due to the decrease in grants from state government by as much as 38.3% in FY2020 in relation to FY2019 figures. This decrease was primarily due to the abolition of some social security subventions and including relevant expenditure to the state budget programs. On the other hand, own revenues increased by 23.1% in FY2019 in relation to FY2018 figures; they further increased marginally by 0.2% in FY2020 compared with FY2019, in spite of the negative impact of COVID-19. At the expenditure side, total expenditure increased by 6.9% in FY2019 compared with FY2018 and decreased by 16.1% in FY2020 as compared to FY2019 figures, also due to the changes in the approach to financing social security expenditure.

Table 5. Aggregate fiscal data of the sub-national government (UAH million)

	2018	2019	2020
Total revenue	4 745.2	4 880.8	4 298.3
Own revenue	2 712.5	3 340.1	3 347.4
Grants	2 032.7	1 540.7	950.8
Total expenditure	4 654.6	4 974.3	4 171.1
Noninterest expenditure	4 654.6	4 970.5	4 145.9
Interest expenditure	0.0	3.8	25.2
Total lending	-0.08	-0.11	-0.17
Aggregate deficit (incl. grants)	90.7	-93.4	127.4
Primary deficit	90.7	-93.4	127.4
Net financing	-90.7	93.4	-127.4
External	0.0	0.0	4.2
Domestic	-90.7	93.4	-131.6

Data source: Treasury reports on Vinnytsia City budget performance in 2018-2020.

1.3 Intergovernmental fiscal arrangements

4. The main piece of the budget legislation prescribing key principles and rules for intergovernmental fiscal relations is the Budget Code of Ukraine. Article 2 of the BCU suggests a definition of “intergovernmental relations,” that is relations between the state and territorial communities aimed at providing budgets with financial resources sufficient to perform functions delegated to respective government by the Constitution of Ukraine and other laws.

1.3.1. Assignment of expenditure responsibility

5. Local budget expenditures are specified and detailed in Articles 89, 90, and 91 of the BCU. As per Article 89 expenditure responsibilities of Vinnytsia City Government include: education (pre-school education, secondary education, high-school communal institutions, extra curriculum education, professional education), healthcare, local fire department, housing and communal services, transport and road infrastructure, mass media, social services, physical education, culture development, libraries, museums, and communal zoos.

6. According to Article 85 of the BCU, the central government may delegate to the local governments its expenditure responsibility, simultaneously providing SNGs with adequate financial resources. These financial resources may be transferred to the local level in form of share revenue or/and budget transfers. The same approach is applicable to expenditure powers delegation from one tier of SNG to another.

1.3.2. Tax revenue sharing

7. Tax revenue is administered and collected by the State Fiscal Service of Ukraine. The City Government of Vinnytsia and all local governments in Ukraine have a revenue-sharing arrangement with the central government. In accordance with Article 64 of the BCU, the main sources of revenue of the city budget include: 60% of the personal income tax, excise tax, rent and fees for use of natural resources, corporate income tax from communal enterprises, and local taxes (firstly, flat tax, property tax and land tax).

1.3.3. Intergovernmental transfer

8. Budget transfers (block and earmarked grants) are an instrument to implement intergovernmental fiscal relations. The BCU stipulates the legal right for national and sub-national governments to provide budget transfers between state budget and local budgets as well as between different local budgets.

9. Prior to FY2021, a three-tier intergovernmental fiscal transfer framework was applied. The central government transferred subventions and grants to oblasts, rayons, and cities of oblast significance (including Oblast Capitals) and then rayons transferred grants to villages and cities of rayon significance. The budget transfer mechanism was reformed and became operational as communities' amalgamation process progressed. This means that a two-tier transfer framework has now been adopted, where the central government transfers subventions and grants straight to all municipalities (cities and villages). The reform is intended to improve budget efficiency, reduce delays in transfers to beneficiary local governments, and reduce dependency of respective municipalities from rayon governments.

10. As for Vinnytsia city budget, grants and subventions from higher level government (state and oblast budgets) as a share of total city budget revenue have dropped significantly from 42.8% in 2018 to 22.1 % in 2020. This was partially due to the elimination of social security subventions and the inclusion of relevant expenditure to the state budget programs. The main types of budget transfers for the Vinnytsia city budget are: education and health care earmarked grants, subventions for socio-economic development of territories, families and children subvention, subvention for housing for ATO fighters, and road infrastructure subvention (detailed information on structure and value of budget transfers of Vinnytsia city budget in 2018-2020 is presented in Annex 4).

1.3.4. Sub-national borrowing

11. Articles 16, 17, 18 and 74 of the BCU prescribe the debt rules for SNGs, which are allowed to attract local borrowings (oblast and city councils). The rules set borrowing limits (no more than 200% of the average annual estimated development budget revenues for the next two budget periods defined in the local budget forecast) and limits for debt service costs (no more than 10% of expenditure of the general fund of local budget). The debt limits are strictly monitored by the Ministry of Finance. Though the BCU allows sub-national government borrowing, the Ministry of Finance's approval is still required.

1.4 Institutional arrangements for PFM

1.4.1. Overall institutional arrangements for PFM

12. The responsibilities and functions of public finance management are defined and clearly assigned in accordance with the law. The first among the main legislative and regulatory acts in this field is the Constitution of Ukraine, which defines the duties and functions of the executive, legislative, and judicial branches of the government in the process of PFM. According to the Constitution, local self-government is recognized and guaranteed in Ukraine, and it is carried out by territorial communities of villages, towns, and cities both directly and through rural village, town and city councils, and their executive bodies, in accordance with the Law of Ukraine "On Local Self-Governance in Ukraine" (dated 21.05.1997 No. 280/97-VR).

13. The city council is the legislative body of the community. The powers of a city council are determined by the Law "On Local Self-Governance in Ukraine" (Articles 27-40) and include powers in the following areas:

- socio-economic and cultural development, planning and accounting;
- budget and finances;
- management of communal property;
- housing and utility services, household, trade services, public catering, transport and communication;
- construction;

- education, healthcare, culture, physical education and sports;
 - regulation of land relations and environmental protection;
 - social protection of citizens;
 - foreign economic activity;
 - defence activities;
 - governance of administrative and territorial structure;
 - administrative services.
14. Vinnytsia City Council is autonomous in approving its own budget. The City Council enacts decrees, resolutions, and regulations for the municipality. However, these legal acts must be in line with the central government's laws and regulations.
15. The executive power in the city is ensured by the **Executive Committee** of the City Council, with the city mayor as the chairperson. The Executive Committee reviews budget proposals of key spending units. Once approved, the estimates are submitted to the City Council for scrutiny and approval.
16. Local Self-Governments have the power to hire their own officials, budget officers and accountants. The hiring process is governed by the Law "On Local Self-Governance in Ukraine."
17. Since 2001, the **Budget Code of Ukraine** has been a major piece of legislation, governing processes related to:
- drafting, review, approval, performance of local budgets, reporting on budget implementation, monitoring compliance with budget legislation;
 - taking responsibility for budget legislation violation;
 - public debt management.
18. Issues on local budgets indicators' preparation, their approval and implementation, intergovernmental relations, and local borrowing are governed by Chapter III (Articles 63-108) of the BCU.
19. The **public procurement** process is governed by the Law "On Public Procurement" (dated 25.12.2015 No. 992-VIII), which regulates the responsibilities and obligations of all its parties, sets list of information required to be published, and prescribes the procurement complaint system (Antimonopoly Committee of Ukraine).
20. The Tax Code of Ukraine primarily regulates the issues of **collecting** and **administering taxes and levies**, the procedure of their transfer to the budgets of different levels including city budgets and specifics of implementation of tax policy at the local level. The Customs Code of Ukraine regulates issues related to the customs policy and to administration of customs duties.
21. The functions, duties and procedures performed by territorial bodies of the **State Fiscal Service of Ukraine** are defined in the Order of the State Fiscal Service dated 19.10.2016 No. 875 "On Functional authority of Territorial Bodies of the State Fiscal Service of Ukraine."
22. The **public financial control** arrangements in Ukraine, including internal control, are regulated by:
- the BCU, which defines the general regulatory environment for internal control and internal audit accountability within KSUs' operation (in particular, Chapter 17 Articles 109-115 of the BCU stipulates the obligation of all budget process players to ensure compliance with the budget legislation, including following the timelines for drafting, approval and performance of local budgets, oversight of effective, and transparent budget program implementation);

- the Law of Ukraine “On Fundamental Principles of Public Financial Control in Ukraine” (dated 26.01.1993 No. 2939-XII), which prescribes functions and powers of the State Audit Service of Ukraine;
 - Cabinet Decree dated 28.09.2011 No. 1001 “On some issues on internal audit establishment”;
 - the Law “On Accounting and Financial Reporting in Ukraine” (dated July 16, 1999, No. 996-XIV), which delegates internal control responsibility to accounting structural units of SNGs.
23. In Ukraine, public financial control including internal control, is provided by:
- authorized central government bodies (State Audit Service and Accounting Chamber) and their territorial divisions;
 - internal audit units (or individual officials) operating within the local governments.
24. As per Article 43 of the BCU, the treasury servicing of budget funds is applied for local budget performance. The Procedure for treasury servicing is approved by the Ministry of Finance Order dated 23.08.2012 No. 938. It governs interactions between the Treasury and local governments in the process of local budget performance. All transactions are provided through Treasury accounts opened for respective local budgets, spending units, and local budget funds beneficiaries.
25. Accounting and reporting on local budgets performance is also competence of the Treasury (part one of Article 43 of the BCU). Furthermore, Articles 56 and 78 of the BCU prescribe the Treasury’s obligation to provide accounting and reporting on local budgets performance in line with the procedure established by the Ministry of Finance.
26. At the same, time, in line with Article 78 of the BCU, local councils are allowed to make decision on servicing their budgets in part of development (investment) fund and own revenues of budgetary institutions in banks of public sector.
27. **Information on all PFM functions can be consolidated as follows:**
- *Payment* – local governments commit and pay for their expenditure without the central government' interference;
 - *Revenue administration* – it ensures timely and full receipt of local taxes, fees, and other local budget revenues (in fact these revenues go to the TSA) in line with the Budget and Tax Code of Ukraine; as per the Budget Code of Ukraine, the State Fiscal Service is responsible for tax and non-tax revenue collection at both central and local levels;
 - *Monitoring of lower tier SNGs* – is provided by the oblast state administration with respect to budgets of municipalities (including review of their budget decrees approved by respective local councils);
 - *Public investment* – public investment management is operated by respective executives of local councils responsible for economic policy development;
 - *Management, monitoring and recording of assets* is decentralised, with each budgetary unit responsible for managing and keeping its assets’ registers. Disposal of fixed assets requires a resolution/decision of local council to be issued;
 - *Debt management* – oblast and city councils are allowed to borrow in line with the BCU; oblast capitals like Vinnytsia City have borrowing powers but subject to the Ministry of Finance approval;
 - *Macroeconomic forecasting* – all local governments ought to prepare three years’ macroeconomic forecasts of some indicators related to the local economy;

- *Cash monitoring and forecasting* – annual cash balance forecast (with monthly allocations) is prepared by the local finance body (the Finance Department);
- *Payroll* – payroll system is decentralised, with each budgetary unit managing its own payroll; however, the human resource management system is centralised;
- *Procurement* – each budget unit prepares procurement plans; all data on procurements is available on the website: <https://prozorro.gov.ua/>;
- *Internal audit* – internal audit is decentralised and there is a cabinet recommendation for each budgetary unit to have either an internal audit unit or an official responsible for internal audit. They prepare annual and midterm internal audit plans. Annual reports are prepared but conformity to international standards is low; Vinnytsia City Council does not have any internal audit arrangements;
- *Financial reporting* – annual financial reports are prepared, however not submitted for external audit;
- *External audit* – the Accounting Chamber is responsible for conducting an audit of expenditure and revenue accounts of the local budgets, but only in relation to central government’s transfers to local budgets as well as expenditure and revenue delegated by the central government to the local level;
- *The State Audit Service* which is subordinated by the Ministry of Finance has a responsibility to audit local budget revenue and expenditure.

1.4.2. Sub-national institutional arrangements for PFM

28. According to Article 7 of the BCU, all local budgets are independent, and this independency is ensured by: 1) the allocation of financial resources to provide budget revenue; 2) the right of SNGs to decide on budget expenditure; 3) the right of local councils to debate and approve their local budgets in line with existing legislation.

29. The structure of the budget system of Ukraine, including at the local level, is strictly prescribed in the BCU. Article 5 of the BCU indicates that state budget and local budgets (which are oblast budgets, rayon budgets, and budgets of municipalities) constitute the budget system of Ukraine. At the same time, having in mind the complexity of the budget process where every and each budget administrator is assigned with numerous duties and responsibilities, the system of institutional arrangements for PFM is presented as follows.

30. **Ministry of Finance of Ukraine (Local Budget Department)** – provides SNGs with the guidelines for budget preparation; estimates of budget transfers and changes in intergovernmental fiscal relations expected in the next budget periods; organizational and methodological approach to and requirements for drafting local budgets to stay consistent with the draft Budget Law.

31. **Territorial units of the Treasury** (play the same role as the State Treasury at the central government level) – provide the Treasury servicing of budget funds; control over budget revenue receipts; compliance of KSU’s transactions with budget allocation plans (cash-balance forecast); control over compliance of budget commitments with budget allocations and information included in budget program passports.

32. **Territorial units of the STS** – implement tax revenue administration and control over tax revenue collection.

33. **Accounting Chamber of Ukraine** – is responsible for both central and local government external audits, however with respect to SNGs, only in part of budget transfers from the state budget and expenditures delegated by the central government to local governments.

34. **State Audit Service of Ukraine** – provides control over appropriate, effective, and transparent use of budget funds, timeliness of local debt repayments, local budget decisions, and budget program passports compliance, following requirements for public accounting and reporting on budget execution.

35. **Oblast State Administration** – ensures control over the budget legislation compliance, including the consistency of local budget decision, budget allocation plans, and other budget documents used in the budget process. As per Article 115 of the BCU, oblast state administration implements control powers in relation to rayon budgets and municipalities’ budgets (the last one includes oblast capital budgets).

36. **Local council** – debates and approves local budget decision, provides an oversight on its implementation.

37. **Local financial body (Finance Department)** – provides local budget preparation, development of local budget forecast for medium-term perspective, approves the draft local budget and the draft budget forecast before submission to the local council; implements control over the budget legislation and compliance at every stage of the budget process.

38. Based on information presented above, the Executive of Vinnytsia City Council bears a dual institutional accountability: on the one hand, to the Ministry of Finance, which prepares and submits draft budget transfers to be accounted when drafting the city budget and also provides control over the budget legislation compliance at every stage of the budget process; on the other hand, to Vinnytsia oblast state administration, which provides review and verification of the city budget approved by the City Council and other documents used in the budget process.

39. Table 6 below outlines the units of the Vinnytsia city council and the number of entities.

Table 6: Units of the Vinnytsia City Council – number of entities (FY2020)

	Budgetary units	Budgetary units	Extra budgetary units*	Public corporations
Number		152	13	42
Expenditure, UAH million		4,171.1	817.8	2,319.1

Data source: Treasury reports on Vinnytsia city budget performance in 2020; Finance Department; Economic Development and Investment Affairs Department of Vinnytsia City Council.

* Non-profit healthcare communal enterprises.

1.5 Arrangements for service delivery

40. One of the key principles of the budgetary system (the most relevant to service delivery process) is the principle of subsidiarity - Article 7 of the BCU -, which implies that the distribution of different groups of expenditure between the state budget and local budgets, as well as different levels of local budgets, is provided based on the need to bring public services closer to service consumers (citizens).

41. To provide public service delivery in a most efficient way, budget expenditures are differentiated as follows (Article 82 of the BCU):

- expenditures on providing state integrity and sovereignty, which cannot be delegated to local self-governments;

- expenditures that are prescribed by the central government's function and delegated to local self-governments to ensure the most effective service delivery based on the principle of subsidiarity;
- expenditures derived from the local self-governments' function and responsibility that are to be implemented at the local level.

42. Implementation of the decentralisation reform and the Government's Concept for Reformation of Local Self-Governance and Administrative-Territorial Structure in Ukraine (approved by the Cabinet Resolution dated 01.04.2014 No.333-r) was a basis for gradual transferring of powers and responsibility of public service delivery from the central level to local governments. The main purpose of this delegation was to improve the quality of public services and consequently to increase citizens' welfare.

43. Amendments to the Budget Code approved by the Parliament in 2014 (Law dated 28.12.2014 No.79-VIII) established a new model of financial support to local budgets and intergovernmental relations. The main areas of fiscal reform in the context of decentralisation were the following:

- Budget autonomy and financial capacity of local budgets, particularly with reference to SNGs legal right to develop their local budgets independently on a basis of fixed stable long-term revenue sources and expenditures, as well as basic parameters set out in the draft Budget Law approved by the Government and submitted by the Parliament;
- Ensuring stable sources of revenues for local budgets including the transfer from the state budget of payments for administrative services, state duty, 10 % of the corporate income tax on private sector enterprises (for oblast budgets only), and also the extension of the real estate tax base;
- Introduction of a new mechanism for horizontal fiscal equalization, which is more progressive than the previous "balancing" system and aims at encouraging SNGs to attract extra budget revenues and expand the existing tax base;
- Decentralisation of expenditure powers by transferring more than 360 budget institutions in the field of education, healthcare, culture development, physical training, and sports from the state budget to local budgets;
- Two-tier budget system introduction (will be explained in more details in Chapter 4).

44. As a result of the recent implementation of the decentralisation reform, a lot of administrative services are currently implemented at the local level. Among them are residence registration, ID issuance, state registration of entities, entrepreneurs, associations of citizens, registration of civil status, property rights, and land issues regulation. This contributes to improvement of citizen's accessibility to the public services and shorten the time required for services delivery.

45. With regard to education services, SNGs obtained more expenditure responsibilities in these budget areas, which were accompanied with the transferring of adequate financial resource to cover respective expenditure. Although the teachers' salaries have been funded from the state budget (by means of educational subvention), the responsibility to maintain educational infrastructure is fully delegated to the City Council.

46. The rest of the **legal framework for decentralisation reform** in Ukraine is presented by:

- Respective amendments to the Budget Code and the Tax Code of Ukraine adopted by the Parliament;
- Law "On Voluntary Amalgamation of Territorial Communities";

- Methodology for capacity building in territorial communities (Cabinet Decree dated 08.04.2015 No.214);
- Law “On Territorial Community Cooperation”;
- Law “On the Principles of the State Regional Policy”;
- Concept for Reformation of Local Self-Governance and Administrative-Territorial Structure in Ukraine (Cabinet Decree mentioned above);
- Draft Law on Adjustments to the Constitution of Ukraine which are aimed at establishment of new administrative-territorial structure (where rayon level is eliminated).

2. ASSESSMENT OF PFM PERFORMANCE

SNG PILLAR: Intergovernmental fiscal relations

HLG-1. Transfers from higher levels of government (HLG)

47. This indicator assesses the extent to which the transfers to the sub-national government from higher levels of government are consistent with original approved high-level government budgets and are provided according to agreed time frames. The indicator contains four dimensions: HLG-1.1, HLG-1.2 and HLG-1.3 cover last three completed fiscal years (2018-2020), HLG-1.4 covers last completed fiscal year (2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
HLG-1. Transfers from higher levels of government (M2)	D+	
HLG-1.1. Outturn of transfers from higher levels of government	D	Table HLG.1 shows that in two of the last three years under assessment, actual transfers were less than 92% of the original budget estimates. Actual deviation made up: 2018 - 85.6%; 2019 - 79.8%; 2020 - 112.3%.
HLG-1.2. Transfers composition outturn	D	Variance in transfer composition was more than 15% in two of the last three years: 2018 - 30.8%; 2019 - 29.7%; 2020 - 8.9% .
HLG-1.3. Timeliness of transfers from higher levels of government	A	Transferring grants from state budget to local budgets, including the budget of Vinnytsia CTC, is provided in accordance with the Procedure developed at the central level and approved by the Cabinet Decree No. 1132. ⁴ Before the start of the next budget period, the Finance Department prepares an annual budget allocation plan (cash flow forecast), which defines the schedule of transferring grants from state budget to local budgets. In each of the years under assessment (2018, 2019 and 2020), more than 93% of all budget grants were transferred timely to the city budget according to the period restriction governed by the law.
HLG-1.4. Predictability of transfers	D	FY2021 was the first year when the Ministry of Finance provided the SNG with information on budget transfers forecast for the fiscal year and the two following fiscal years (2022-2024).

Dimension HLG-1.1. Outturn of transfers from higher levels of government

48. The results of the analysis of transfers (grants and subventions) provided from the state budget and Vinnytsia Oblast budget to the budget of Vinnytsia CTC are presented in Table HLG.1. In 2018 and 2019, deviations between the approved and actual transfers were less than 92%; in 2020, it stood at 112.3%. Thus, on the one hand, in 2020 the Vinnytsia city budget received more financial resources (against the amount initially approved) for covering its expenditure; on the other hand, this practice highlights the shortcomings in the budget planning and leads to budget funds distribution when the medium-term perspective is not considered.

49. The main reasons for the significant deviation in transfer outturn are: the delay from the central government to notify SNGs of their approved annual transfers, and also the BCU regulation that does not

⁴ Cabinet Decree dated 15.12.2010 No. 1132 "On approval of Procedure for transferring budget grants".

allow SNGs to account unknown revenue and expenditure that are not prescribed by the State Budget Law when preparing annual draft local budget.

Table HLG.1: Outturn of transfers from the HLG (UAH million)

Aggregate expenditure	2018	2019	2020
Approved budget	2,374.8	1,929.7	846.7
Outturn	2,032.7	1,540.7	950.8
Outturn as percentage of budget	85.6	79.8	112.3
Composition variance of earmarked grants, percent	30.8	29.7	8.9

Data source: Treasury reports on Vinnytsia city budget performance in 2018-2020.

50. Furthermore, the State Budget Law may be amended during the budget execution period to allocate new grants to SNG. Thus, before the start of the new budget period, SNGs do not usually have the legal ground for local budget drafting based on full list of grants expected to be received from the higher level government's budget.

51. **The score for this dimension is D.**

Dimension HLG-1.2. Transfers composition outturn

52. To assess this dimension, earmarked grants from the state budget to Vinnytsia city budget were nominally divided into the following groups: education earmarked grants, health care earmarked grants, subvention for socio-economic development of territories, social security grants, families and children subvention, subvention for housing for ATO fighters, road infrastructure subvention, and other grants. Information on the structure and value of earmarked grants in 2018-2020 is presented in detail in Annex 4.

53. The data of the Table HLG.1 reflect quite a high level of transfers composition outturn in 2018 and 2019 – 30.8% and 29.7% respectively. In 2020, it was reduced significantly to 8.9%. The reasons of these deviations are described above under the assessment of HLG.1 dimension, and usually they do not depend on SNGs' policy. The composition of transfers presented is consistent with one used in PI-2.

54. **The score for this dimension is D.**

Dimension HLG-1.3. Timeliness of transfers from the HLG

55. Transferring grants from state budget to local budgets, including the budget of Vinnytsia CTC, is provided in accordance with the Procedure developed at the central level and approved by the Cabinet Decree No. 1132.⁵ This Decree establishes the following deadlines for transferring grants: medical and educational subventions – every month, two times per month before 10th and 25th; other grants – every month within two operational days after the day of submission of financial authority payment directive to the Treasury.

56. After the city budget is approved by the City Council, the Finance Department prepares an annual budget allocation plan (cash flow forecast) that establishes the schedule of transferring grants from state budget to local budgets. In each of the years under assessment (2018, 2019 and 2020), more than 93% of all budget grants were transferred timely to the city budget according to the period restriction governed by the law. For instance, education grants were disbursed twice a month on the 10th and 25th days of the month while subvention for socio-economic development of territories was disbursed once a month within two days after submission of transfer request.

⁵ Cabinet Decree dated 15.12.2010 No. 1132 "On approval of Procedure for transferring budget grants".

57. **The score for this dimension is A.**

Dimension HLG-1.4. Predictability of transfers

58. The Ministry of Finance of Ukraine did not provide SNGs with any information on transfers forecast for the fiscal year and the two following fiscal years in 2020.

59. FY 2021 became the first year when the medium-term transfer forecast for 2022-2024 (by transfer types and territorial communities) was developed by the Ministry of Finance and submitted to SNGs for further developments in budget forecast preparation at the local level.

60. **The score for this dimension is D.**

HLG-2. Fiscal rules and monitoring of fiscal position

61. HLG-2 indicator assesses the extent to which the central government sets fiscal rules framing the budget and granting sub-national governments the right to borrow. It also assesses the extent to which the central government monitors the financial position of sub-national governments. It contains the following three dimensions and uses the M1 (WL) method for aggregating dimension scores.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
HLG-2. Fiscal rules and monitoring of fiscal position (M1)	A	
HLG-2.1. Fiscal rules for sub-national governments	A	Basic rules and procedures (budget rules) used in local budgets' preparation, consideration, approval, implementation, as well as budgets' reporting are governed by the BCU, which contains prescribes restrictions on local budgets adoption with deficit/surplus.
HLG-2.2. Debt rules for sub-national governments	A	Debt policy rules for SNGs are regulated in the BCU. According to Article 16 of the Code, city councils have the right to carry out: local internal borrowings; local external borrowings by obtaining credits (loans) from international financial organizations; other local external borrowings (city councils of city territorial communities with the administrative centre in the city of oblast significance). Article 18 of the BCU stipulates that the maximum amount of local debt and debt guaranteed by the City Territorial Community at the end of the budget period may not exceed 200% of the average annual estimated development budget revenues for the next two budget periods defined in the local budget forecast. To ensure compliance with the limits of local debt and local guarantees, the Ministry of Finance maintains a register of local borrowings and local guarantees.
HLG-2.3. Monitoring of sub-national governments	A	The law provides for the submission of annual financial statements up to three months after the end of the previous financial year. Available evidence from the National Treasury indicates that all sub-national governments submit their annual financial statements on or before the 31 st of March following the previous financial year. Each year, the National Treasury also prepares a consolidated report of all local government financial statements.

Dimension HLG–2.1. Fiscal rules for sub-national governments

62. Basic rules and procedures (budget rules) used in local budgets' preparation, consideration, approval, implementation, as well as local reporting are governed by the BCU, which prescribes restrictions on local budgets adoption with deficit/surplus.

63. As per Article 72 of the Budget Code of Ukraine, the approval of deficit local budget is prohibited. Indeed, the deficit may occur separately for the general or special fund of local budget, but such a deficit is "conditional," since it is required and obligatory to approve simultaneously the sources of the deficit funding, namely: for general fund of local budget – it is free balance of budget funds that is distributed during the budget period; for special fund – it is local borrowings, receipts from sale of securities, or general fund resource that are transferred to the special fund (the Budget Code stipulates such a mechanism for the local budget deficit financing).

64. Thus, the general fund deficit is always compensated by free cash balance while the special fund deficit – by the local borrowings or the general fund surplus. That says, the overall local budget is always well-balanced, in other words, a ceiling on the primary fiscal balance is zero.

65. The local budget may be approved with a surplus: for the general fund in the case of allocation to the budget of funds from the general fund of such local budget, fulfilment of obligations on outstanding loans, and to ensure the established amount of working capital balance; on a special fund in case of repayment of local debt, purchase of securities.

66. Furthermore, Article 116 of the BCU specifies the cases of the budget legislation violation which includes violation of the Code's requirements in part of local budget fiscal balance. Article 117 governs the enforcement mechanisms that are applied in case of the budget violation. One of these mechanisms is suspending local budget allocations and local budget transactions. In case of the law violation, respective representatives of SNG are subject to civil, disciplinary, administrative, or criminal responsibility.

67. The BCU (Article 79) defines the peculiarities of the formation of revenues and expenditures of the local budget in case of late decision-making on the local budget. Also, some kind of exemptions is referred to the basic information related to budget transfers to be used by SNGs if the state budget is not approved in time (Article 77).

68. The budget of Vinnytsia CTC was prepared, approved and executed in compliance with the requirements of budget legislation.

69. **The score for this dimension is A.**

Dimension HLG–2.2. Debt rules for sub-national governments

70. Debt policy rules for SNGs are regulated in the BCU. According to Article 16 of the Code, city councils have the right to carry out local internal borrowings, local external borrowings by obtaining credits (loans) from international financial organizations, and other local external borrowings (city councils of city territorial communities with the administrative centre in the city of oblast significance).

71. The right to attract local borrowings within the limits prescribed by the decision on the local budget belongs to the City Territorial Community in the person of the head of the local financial body on behalf of the City Council.

72. Article 18 of the BCU stipulates that the maximum amount of local debt and debt guaranteed by the City Territorial Community at the end of the budget period may not exceed 200% of the average annual estimated development budget revenues for the next two budget periods defined in the local budget forecast.

73. In accordance with Article 18 of the BCU, in order to ensure compliance with the limits of local debt and local guarantees, the Ministry of Finance maintains a register of local borrowings and local guarantees. Information from the relevant registers is published monthly on the official website of the Ministry. The Procedure for maintaining the register of local borrowings and local guarantees is approved by the Ministry of Finance Order dated 25.07.2012 No.866.

74. The same article allows exemption to the local debt ceilings when it is agreed with the Ministry of Finance. It provides for SNG an opportunity for temporarily exceeding (within the budget period) the local debt limit and a requirement to submit to local council an action plan on how to bring actual local debt amount in line with the Budget Code.

75. Regarding sanctions and enforcement mechanisms, in addition to Articles 116 and 117 of BCU mentioned above under HLG-2.1, the Cabinet Decree No. 110 dated 16.02.2011 stipulates the following: inconsistency of local borrowing decision and the borrowing terms prescribed by the law is a reason for the Ministry of Finance to apply to the court in order to invalidate this decision.

76. Monitoring of local debt is carried out by SNGs and the Ministry of Finance. Information on local debt is submitted to the Ministry of Finance, which is updated in case of changes.

77. The score for this dimension is A.

Dimension HLG–2.3. Monitoring of sub-national governments

78. The Budget Code of Ukraine (Articles 60 and 61) mandates all SNGs to prepare and submit annual financial statements to the National Treasury before the 31st of March of the year following the previous budget period. Evidence provided by the National Treasury indicates that all SNGs submit their annual financial statements within the timelines prescribed under the law. Each year, the National Treasury prepares a consolidated report for all SNG financial statements.

79. The score for this dimension is A.

PILLAR 1: Budget reliability

80. Pillar One measures whether the government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.

PI-1. Aggregate expenditure outturn

81. This performance indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in the government budget documentation and fiscal reports. There is one dimension to this indicator. The assessment covers the SNG budgetary units and looks at the budgeted and actual expenditure for last three completed FYs (2018, 2019, and 2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-1: Aggregate expenditure outturn (M1)	A	
1.1. Aggregate expenditure outturn	A	Actual aggregate expenditure outturn stood at 98.6%, 102.4%, and 93.5% in 2018, 2019, and 2020 respectively. That means less than 5% deviation in two of the last three completed FYs/

82. Table 1.1 presents approved and actual aggregate expenditure of Vinnytsia city budget and respective deviations in 2018-2020.

Table 1.1: Aggregate expenditure outturn (UAH million)

Aggregate expenditure	2018	2019	2020
Approved budget	4,723.1	4,859.2	4,462.7
Outturn	4,654.6	4,974.3	4,171.1
Outturn as a percentage of budget	98.6	102.4	93.5

Data source: Treasury reports on Vinnytsia city budget performance in 2018-2020.

82. Having analysed the norms of the budget legislation on certain issues of local budget planning, approval and implementation, as well as considering information provided by the Finance Department of Vinnytsia City Council, we can conclude that such deviations are due to external factors which are not under control of SNGs. Such factors are: 1) distribution of transfers from the state budget to local budgets at the central level after local budgets approval; 2) legal authority to distribute free balances at the beginning of the year, but only after approval of the annual report on local budget performance, which is submitted to the local council within two months after the end of the previous budget period (i.e., before March 1).

83. **The score for this dimension is A.**

PI-2. Expenditure composition outturn

84. This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. This indicator has three dimensions. The assessment covers budgetary units over the last three completed FYs (2018-2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-2. Expenditure composition outturn (M1)	D+	
2.1. Expenditure composition outturn by function	D	Variance in expenditure composition by functional classification was more than 15% in each of the last three FYs: 20.5%, 15.6% and 15.8% in 2018, 2019, and 2020 respectively.
2.2. Expenditure composition outturn by economic type	D	Variance in expenditure composition by economic categories is somewhat higher comparing with the function criteria. As it is presented in Table 2.1 and Annex 4, actual variances were 21.9%, 18% and 22.4% in 2018, 2019, and 2020 respectively.
2.3. Expenditure from contingency reserves	A	There were no actual expenditures from contingency reserves over 2018-2020, however such expenditures were planned in amount no more than 1% of the general fund of the city budget.

Dimension PI-2.1. Expenditure composition outturn by function

85. Table 2.1 below (and Annex 4 in a more details) presents variance in expenditure composition by functional and economic classification in the last three completed FYs (2018-2020). The analysis verifies a significant expenditure redistribution between budget allocations – more than 15% in each of the three years. The actual variance in expenditure composition were 20.5%, 15.6% and 15.8% in 2018, 2019, and 2020 respectively. Over the period under assessment, the highest deviations occurred in health care and social security expenditures.

Table 2.1: Aggregate composition expenditure outturn

Variance	2018	2019	2020
Functional classification, %	20.5	15.6	15.8
Economic classification, %	21.9	18.0	22.4

Data source: Treasury reports on Vinnytsia city budget performance in 2018-2020.

86. Among the reasons of significant variance in city budget expenditure composition was the distribution and use of transfers from the state budget and the oblast budget, which were received by the Vinnytsia city budget in the process of budget execution. Among such transfers were subventions for: socio-economic development of territories; road infrastructure development; conducting local councils' election. In addition, variance in expenditures composition was due to the over-fulfilment of the budget revenue and further allocation of the respective funds for the budget expenditure. As per Article 78 of the BCU, such revenues are allowed to be distributed and consumed based on the budget performance in the first two quarters of the current FY and also need to be officially verified by the Finance Department.

87. **The score for this dimension is D.**

Dimension PI-2.2. Expenditure composition outturn by economic type

88. Variance in expenditure composition by economic categories are somewhat higher comparing with the function criteria. As it is presented in Table 2.1 and Annex 4, actual variances were 21.9%, 18%, and 22.4% in 2018, 2019, and 2020 respectively.

89. **The score for this dimension is D.**

Dimension PI-2.3. Expenditure from contingency reserves

90. There were no actual expenditures from contingency reserves within the last three years under assessment as shown in Table 2.1. But still such expenditures were planned for the city budget in 2018-2020 in the amount of 0.4%, 0.5%, and 0.8% of general fund expenditures (that meets the requirement of the BCU - no more than 1% of the general fund).

Table 2.2: Expenditure from contingency reserves

Variance	2018	2019	2020
Contingency expenditure share of budget, %	0.00	0.00	0.00

Data source: Treasury reports on Vinnytsia city budget performance in 2018-2020.

91. **The score for this dimension is A.**

PI-3. Revenue outturn

92. This indicator measures the change in revenue between the original approved budget and end-of-year outturn. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores. The assessment covers the SNG budget over the last three completed FYs (2018-2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-3. Revenue outturn (M2)	C	
3.1. Aggregate revenue outturn	C	Actual aggregate revenue outturn by years: 115.3%, 117.2%, and 95.0% in 2018, 2019, and 2020 respectively
3.2. Revenue composition outturn	C	Actual revenue composition outturn by years: 13.4%, 16.0% and 7.1% in 2018, 2019, and 2020 respectively

Dimension PI-3.1. Aggregate revenue outturn

93. Based on actual city budget revenue outturn (115.3%, 117.2%, and 95.0% in 2018, 2019, and 2020 respectively) an approach to budget revenue planning in Vinnytsia City cannot be assessed as stable and predictable. Variance in aggregate revenue outturn (as well as revenue composition presented below) was mainly due to overfulfilment of the budget revenue.

94. **The score for this dimension is C.**

Table 3.1: Aggregate revenue outturn (UAH million)

Total revenue	2018	2019	2020
Approved budget	2,353.2	2,850.8	3,524.9
Outturn	2,712.5	3,340.1	3,347.4
Variance (as a % of original budget)	115.3	117.2	95.0
Composition variance (%)	13.4	16.0	7.1

Data source: Treasury reports on Vinnytsia city budget performance in 2018-2020.

Dimension PI-3.2. Revenue composition outturn

95. Based on data presented in Table 3.1 and Annex 4, variance in revenue composition was less than 15% in two of the last three completed FYs: 13.4 %, 16.0 %, and 7.1% in 2018, 2019, and 2020 respectively. Thus, budget revenue composition outturn was lower than the same indicator for budget expenditure.

96. Over the period under assessment, the highest deviation occurred in property income and income from sales of goods and services.

97. **The score for this dimension is C.**

PILLAR 2: Transparency of public finances

98. Pillar Two assesses whether information on PFM is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification; transparency of all government revenue and expenditure including intergovernmental transfers; published information on service delivery performance; ready access to fiscal and budget documentation.

PI-4. The budget classification

99. This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. There is one dimension for this indicator. The assessment covers the SNG budgetary units in FY 2020.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-4. The budget classification	D	
4.1. Budget classification	D	Budget preparation and execution are based on administrative, economic, functional, and program classification using GFS/COFOG standards. However, budget reporting is based only on economic, functional and program classification. The classification follows GFS 2001.

Dimension PI-4.1. The budget classification

100. Budget classification is approved by the Ministry of Finance Order dated 14.01.2011 No. 11 "Budget Classification." The Ministry of Finance also approved the local budget program classification (Order dated 20.09.2017 No. 793). The budget classification follows the IMF Government Finance Statistics (GFS) Manual of 2001. The budget classification is unified and applied at both national and local levels in line with COFOG standards. When developing budget requests, expenditures are detailed by codes of administrative, functional, program, and economic classification. The same approach is used under the local budgets' performance process with reference to all budget documents preparation. However, budget reporting is based only on functional, economic, and program classification. Administrative classification is not used in budget reports.

101. **The score for this dimension is D.**

PI-5. The budget documentation

102. This indicator assesses the comprehensiveness of information provided in the annual budget documentation as measured against a specified list of four basic and eight additional elements. The assessment covers the SNG budgetary units and looks at the most recent budget submitted to legislature (that is Vinnytsia city budget for 2021).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-5. The budget documentation	B	
5.1. Budget documentation	B	Budget documentation submitted to Vinnytsia City Council in 2020 fulfils three (3) out of four basic elements and four (4) out of eight additional elements as shown in Table 5.1.

Dimension PI-5.1. The budget documentation

103. Table 5.1 presents information on what basic and additional elements were included in the 2021 annual budget documentation submitted to the Vinnytsia City Council in 2020.

Table 5.1: Budget documentation

Item		Included (Y/N)	Source of evidence and comments
Basic elements			
1	Forecast of the fiscal deficit or surplus or accrual operating result.	Y	This information is included in the narrative section of the local budget decree and in its Annex 2 ("Local budget financing").
2	Previous year's budget outturn, presented in the same format as the budget proposal.	N	The draft budget originally approved by the local council is not the same format as financial statements on budget execution in previous years (the last one is not based on administrative classification).
3	Current FY's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Y	The current year's budget has the same format as the budget proposal.
4	Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	Y	Budget documentation includes aggregate budget data for both revenue and expenditures for the next budget period. At the same time, a detailed breakdown of such indicators is provided. Annual budget's annexes present data for only the next budget period (inclusion of data for previous FY is not required by the local budget template established by the Ministry of Finance). At the same time, Vinnytsia local budget forecast, which is a part of the budget documentation, provides relevant data for previous, current, next, and two following FYs.
Additional elements			
5	Deficit financing, describing its anticipated composition.	Y	This information is included in the narrative section of the local budget decree and in its Annex 2 ("Local budget financing").
6	Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	NA	GDP, inflation, and interest rate are forecasted by the central government.
7	Debt stock, including details at least for the beginning of the current FY presented in accordance with government financial statistics (GFS) or another comparable standard.	Y	Relevant information is included in Annex 2 to the budget decision and Annex 4 to the budget forecast of Vinnytsia CTC.
8	Financial assets, including details at least for the beginning of the current FY presented in accordance with the GFS or other comparable standard.	Y	Information on financial assets is included in the annual treasury reports on local budget execution.
9	Summary information of fiscal risks, including contingent liabilities such	NA	Element 9 is NA, since dimensions PI-10.2 and PI-10.3 are NA.

	as guarantees, and contingent obligations embedded in structure financing instruments such as PPP contracts and so on.		
10	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.	N	Such explanations were not provided in the budget documentation submitted to the City Council in 2020.
11	Documentation on the medium-term fiscal forecasts.	Y	According to Article 75 ¹ of the BCU, local budget forecast is a midterm budget planning document, which defines local budget indicators for the medium term and serves as a basis for annual budget preparation. 2022-2024 Vinnytsia city budget forecast was approved by the Executive Committee of Vinnytsia City Council on August 19, 2021 (Decree No. 1963).
12	Quantification of tax expenditures.	N	The explanatory note of the Vinnytsia city budget forecast includes basic information on tax expenditures due to providing tax exemptions. However, there is no quantification of them.

104. The score for this dimension is B.

PI-6. Sub-national operations outside financial reports

105. This indicator measures the extent to which government revenue and expenditure are reported outside financial reports. It contains three dimensions. The assessment of this indicator is based on the information and reports available for FY 2020.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-6. Sub-national operations outside financial reports (M2)	B	
6.1 Expenditure outside financial reports	C	The ratio of extra-budgetary expenditure of healthcare institutions to total expenditures of Vinnytsia city budget stood at 5.93% in FY2020. These expenditures were not included in the budget reports of Vinnytsia City Council.
6.2 Revenue outside financial reports	C	Share of total extra-budgetary revenues outside the Vinnytsia city budget reports was 5.85% of total city government revenue for FY2020.
6.3 Financial Reports of Extrabudgetary Units	A	Annual financial statements were prepared by all budget and extra-budgetary units and submitted to their respective supervisory KSUs within two months after the end of the previous budget period as it is prescribed by the law. The annual financial statements contain full information on revenues, expenditures, financial and tangible assets, liabilities, and reconciled cash flow.

Background

106. Article 13 of the BCU prescribes that extra-budgetary fund of national and local governments are not allowed to be established. The same applies to the opening of extra-budgetary accounts, except for the cases when such accounts are opened to service local budgets in terms of development budget and own receipts of budgetary institutions in public sector banks (Part 2 of Article 78 of the BCU) and placement of temporarily free local budget means on deposits (Part 8 of Article 16 of the BCU).

107. Based on the above, the Ministry of Finance Order dated 24.01.2012 No. 44 mandates KSUs and recipients of budget funds to report on the balance of funds in extrabudgetary accounts mentioned above and submit the reports to local financial bodies and the Treasury. At the same time, communal health care institutions are not budgetary units but communal non-profit enterprises, which receive extrabudgetary *own revenues* and, consequently, provide for extrabudgetary expenditure along with funds received from the city budget and state budget (National Health Care Service of Ukraine).

108. List of communal healthcare enterprises of Vinnytsia City Council, which have been considered in the assessment of PI-6.1, PI-6.2 and PI-6.3, includes:

- 1) Primary healthcare centre No.1;
- 2) Primary healthcare centre No.2;
- 3) Primary healthcare centre No.3;
- 4) Primary healthcare centre No.4;
- 5) Primary healthcare centre No.5;
- 6) Vinnytsia city clinic hospital No.1;
- 7) Vinnytsia city clinic hospital No.3;
- 8) Vinnytsia city ambulance hospital;
- 9) Vinnytsia city clinic hospital “Mother and child centre”;
- 10) Vinnytsia City Clinical Maternity Hospital No.1;
- 11) Vinnytsia City Clinical Maternity Hospital No.2;
- 12) Vinnytsia Regional Medical and Diagnostic Centre for Cardiovascular Pathology;
- 13) Vinnytsia city dental clinic.

109. Table 6.1 below presents revenue and expenditure outside FY2020 financial reports for the communal healthcare institutions mentioned above.

Table 6.1: Analysis of revenues and expenditures outside financial reports (FY2020)

Analysis of own revenues (consolidated)		Analysis of respective expenditures (consolidated)	
Revenues of extra-budgetary units (UAH million) <i>outside financial reports</i>	251.6	Expenditures of extra-budgetary units (UAH million) <i>outside financial reports</i>	247.3
Total actual city government revenue (UAH million)	4,298.3	Total city government expenditure (UAH million)	4,171.1
% of total	5.85%	% of total	5.93%

Data source: Treasury reports on Vinnytsia city budget performance in 2020; financial statements of communal healthcare enterprises.

Dimension PI-6.1. Expenditure outside financial reports

110. Extra-budgetary funds are derived from city healthcare facilities. As shown in Table 6.1 above, the ratio of extra-budgetary expenditure of healthcare institutions to total expenditures of Vinnytsia city budget

stood at 5.93% in FY2020. These expenditures were not included in the budget reports on budget performance. The rest of the city budget expenditures including those of public educational institutions under the City Government are part of the budget reports.

111. **The score for this dimension is C.**

Dimension PI-6.2. Revenue outside financial reports

112. As indicated in Table 6.1 above, share of total extra-budgetary revenues outside the City Government budget reports was 5.85% of total City Government revenue for FY2020.

113. **The score for this dimension is C.**

Dimension PI-6.3. Financial Reports of EBUs

114. Cabinet Decree dated 28.02.2000 No. 419 prescribes the timelines (within two months after the end of the previous budget period) for preparation and submission of annual financial statements by all budget and extra-budgetary units to their respective supervisory departments/agencies. Based on the evidence provided by the Healthcare Department of Vinnytsia City Council, this deadline was adhered to. The annual financial statements contain full information on revenues, expenditures, financial and tangible assets, liabilities, and reconciled cash flow. Since it is not allowed for healthcare institutions to issue guarantees on behalf of other institutions, there is no information on guarantees included into the financial reports.

115. **The score for this dimension is A.**

PI-7. Transfers to SNGs

116. This indicator assesses the transparency and timeliness of transfers to lower levels of SNG with direct financial relationships to the sub-national government. It considers the basis for allocating transfers and whether lower-level SNGs receive information on their allocations in time to facilitate budget planning. It contains two dimensions. The time period assessed is the last completed FY (2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-7. Transfers to SNGs	NA	
7.1 System for allocating transfers	NA	This dimension is not applicable since there is no lower-tier government of Vinnytsia City Council.
7.2. Timeliness of information on transfers	NA	This dimension is not applicable since there is no lower-tier government of Vinnytsia City Council.

Dimension PI-7.1. System for allocating transfers

117. This dimension is not applicable since there is no lower-tier government of Vinnytsia City Council.

118. **The score for this dimension is NA.**

Dimension PI-7.2. Timeliness of information on transfers

119. This dimension is not applicable since there is no lower-tier government of Vinnytsia City Council.

120. The score for this dimension is NA.

PI-8. Performance information for service delivery

121. This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation and in year-end reports. It determines whether performance audits or evaluations are carried out. It also assesses the extent to which information on resources received by service delivery units is collected and recorded. It contains four dimensions. Under dimension PI-8.1, PIs are assessed for planned outputs and outcomes for the next FY (2021); under dimension PI-8.2, PIs are assessed for outputs and outcomes of the last completed FY (2020). Under dimensions PI-8.3 and PI-8.4, the last three completed FYs (2018-2020) are examined.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-8. Performance information for service delivery (M2)	A	
8.1. Performance plans for service delivery	A	Annual performance plans (budget program passports) specify purpose, tasks, and performance indicators of respective budget program implementations and are to be developed separately for every budget program according to the budget legislation. All seventeen KSUs developed passports for all the budget programs they are responsible for. The budget program passports of Vinnytsia city budget KSUs are published on the website of Vinnytsia City Council.
8.2. Performance achieved for service delivery	A	All KSUs prepared and submitted reports on budget program passport implementation to the Finance Department in line with the requirements prescribed by the budget legislation. Reports, which present outputs and outcomes (quality performance indicators) of each budget program, are available on the Vinnytsia City Council website.
8.3. Resources received by service delivery units	A	All KSU and budgetary institutions are obliged to report quarterly on resources received in-kind and monthly on resources received in cash. These monthly and quarterly reports are submitted by KSUs to the Finance Departments and the Treasury. Information on resources received in-kind is quantified in monetary terms and included in the annual financial statements. Documentary evidence received from the City Council verifies that information on resources received by KSUs for budget program implementation is disaggregated by source of funds.
8.4. Performance evaluation for service delivery	B	All KSUs ensured annual budget program evaluation over 2018-2020: most of them in each of the last three completed FYs, others at least in two of the three years. The evaluation was provided by KSUs, hence there is no independent evaluation of service delivery programs. Evaluation results by budget programs as well as consolidated results are published on the Vinnytsia City Council website. Budget program evaluation includes: analysis of compliance of a budget program with national and local priorities of socio-economic development as well as legal requirements established by the budget legislation; assessment of the budget program efficiency by establishing correlation between the results achieved and the amount of budget funds used; analysis of variance in planned and actual performance indicators; identification of factors

		hindering budget programs implementation; development of proposals to improve the efficiency of a budget program.
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Background

122. Annual action plans (budget program passports) and reports on budget program performance are developed in accordance with the Ministry of Finance Order dated 26.08.2014 No. 836 which stipulates the following: budget program passport is a document that specifies purpose, tasks and performance indicators of respective budget program implementation and is to be developed separately for every budget program according to the budget legislation. Thus, all performance indicators and results of service delivery are disaggregated by budget programs.

123. As per the BCU and Minfin Order mentioned above, budget program passport is to be prepared by the relevant key spending unit. Based on this and given that communal healthcare institutions (which were considered as EBUs under PI-6) do not have a status of KSU but spending unit of a lower-tier, they do not develop separate passports but still are covered in the passports of KSU which they are subordinated to.

Dimension PI-8.1. Performance plans for service delivery

124. Vinnytsia City Council has seventeen KSUs including: Executive Committee of the Vinnytsia City Council; Land Affairs Department; Communal Property Department; Department of Public Utilities and Public Works; Cultural Development Department; Healthcare Department; Education Department; Capital Construction Department; Department of Self-Government Control; Finance Department; Social Policy Department; Department of Architecture and Urban Planning; Department of Energy, Transport and Infrastructure; Housing Department; City Maintenance Department; Department for City Marketing and Tourism; Physical Training and Sports Committee.

125. All the city budget KSUs developed 2021 passports for all the budget programs they were responsible for provided elaboration of the outputs to be produced and the outcome planned for the next fiscal year. All this information is published on the website of Vinnytsia City Council: <https://www.vmr.gov.ua/Branches/Lists/Finances/ShowContent.aspx?ID=101>.

126. **The score for this dimension is A.**

Dimension PI-8.2. Performance achieved for service delivery

127. The same Order of the Ministry of Finance No. 836 prescribes legal and methodological framework for preparation of reports on budget program performance. According to the Order, all KSUs are obliged:

- prepare and submit reports on budget program implementation to Finance Department – within the same timelines set for consolidated annual budget reports preparation;
- publish reports on budget program implementation on the official websites of KSUs – within three working days after submission reports to Finance Department.

128. Evidence available suggests that all seventeen KSUs (indicated under PI-8.1 assessment) have been complying with the Ministry of Finance’s directives. The annual performance reports, indicating outputs and outcomes (quality performance indicators) for each budget program, are published on the Vinnytsia City Council website: <https://www.vmr.gov.ua/Branches/Lists/Finances/ShowContent.aspx?ID=101>.

129. **The score for this dimension is A.**

Dimension PI-8.3. Resources received by service delivery units

130. The Ministry of Finance Order dated 08.08.2012 No. 938 stipulates the Procedure for Treasury servicing of local budgets, which mandates KSUs to report quarterly on resources received in-kind (in line with a template presented in Annex 25 of the mentioned Procedure). Furthermore, the BCU establishes requirements for all KSUs to prepare monthly reports on resources received in cash. Documentary evidence, received from the City Council, verifies that information on resources received by KSUs for budget program implementation is disaggregated by source of funds.

131. Monthly and quarterly reports are submitted by KSUs to the Finance Department and the Treasury.

132. The annual financial report prepared by the Treasury includes a section on resources received in-kind and quantified in monetary terms. This report is supported by certificates of receipts (good receipt notes) which clearly describes specific items (goods, services) received in-kind, their donors, and recipients.

133. **The score for this dimension is A.**

Dimension PI-8.4. Performance evaluation for service delivery

134. The Guidelines for budget programs effectiveness evaluation are prescribed in the Ministry of Finance Order dated 17.05.2011 No. 608.⁶ As per the Guidelines, evaluation is provided by KSUs hence there is *no independent evaluation of service delivery programs*.

135. Another approach used by local budget KSUs to assess their budget programs is based on the Methodology of comparative analysis of local budget programs effectiveness, approved by the Ministry of Finance.⁷

136. Evaluations of the efficiency and effectiveness of service delivery have been carried out by all KSUs of Vinnytsia city budget in line with the budget legislation requirements. According to Article 20 of the BCU, at all stages of the budget process, its participants ensure evaluation of the budget programs effectiveness, which includes measures for monitoring, analysis and control of budget funds implementation. Evaluation was done on a basis of information retrieved from performance indicators analysis, budget requests, budget passports and reports on their implementation, and other relevant budget documentation.

137. Consolidated information on local budget program effectiveness and efficiency evaluation are published on the Vinnytsia City Council website.⁸

138. Based on information available on the website and received from the city governments, all KSUs ensured annual budget program evaluation over 2018-2020: most of them – in each of the last three completed FYs, others – at least in two of the three years. For instance, the Education Department conducted evaluation of fourteen and eleven budget programs developed for FY2019 and FY2020 respectively. Evaluation results were published on the city council website: for 2019 budget programs – on the 4th of March, 2020; for 2020 budget programs – on the 26th of February, 2021.

139. Budget program evaluation includes analysis of compliance of a budget program with national and local priorities of socio-economic development as well as legal requirements established by the budget legislation. Furthermore, evaluation covers: the assessment of the budget program efficiency by establishing correlation between the results achieved and the amount of budget funds used; analysis of

⁶ <https://mof.gov.ua/uk/mbo-at-the-local-level>.

⁷ https://www.ibser.org.ua/sites/default/files/metodyka_zdiysnennya_porivnyalnogo_analizu.pdf.

⁸ <https://www.vmr.gov.ua/Branches/Lists/Finances/ShowContent.aspx?ID=101>.

variance in planned and actual performance indicators; identification of factors hindering budget programs implementation; development of proposals to improve the efficiency of budget programs.

140. The evaluation results can be used, in particular, to: 1) identify reasons of variance in actual performance indicators outturn; 2) compare various service delivery programs based on their efficiency level; 3) develop proposals on how to increase budget program efficiency and transparency.

141. **The score for this dimension is B.**

PI-9. Public access to fiscal information

142. This indicator assesses the comprehensiveness of fiscal information available to the public based on nine specified elements (five basic and four additional elements) of information to which public access is considered critical. The assessment covers the last completed FY (2020), and the budgetary units of the SNG.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-9. Public access to fiscal information	A	
9.1 Public access to fiscal information	A	Local governments of Vinnytsia CTC provide the public with wide and free access to fiscal information. In particular, it is true for four basic elements and one additional element, as indicated in Table 9.1 below. Elements 5 and 7 are NA since the legislation does not require external audits of local budgets.

Background

143. Article 28 of the BCU stipulates that local governments ensure public access to fiscal information, including decision on local budget approval and quarterly reports on its performance. Decisions on local budget approval must be published in a local official newspaper designated by the local council within ten days after it is adopted.

144. At the same time, the executive ensures publication of the following documents on the official website of the city council in line with the Law of Ukraine "On Access to Public Information": 1) local budget forecast – within five days after its approval; 2) draft decision on the local budget – during three working days after its submission to the local council; 3) enacted decision on local budget approval – within ten days after its adoption; 4) information on local budget performance – after relevant reporting period (month, quarter, year) is completed.

Dimension PI-9.1. Public access to fiscal information

145. Local governments of Vinnytsia CTC provide the public with wide and free access to fiscal information. In particular, it is true for four basic elements and one additional element, as indicated in Table 9.1 below. Elements 5 and 7 are NA since the legislation does not require external audits of local budgets.

Table 9.1: Public access to fiscal information, FY 2020

Item	Criteria met (Y/N)	Explanation	Source of evidence
Basic elements			
1	Y	Published within three working days after its submission to the local council – on December 10, 2020.	https://www.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=142 https://www.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=144
2	Y	Published within ten days after its approval – on December 24, 2020.	https://www.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=17
3	Y	Quarterly reports on 2020 city budget performance were published within one month after their issuance: I Q – on May 22, 2020; II Q – on September 8, 2020; III Q – on December 4, 2020; IV Q – on March 26, 2021.	https://www.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=34
4	Y	Published within three months from the FY’s end – on March 26, 2021.	https://www.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=34
5	NA	The legislation does not provide for an external audit of reports on local budgets performance.	
Additional elements			
6	N	Prebudget statement is broadcast live on the city council website. Prebudget statement for the FY2021 was published, however less than one month before the start of the FY – on December 10, 2020.	https://www.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=142
7	NA	The budget and other relevant legislation do not require an external audit of local budget reports.	

8	Summary of the budget proposal. A clear, simple summary of the executive budget proposal or the enacted budget accessible to the nonbudget experts - often referred to as a "citizens' budget" and where appropriate, translated into the most commonly spoken local language - is publicly available within two weeks from the executive budget proposal's submission to the legislature and within one month from the budget's approval.	N	The Citizens Budget of Vinnytsia CTC was published on the city council website within eight days after local budget submission to the legislature in 2020 (on December 23, 2020). However, it was not updated after the budget was approved.	https://www.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=166
9	Macroeconomic forecasts. The forecasts, as assessed in PI-14.1, are available within one week from their endorsement.	Y	Vinnytsia local budget forecast for 2022-2023 was published immediately after its approval by the Executive Committee in 2020 – on December 10, 2020 (in 2020, it was approved by the City Council together with the annual city budget, see basic element No.1)	https://www.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=143

146. The score for this dimension is A.

PI-9bis. Public consultation

147. This indicator assesses the extent to which SNG conducts public consultation in preparing the budget, designing service delivery programs, and planning investments.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-9bis. Public consultation (M2)	B	
9bis.1. Public consultation in budget preparation	A	The Regulations on public consultation in Vinnytsia CTC (hereinafter – the Regulations) are approved by the City Council Decree dated 30.09.2016 No.395. In 2020, public consultations on draft budget preparation for 2021 were provided in accordance with the Executive Committee's Decree dated 26.11.2020 No. 2512 "On providing public consultation to discuss draft program on economic and social development of Vinnytsia City Territorial Community for 2021 and the annual draft budget of the Vinnytsia City Territorial Community for 2021." Citizens have free access to clear and simplified budget information. Public consultation on Vinnytsia CTC budget preparation for 2021 was led by the Finance Department of Vinnytsia City Council on December 8, 2020, i.e., before the annual budget approval (December 24, 2020, see Table 18.3 below). The protocol which includes inputs from citizens and explanation on the way of its implementation, as well as recommendations prepared based on the

		results of public consultation, were published in "Vinnytska Gazeta" on December 11, 2020, No.49-50 (3509-3510) and on the website of the city council.
9bis.2. Public consultation in the design of SD programs	C	Evidence received from the Vinnytsia City Government suggests that service delivery programs were discussed in 2018 and 2020. Consultation was provided prior to the city budget approval; however, it did not cover all of the service delivery budget programs (in FY2018 – 25.2% of total city budget expenditure).
9bis.3. Public consultation in investment planning	C	Consultation on investment projects was conducted within the framework of the Capital Construction Program, which includes <i>all investment projects</i> implemented in Vinnytsia City by means of budget funds. Public consultation to discuss investment projects for 2021 was hosted by the Economic Development and Investment Affairs Department on December 8, 2020 (before the budget was approved on December 24, 2020, see Table 18.3). However, the City Government did not publish any results and/or findings of feasibility studies or economic analysis of any investment projects which are to be the subject of public consultation. The protocol which includes inputs from citizens and explanation on the way of its implementation, as well as recommendations of the public consultation were published in "Vinnytska Gazeta" on December 11, 2020, No.49-50 (3509-3510) and on the city council website.

Background

148. The Regulations on public consultation in Vinnytsia CTC (hereinafter – the Regulations) are approved by the City Council Decree dated 30.09.2016 No. 395 and establish the procedure for initiating, preparing and conducting public consultation as well as the rules for considering recommendations of consultation by Vinnytsia City Government.

149. The Transparent City web-portal available on the Vinnytsia City Council website (<https://www.vmr.gov.ua/TransparentCity/Lists/PublicHearingsLinks/BasicPublishVersion.aspx>) is used to organize public consultation and provide citizens with relevant information.

150. Prior to the start of public consultation, an announcement supported by proper documentation and analytical materials need to be publicized in electronic form.

151. In accordance with the Regulations, public consultation is held before the city budget is approved by the Vinnytsia City Council. Public consultation is documented with a protocol's records. The proposals highlighted in a protocol are considered by the mayor, executive governments, service delivery units, and other city government representatives according to the responsibility allocation.

152. A protocol of the public consultation and recommendations developed based on the consultation's debates are to be published in "Vinnytska Gazeta" and on the website of the city council.

Dimension PI-9bis.1. Public consultation in budget preparation

153. In 2020, public consultations on draft budget preparation for 2021 were provided in accordance with the Executive Committee's Decree dated 26.11.2020 No.2512 "On providing public consultation to discuss draft program on economic and social development of Vinnytsia City Territorial Community for 2021 and the annual draft budget of the Vinnytsia City Territorial Community for 2021." Furthermore, the city mayor's Resolution dated 27.11.2020 No.175-r established the Action Plan for preparing and conducting public consultation in Vinnytsia City.

154. The announcement on public consultation was published in "Vinnytska Gazeta" on November 27, 2020, No.47 (34109) and on the city council website.

155. Thanks to the user-friendly interface and design of the city council website, citizens have free access to clear and simplified budget information. Furthermore, the citizens have enough time (seven days according to the Paragraph 18 of the budget calendar presented in Table 17.2 below) to submit their proposals to the draft budget.

156. Public consultation on Vinnytsia CTC budget preparation for 2021 was led by the Finance Department of Vinnytsia City Council on December 8, 2020, i.e., before the annual budget approval (December 24, 2020, see Table 18.3 below).

157. The protocol which includes inputs from citizens and explanation on the way of its implementation, as well as recommendations prepared based on the results of public consultation were published in "Vinnytska Gazeta" on December 11, 2020, No.49-50 (3509-3510) and on the website of the city council.⁹

158. **The score for this dimension is A.**

Dimension PI-9bis.2. Public consultation in the design of service delivery programs

159. According to the information received from Vinnytsia City Council and based on the analysis of data available on the city council website, the following tools for involving citizens in consultation in design of service delivery programs are summarized:

1) Citizens Budget – allow public to make online suggestions and receive online consultation on budget issues (<https://www.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=144>);

2) Petitions and appeals by citizens – online section where the public has technical facility to create an electronic petition and submit appeals to the Vinnytsia City Government, including those related to the budget programs implementation (<https://www.vmr.gov.ua/Lists/Officials/Default.aspx>).

Information on petition's status is published in the section *Transparent City* (<https://www.vmr.gov.ua/TransparentCity/Lists/PublicDiscussionPetitions/ShowContent.aspx?ID=1>);

3) Transparent City (<https://www.vmr.gov.ua/TransparentCity/default.aspx>), where citizens can find the following information:

- announcements on public consultation and their results/recommendations (<https://www.vmr.gov.ua/TransparentCity/Lists/TheResultsOfPublicHearings/News.aspx>);
- inquiries received by the City Council regarding the public expertise of budget programs (<https://www.vmr.gov.ua/TransparentCity/Lists/PublicExaminationLinks/BasicPublishVersion.aspx>).

160. Evidence received from the Vinnytsia City Government suggests that service delivery programs were discussed in 2018 and 2020. Consultation was provided prior to the city budget approval. However, they did not cover all of the service delivery budget programs but only some of them, including: *program on education development in Vinnytsia City (2018)*; *program on municipal urban planning in Vinnytsia City Territorial Community (2020)*.

161. The city program on education development discussed under the public consultation in 2018 covers all budget programs in education area which were an equivalent of UAH 1,173.3 million in FY2018 and made up 25.2% of total city budget expenditure (UAH 4,654.6 million, see Annex 4).

⁹ <https://www.vmr.gov.ua/TransparentCity/Lists/TheResultsOfPublicHearings/ShowNews.aspx?ID=183>.

162. Some information on the kind of services that benefited from this public consultation and its outcomes are explained in Annex 6 under the relevant indicator PI-9.bis.

163. **The score for this dimension is C.**

Dimension PI-9bis.3. Public consultation in investment planning

164. Consultation on investment projects was conducted within the framework of the Capital Construction Program, which includes *all investment projects* implemented in Vinnytsia City by means of budget funds.

165. Public consultation on investment projects for 2021 was also provided in accordance with the Executive Committee's Decree dated 26.11.2020 No. 2512.

166. The announcement on public consultation was published in "Vinnytska Gazeta" on November 27, 2020, No.47 (34109) and on the city council website.

167. Public consultation to discuss investment projects for 2021 was hosted by the Economic Development and Investment Affairs Department on December 8, 2020 (before the budget was approved on December 24, 2020, see Table 18.3). However, the City Government did not publish any results and/or findings of feasibility studies or economic analysis of any investment projects which are to be the subject of public consultation.

168. As a result of the consultation, the protocol which includes inputs from citizens and recommendations of the public consultation were published in "Vinnytska Gazeta" on December 11, 2020, No.49-50 (3509-3510) and on the city council website.¹⁰

169. **The score for this dimension is C.**

¹⁰ <https://www.vmr.gov.ua/TransparentCity/Lists/TheResultsOfPublicHearings/ShowNews.aspx?ID=183>.

PILLAR 3: Management of assets and liabilities

170. Pillar Three measures the effectiveness of the government’s management of assets and liabilities and the extent to which this ensures that public investments provide value for money, assets are recorded, and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

PI-10. Fiscal risk reporting

171. This indicator measures the extent to which fiscal risks to the SNG are reported. Fiscal risks can arise from adverse macro-economic situations, financial positions of SNGs, PCs, and contingent liabilities from SNG's own programs and activities, including PPPs. The assessment of this indicator is based on information available for the most recent FY (2020). For dimension 10.1, it covers the SNG-controlled PCs. For dimension 10.2, it should be the SNG entities that have direct fiscal relations with the SNG. For Dimension 10.3, the explicit contingent liabilities arising from the financing of public investment projects are assessed.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-10: Fiscal risk reporting (M2)	C	
10.1. Monitoring of public corporations	C	2020 annual audited financial statements of the two out of ten largest PCs were published on the city council website within six months from the end of the fiscal year. These two audited PCs constitute 47.5% by their value. All 42 PCs of Vinnytsia City Council submitted their 2020 annual financial reports to respective sectoral departments of the City Council before the 10 th of March of the year next to the reporting period. This is the deadline prescribed in the Procedure approved by the City Council Decree dated 27.12.2019 No. 2081. (Please see Table 10.1 below).
10.2. Monitoring of sub-national governments	NA	This dimension is not applicable since there is no lower-tier government of Vinnytsia City Council.
10.3. Contingent liabilities and other fiscal risks	NA	This dimension is not applicable since there are neither PPP nor contingent liabilities among the fiscal risk of Vinnytsia City Council.

Dimension PI-10.1. Monitoring of public corporations

172. There are 42 PCs which are the communal property of the Vinnytsia City Council. Information on the ten largest PCs (in terms of their total expenditures) is presented in Table 10.1.

173. The Procedure for development, approval of financial statements of public corporation,s and providing control over their financial performance indicators (hereinafter – the Procedure) is approved by the City Council Decree dated 27.12.2019 No. 2081.

174. Paragraph 11 of the Procedure prescribes those annual financial statements of PCs in hard copy and electronic form together with the explanatory note on PC’s activity outcomes are submitted by PCs to the respective sectoral department of the City Council before the 10th of March of the year next to the reporting period.

175. The actual dates of submission of the annual financial statements on PCs’ performance indicators to the Vinnytsia local governments (presented in Table 10.1) indicate that the financial statements of all ten

largest PCs were submitted within two months after the end of the reporting period. The rest of them were also compliant with deadline for submitting reports set by the Procedure. Thus, all 42 PCs submitted their annual financial statements before the 10th of March of the year next to the reporting period.

176. Key performance indicators describing PCs activity and their financial statements are published quarterly on the Open Data Portal (<https://opendata.gov.ua/dataset/ochobhi-noka3hnkn>; <https://opendata.gov.ua/dataset/3bitn-npo-bnkohahr-noka3hnkib-qpihahcobnx-njahib-komyhajibhnx-nidnpnemctb>).

177. 2020 annual audited financial statements of two PCs were published on the city council website within six months from the end of the fiscal year. These two audited PCs constitute 47.5% by their value.

178. **The score for this dimension is C.**

Table 10.1: Financial reports of public corporations of Vinnytsia City Council

No.	Ten largest PCs	Expenditure (UAH million)	Government-held assets	Percentage of ten largest PCs	Date of audit of the financial report	Date of submitting financial report to govt.	Consolidated report (Y/N)
1.	PC "Vinnytsia City TeploEnergy"	1 008,7	100 %	44,7	30.04.2021 ¹¹	26.02.2021	Y
2.	PC "Vinnytsia City Transport Enterprise"	556,7	100 %	24,6	Not audited	26.02.2021	Y
3.	PC "EcoVin"	78,5	100 %	3,5	Not audited	25.02.2021	Y
4.	PC "Vinnytsia CardService"	64,5	100 %	2,9	Not audited	26.02.2021	Y
5.	PC "Vinnytsia City Road Department"	62,3	100 %	2,8	05.07.2021 ¹²	25.02.2021	Y
6.	PC "Vinnytsia City Farmacy"	45,2	100 %	2,0	Not audited	26.02.2021	Y
7.	PC "City Light"	43,3	100 %	1,9	Not audited	25.02.2021	Y
8.	PC "Vinnytsia City ZelenBud"	36,2	100 %	1,6	Not audited	25.02.2021	Y
9.	PC "Managing company "Zhytlo-Garant"	29,3	100 %	1,3	Not audited	28.02.2021	Y
10.	PC "Municipal Guarding"	26,3	100 %	1,2	Not audited	25.02.2021	Y

Data source: 2020 annual financial statements of Vinnytsia city PCs; Economic Development and Investment Affairs Department.

Dimension PI-10.2. Monitoring of sub-national governments

179. This dimension is not applicable since there is no lower-tier government of Vinnytsia City Council.

180. **The score for this dimension is NA.**

Dimension PI-10.3. Contingent liabilities and other fiscal risks

¹¹ Audit of 2020 financial statement was provided by LLC "AF "Capital Group".

¹² PE Audit Company «D G K UKRAINE» provided audit of 2020 financial statement.

181. This dimension is not applicable since there are neither PPP nor contingent liabilities among the fiscal risk of Vinnytsia City Council.

182. The score for this dimension is NA.

PI-11. Public investment management

183. This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government. It also assesses the extent to which the government publishes information on the progress of the projects, with an emphasis on the largest and most significant projects. It contains four dimensions. The time period assessed is the last completed FY (2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-11 Public investment management (M2)	B	
11.1. Economic analysis of investment proposals	C	<p>There are no guidelines established/approved by the local authority for the economic analysis of public investment projects. However, an economic analysis of seven major investment projects (No. 1, 2, 4, 5, 8, 9 and 10 in Table 11.1) was conducted in line with the terms of reference template established by the Ministry for Regional Development (order dated 24.04.2015 No.80¹³). The template is used to select projects that can be funded by means of the SRDF and provides for assessment of such project characteristics as: area (territory) of a project impact; number of citizens that benefit from a project implementation; expected quantitative and qualitative outcomes of a project implementation.</p> <p>Results of the economic analysis of investment projects are published on the Ministry for Regional Development website and reviewed by the regional (oblast) commission under selection process. Such a commission is an entity other than the sponsoring entity.</p>
11.2. Investment project selection	A	<p>Key criteria for investment projects to be selected and included in the Capital Construction Program are specified in the Procedures for the development of the Capital Construction Program approved by the Vinnytsia City Council Executive Committee (Decree dated 04.07.2019 No. 1689¹⁴).</p> <p>Seven major investment projects funded by means of SRDF were selected according to the standard criteria defined (published) in the Cabinet Decree dated 18.03.2015 No. 196.¹⁵</p> <p>The project on construction of the Vinnytsia Regional Clinical Medical and Diagnostic Centre for Cardiovascular Pathology in Vinnytsia was selected in accordance with the Procedure and Conditions for assigning subvention from the state budget to local budgets for regional healthcare systems reformation under cooperation with the International Bank for Reconstruction and Development (Cabinet Decree dated 27.05.2015 No.350¹⁶).</p>

¹³ <https://zakon.rada.gov.ua/laws/show/z0488-15#Text>.

¹⁴ <https://www.vmr.gov.ua/Docs/ExecutiveCommitteeDecisions/2019/%E2%84%961689%2004-07-2019.pdf>.

¹⁵ Cabinet Decree dated 18.03.2015 No. 196 "Some issues of State Regional Development Fund": <https://zakon.rada.gov.ua/laws/show/196-2015-%D0%BF#Text>.

¹⁶ <https://zakon.rada.gov.ua/laws/show/350-2015-%D0%BF#Text>

11.3. Investment project costing	C	Capital investment project costing does not include recurrent cost estimates. Only the total capital investment cost with estimates for the budget year and the two following years are provided in the budget documentation.
11.4. Investment project monitoring	A	The entities responsible for project implementation prepare quarterly reports on project implementation and submit them to the Economic Development and the Investments Affairs Department of Vinnytsia City Council before the 10 th day of the month following the reporting quarter. The Economic Development and Investments Affairs Department ensures the monitoring of all investment projects. The results of the monitoring are published on the Vinnytsia City Council website (see Table 11.3). Furthermore, monitoring of major investment projects implemented by means of SRDF was provided by relevant project contractors with respect to both financial component and physical progress of the project implementation. The Vinnytsia SOA provided for monitoring results publication on the website of the Ministry for Regional Development on a quarterly basis before the 10th day of the month following the reporting quarter. ¹⁷

Background

184. Investment projects development and implementation is the responsibility of the Economic Development and Investments Affairs Department of Vinnytsia City Council. Public investment projects can be co-financed by means of SRDF, transfers from the state budget to local budgets, including subvention for socio-economic development of territories.

185. Table 11.1 below presents the ten major investment projects implemented in Vinnytsia in 2020 and meet the following PEFA criteria for "major investment projects": 1) the total investment cost of the project amounts to 1% or more of total annual budget expenditure; and/or 2) the project is among the largest 10 projects (by total investment cost) of the sub-national government.

Dimension PI-11.1. Economic analysis of investment proposals

186. The terms of reference template for public investment projects that can be implemented by means of SRDF is established by the Ministry for Regional Development (Minregion) Order dated 24.04.2015 No.80. The template includes economic analysis elements and provides for assessment of such project characteristics as: area (territory) of a project impact; number of citizens that benefit from a project implementation; expected quantitative and qualitative outcomes of a project implementation including the economic efficiency of the project; public investment projects' key measures and total cost. Thus, this template is the guidelines set at the national level and applied to all projects implemented by means of SRDF. However, there are no guidelines that are used systematically and ensure a standard (applied to all investment projects) methodology for the project appraisal.

187. An economic analysis of seven major investment projects (No. 1, 2, 4, 5, 8, 9 and 10 in Table 11.1) was conducted by the Economic Development and Investments Affairs Department of Vinnytsia City Council (sponsoring entity) in line with established template. Results of investment projects expertise are published on the Minregion website and reviewed by the regional (oblast) commission under the selection process

¹⁷ <https://new.dfrr.minregion.gov.ua/regional-news?region=27>.

which is described in more detail within dimension PI-11.2. Such a commission is an entity other than the sponsoring entity.

188. Share of the total cost of these seven investment projects amounts 56.9% of the overall cost of all ten major projects listed in Table 11.1.

Table 11.1: Economic analysis and project selection of the ten major investment projects approved in FY 2020

No	Investment project	Total investment cost of project (mln UAH)	% Share of 10 major investment projects	Data for PI-11.1 Economic analyses				Data for PI-11.2 Project selection	
				Completed (Y/N)?	Consistent with national guidelines* (Y/N)	Published (Y/N)	Reviewing entity	Prioritized by central entity (Y/N)	Consistent with standard selection criteria
1	Reconstruction of the Bridge construction across the Southern Bug River on Chornovola St., Vinnytsia	88,4	2,1	Y	Y	Y	Vinnytsia SOA	Y	Y
2	Reconstruction of the building of the preschool educational institution No.16 of Vinnytsia City Council on Mykola Zerova St., 12, Vinnytsia	80,3	1,9	Y	Y	Y	Vinnytsia SOA	Y	Y
3	Construction of Vinnytsia Regional Clinical Medical and Diagnostic Centre for Cardiovascular Pathology on Khmelnytsky highway, Vinnytsia	497,3	11,9	N	N	N	NA	Y	Y
4	Finalizing construction of the main building of the clinical hospital of ambulance on Kyivska St., 68, Vinnytsia	270,5	6,5	Y	Y	Y	Vinnytsia SOA	Y	Y
5	Construction of the secondary school of I-III grades No. 8 in "Podillya" district, Vinnytsia	172,1	4,1	Y	Y	Y	Vinnytsia SOA	Y	Y
6	Construction of a building complex for disposal of household waste (on the territory of Ludavka village council of Zhmerynsky district, Vinnytsia region)	67,0	1,6	N	N	N	NA	N	N
7	Construction of a cemetery on Sabarovsky highway, Vinnytsia	71,7	1,7	N	N	N	NA	N	N
8	New construction of Proektna St., 12a and 13 in Vinnytsia	40,4	1,0	Y	Y	Y	Vinnytsia SOA	Y	Y
9	Reconstruction of the sport complex on Academician Yangel St., 48, Vinnytsia	73,9	1,8	Y	Y	Y	Vinnytsia SOA	Y	Y
10	Reconstruction of the building for accommodation of "Vinnytsia Innovation and Technology Park", 600-yrs St., 21A, Vinnytsia (including design doc preparation)	113,2	2,7	Y	Y	Y	Vinnytsia SOA	Y	Y

Data source: Economic Development and Investments Affairs Department of Vinnytsia City Council.

* "Yes" if consider the template established by the Minregion order No.80 as national guidelines.

189. The score for this dimension is C.

Dimension PI-11.2. Investment projects selection

190. Key criteria for investment projects selection and inclusion in the Capital Construction Program are specified in the Procedures for the development of the Capital Construction Program (hereinafter - the Procedures) approved by the Decree of the Vinnytsia City Council Executive Committee dated 04.07.2019 No. 1689.

191. According to the Procedures the following criteria are of priority importance for investment projects inclusion in the Capital Construction Program of the City Council:

- compliance with the goals and priorities determined in the Development Strategy "Vinnytsia - 2020" and the Concept of Integrated Development of Vinnytsia city through 2030;
- availability of design and evaluation documentation for construction projects, which passed through economic expertise and are approved by the council;
- continuation of the project implementation with a high level of construction readiness (70% or more) that was launched in a previous period;
- co-financing of investment projects within the Capital Construction Program – for those previously selected and agreed for being implemented by means of SRDF, transfers from the state budget, programs of international technical assistance.

192. When preparing and prioritizing investment proposals for inclusion in the Capital Construction Program, key spending units are obliged to consider the criteria mentioned above.

193. Furthermore, selection of investment projects to be funded by means of SRDF is carried out in accordance with the published criteria set by the Guidelines for preparation, evaluation, and selection of the projects (hereinafter – the Guidelines) approved by the Cabinet Decree dated 18.03.2015 No.196.

194. As per the Guidelines, the projects are selected in two stages.

195. The first stage was carried out by the regional (oblast) commission in accordance with the established and published criteria. The regional commission should publish the announcement on the selection for the next planning year on the official website of the oblast state administration (hereinafter – OSA) and the SRDF's page on the official website of the Ministry for Regional Development. The Order of the Minregion dated 24.04.2015 No.80 established a form for evaluation of investment programs and regional development projects that can be implemented under SRDF, which provides for the evaluation by the members of the regional commission following standardized criteria. The evaluation also involves a point scale and the number of points given by each member of the Commission under each criterion. According to the selection results, the OSA submits a list of winning projects to the Minregion.

196. Video records of all meetings of the Commission for evaluation and selection of SFRD projects are available on the website of the Vinnytsia OSA. The Commission submits the selected (winning) projects list to the Ministry for Regional Development based on the results of the selection.

197. At the second stage, the interagency commission established by the Minregion assesses the compliance of investment projects with legal requirements. Based on the assessment results, the Minregion provides the Government with the projects selected for funding by means of SRDF.

198. Seven major investment projects implemented in Vinnytsia in 2020 under SRDF were selected using standard criteria.

199. In addition, the project on construction of the Vinnytsia Regional Clinical Medical and Diagnostic Centre for Cardiovascular Pathology in Vinnytsia was selected in accordance with the Procedure and Conditions for assigning subvention from the state budget to local budgets for regional healthcare systems reformation under cooperation with the International Bank for Reconstruction and Development (Cabinet Decree dated 27.05.2015 No. 35018).

200. The share of the total cost of these seven investment projects amounts 56.9% of the overall cost of all ten major projects listed in Table 11.1.

201. The total cost of the above eight major investment projects (No. 1, 2, 3, 4, 5, 8, 9, 10 in Table 11.1) is 90.6% of the overall cost of all ten major projects presented in Table 11.1.

202. **The score for this dimension is A.**

Dimension PI-11.3. Investment projects costing

Capital investment project costing does not include recurrent cost estimates. Only the total capital investment cost with estimates for the budget year and the two following years are provided in the budget documentation.

Table 11.2: Investment project costing and monitoring of ten major investment projects in FY 2020

No	Investment project	Data for PI-11.3 Investment project costing			Data for PI-11.4 Investment project monitoring				
		Life cycle cost in budget documents (Y/N)	Capital cost breakdown in budget documents (Annual/Three-year)	Recurrent costs included in budget documents (Annual/Three-year)	Monitoring of total cost (Y/N)	Physical progress monitoring (Y/N)	Standard rules and procedures exist (Y/N)	High level of compliance with procedures (Y/N)	Information on total cost and physical progress published annually (Y/N)
1	Reconstruction of the Bridge construction across the Southern Bug River on Chornovola St., Vinnytsia	N	Annual/3-year	N	Y	Y	Y	Y	Y
2	Reconstruction of the building of the preschool educational institution No.16 of Vinnytsia City Council on Mykola Zerova St., 12, Vinnytsia	N	Annual/3-year	N	Y	Y	Y	Y	Y
3	Construction of Vinnytsia Regional Clinical Medical and Diagnostic Centre for Cardiovascular Pathology on Khmelnytsky highway, Vinnytsia	N	Annual/3-year	N	Y	Y	Y	Y	Y
4	Finalizing construction of the main building of the clinical hospital of ambulance on Kyivska St., 68, Vinnytsia	N	Annual/3-year	N	Y	Y	Y	Y	Y
5	Construction of the secondary school of I-III grades No. 8 in "Podillya" district, Vinnytsia	N	Annual/3-year	N	Y	Y	Y	Y	Y
6	Construction of a building complex for disposal of household waste (on the territory of Ludavka village	N	Annual/3-year	N	Y	Y	N	N	Y

¹⁸ <https://zakon.rada.gov.ua/laws/show/350-2015-%D0%BF#Text>

	council of Zhmerynsky district, Vinnytsia region)								
7	Construction of a cemetery on Sabarovsky highway, Vinnytsia	N	Annual/3-year	N	Y	Y	N	N	Y
8	New construction of Proektna St., 12a and 13 in Vinnytsia	N	Annual/3-year	N	Y	Y	Y	Y	Y
9	Reconstruction of the sport complex on Academician Yangel St., 48, Vinnytsia	N	Annual/3-year	N	Y	Y	Y	Y	Y
10	Reconstruction of the building for accommodation of "Vinnytsia Innovation and Technology Park", 600-yrs St., 21A, Vinnytsia (including design doc preparation)	N	Annual/3-year	N	Y	Y	Y	Y	Y

Data source: Economic Development and Investments Affairs Department of Vinnytsia City Council;

Minregion website: <https://new.dfr.minregion.gov.ua/regional-news?region=27>.

203. The score for this dimension is C.

Dimension PI-11.4. Investment projects monitoring

204. All investment projects implemented by the budget means are included in the Capital Construction Program, which is a part of the Program of economic and social development of Vinnytsia CTC. The latter is approved annually by the Vinnytsia City Council.

205. In accordance with paragraph 4 of the Vinnytsia City Council Decree dated 27.12.2019 No. 2076 (on approval of 2020 Program of economic and social development) the relevant executives of the City Council responsible for the project implementation submit quarterly reports to the Economic Development and Investments Affairs Department of Vinnytsia City Council before the 10th day of the month following the reporting quarter. The Economic Development and Investments Affairs Department ensures monitoring of all investment projects. The results of the monitoring are published on the Vinnytsia City Council website (see Table 11.3).

206. Furthermore, monitoring of seven major investment projects implemented by means of SRDF was provided by relevant project contractors with respect to both financial component and physical progress of the project implementation in accordance with the Cabinet Decree dated 18.03.2015 No. 196. The Vinnytsia SOA provided for monitoring results publication on the website of the Minregion on a quarterly basis before the 10th day of the month following the reporting quarter. The monitoring reports include evidence (pictures) presenting the physical progress of the project and consolidated analytical information on the results achieved over the reporting period¹⁹.

Table 11.3: Evidence of publication of information on investment projects implementation

No	Investment project	Evidence of publication of information
1	Reconstruction of the Bridge construction across the Southern Bug River on Chornovola St., Vinnytsia	https://dfr.minregion.gov.ua/Project-annotation?PROJT=6910
2	Reconstruction of the building of the preschool educational institution No.16 of Vinnytsia	https://dfr.minregion.gov.ua/Project-annotation?PROJT=26659

¹⁹ <https://new.dfr.minregion.gov.ua/regional-news?region=27>.

	City Council on Mykola Zerova St., 12, Vinnytsia	
3	Construction of Vinnytsia Regional Clinical Medical and Diagnostic Centre for Cardiovascular Pathology on Khmelnytsky highway, Vinnytsia	https://www.vmr.gov.ua/Docs/CityCouncilDecisions/2020/No.51%2024-12-2020.pdf (p. 59)
4	Finalizing construction of the main building of the clinical hospital of ambulance on Kyivska St., 68, Vinnytsia	https://dfrr.minregion.gov.ua/Project-annotation?PROJT=26587
5	Construction of the secondary school of I-III grades No. 8 in "Podillya" district, Vinnytsia	https://dfrr.minregion.gov.ua/Project-annotation?PROJT=26076
6	Construction of a building complex for disposal of household waste (on the territory of Ludavka village council of Zhmerynsky district, Vinnytsia region)	https://www.vmr.gov.ua/Docs/CityCouncilDecisions/2020/No.51%2024-12-2020.pdf (p. 33)
7	Construction of a cemetery on Sabarovsky highway, Vinnytsia	https://www.vmr.gov.ua/Docs/CityCouncilDecisions/2020/No.51%2024-12-2020.pdf (p. 2, 23)
8	New construction of Proektna St., 12a and 13 in Vinnytsia	https://www.vmr.gov.ua/Docs/CityCouncilDecisions/2020/No.51%2024-12-2020.pdf (p. 32)
9	Reconstruction of the sport complex on Academician Yangel St., 48, Vinnytsia	https://new.dfrr.minregion.gov.ua/projects/0f67db70-7f4f-11ea-9405-117c2a804196
10	Reconstruction of the building for accommodation of "Vinnytsia Innovation and Technology Park", 600-yrs St., 21A, Vinnytsia (including design doc preparation)	https://new.dfrr.minregion.gov.ua/projects/b4e51a90-6a9b-11ea-ade4-6fa7cb3acc3b

Data source: Economic Development and Investments Affairs Department of Vinnytsia City Council;
Minregion website: <https://new.dfrr.minregion.gov.ua/regional-news?region=27>.

207. **The score for this dimension is A.**

Recent or ongoing reform

208. During the period of assessment, the Economic Development and Investments Affairs Department of Vinnytsia City Council was preparing the draft City Council decision on amendments to the list of criteria for investment projects selection and inclusion in the Capital Construction Program.

209. The newly proposed criteria are: square of territory and number of citizens under the investment project's impact; foreseen project's contribution to solving problematic issues of territory; project innovation; socio-economic aspects of a project.

PI-12. Public asset management

210. This indicator assesses the management and monitoring of SNG assets and the transparency of asset disposal. The time period is the last completed FY (2020), while coverage is narrowed by focusing on the budgetary units of the SNG.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-12. Public asset management (M2)	B	
12.1. Financial asset monitoring	C	All budget institutions and public corporations of Vinnytsia City Council maintain their individual records of financial assets through the accountant software centralised at the city level. Financial assets are recognized at fair value. The City Government has a 100% stake in forty-two public corporations but has no records of the number and value of shares of these corporations. Information on financial assets' performance portfolio is not published.
12.2. Nonfinancial asset monitoring	C	All budget institutions and public corporations of Vinnytsia City Council maintain their individual registers on all items of fixed assets (buildings, vehicles, facilities, equipment) including information on their usage and age through the accountant software centralised at the city level. The register information is complete; SNG updates it on a regular basis. The land register is maintained by the central government (State Cadastre). The real estate communal property register of Vinnytsia CTC approved by the City Council Decision dated 30.08.2019 No.1933 is available on the city council website. Information on other fixed assets is not subject to disclosure.
12.3. Transparency of asset disposal	A	Procedures and rules for asset disposal are established. Any asset disposal requires an individual local council decision. Information on communal property disposal is included in the budget reports as budget revenues. Furthermore, the Communal Property Department of Vinnytsia City Council issues an annual analytical report on assets disposal, which is published on the city council website. In 2020, 14 communal property items were disposed, consequently the city budget received UAH 14,579,0 thousand.

Dimension PI-12.1. Financial asset monitoring

211. The Law on Accounting and Financial Reporting in Ukraine²⁰ and National Public Sector Accounting Standards are the main legal base regulating public (financial and nonfinancial) assets management in Ukraine.

212. Public asset management for all local governments, with specific reference to financial and non-financial assets management, is governed by Cabinet Decree dated 10.05.2018 No. 351 "On Approval of the Procedure for Monitoring the Effectiveness of Asset Management."

213. Evidence received from the three budgetary units – Finance Department, Economic Development and Investments Affairs Department and Executive Office of the City Council – indicate that every single KSU develop its own Regulation on Accounting Policy Implementation. For instance, such a document for

²⁰ The Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16.07.1999 No. 996-XIV: <https://zakon.rada.gov.ua/laws/show/996-14#Text>.

the Executive Committee of the Vinnytsia City Council is approved by the City Mayor Resolution dated 30.03.2015 No. 103-r.²¹

214. In accordance with the regulations mentioned above, each institution of Vinnytsia City Council maintains individual accounting records of financial assets through the accountant software centralised at the city level. Financial assets are recognized at fair value. However, information on performance of the financial assets' portfolio is not published.

215. According to the annual financial statements of the Treasury, main financial assets of the Vinnytsia City Council are cash and receivables.

Table 12.1: Financial asset monitoring – check list of record of holdings, FY 2020

Asset Type	Holdings of financial assets maintained (Y/N)	Acquisition cost recorded (Y/N)	Fair value recognized (Y/N)	In line with international accounting standards (Y/N)	Information on performance published annually. (Y/N)
Equity	N	NA	NA	NA	NA
Bank Dep.	Y	Y	Y	Y	N
Leases	Y	Y	Y	Y	N
Receivables	Y	Y	Y	Y	N
Loans to PCs	Y	Y	Y	Y	N

Data source: Records and financial statements of KSU and Vinnytsia City Council for 2020.

216. **The score for this dimension is C.**

Dimension PI-12.2. Nonfinancial asset monitoring

217. All budget institutions and public (communal) corporations of Vinnytsia City Council maintain their individual registers on all items of fixed assets (buildings, vehicles, facilities, equipment) through the accountant software centralised at the city level. The register information is complete and includes information on assets' usage and age by years, amortization and net book value. The asset registers also include information on assets' life service and balance holders. SNG updates registers on a regular basis.

218. The land register is maintained by the central government (State Cadastre Service).

219. The Land Cadastre was established in 2003. It was acknowledged as a national single public geographic and informational system in 2011. At the same, time, local governments keep their own records of land resources based on the Land Cadastre data. Thereby, a special electronic service is available at the level of Vinnytsia City Council that allows to gain information on communal property land, land zoning, and urban planning documentation (master plan).

220. There are no natural resources registered in Vinnytsia.

²¹ <https://www.vmr.gov.ua/Docs/MajorOrdersR/2015/%E2%84%96103-%D0%A0%2030-03-2015%20%D0%9F%D1%80%D0%BE%20%D0%BE%D0%B1%D0%BB%D1%96%D0%BA%D0%BE%D0%B2%D1%83%20%D0%BF%D0%BE%D0%BB%D1%96%D1%82%D0%B8%D0%BA%D1%83.pdf>.

221. The real estate communal property list of Vinnytsia CTC is approved by the City Council Decree dated 30.08.2019 No.1933.²² It is published on the city council website. Information on other non-financial assets is not subject to disclosure.

Table 12.2: Non-financial asset monitoring – check list of record of holdings

Register of fixed assets (Y/N)	Information on usage and age (Y/N)	Register of land assets (Y/N)	Register of subsoil assets (if applicable) (Y/N/NA)	Information on performance published annually (Y/N)
Y	Y	Y	NA	Y <i>(For real estate property only)</i>

Data source: Registers and financial statements of KSU and Vinnytsia City Council for 2020.

222. **The score for this dimension is C.**

Dimension PI-12.3. Transparency of asset disposal

223. Privatization of communal property is provided in line with the Law of Ukraine of January 18, 2018, No. 2269-VIII "On privatization of state and communal property."

224. As per article 60 of the Law on Local Self-Governments in Ukraine, the local governments ensure legal use of communal property, including its disposal and purchase, on behalf of and in the interests of territorial communities.

225. The local council also approves an approach to and conditions for communal property disposal.

226. The small-scale privatization is carried through an electronic bid system ProZorro. Продажі. The Guidelines on conducting electronic auctions for the small-scale privatization are approved by Cabinet Decree dated 10.05.2018 No. 432.

227. The list of 43 communal property items that are subject to privatization and disposal was voted and approved by Vinnytsia City Council in 2020 (City Council Decree dated 22.05.2020 No.2282).²³

228. Results of communal property disposal are reflected in budget reports as budget revenues. Furthermore, the Communal Property Department of Vinnytsia City Council issues annual analytical reports on assets disposal. The report for 2020 was published on the city council website.²⁴

229. Based on this report 14 communal property items were disposed in 2020, consequently the city budget received revenue of 14,579,0 thousand UAH. Preparation costs due to privatization made up 58.9 thousand UAH.

²² The real estate communal property list of Vinnytsia CTC is available at:

<https://www.vmr.gov.ua/Docs/CityCouncilDecisions/2019/%E2%84%961933%2030-08-2019.pdf>.

²³ <https://www.vmr.gov.ua/Docs/CityCouncilDecisions/2020/%E2%84%962282%2022-05-2020.pdf>.

²⁴ 2020 Report on Communal Property Disposal progress and results:

<https://www.vmr.gov.ua/Docs/CityCouncilDecisions/2021/%E2%84%96402%2030-04-2021.pdf>.

Table 12.3: Transparency of asset disposal

Procedures for non-financial asset disposal established (Y/N)	Procedures for financial asset disposal established (Y/N)	Information included in budget documents, financial reports or other reports (Full/Partial specify)	Register of subsoil assets (if applicable) (Y/N/NA)	Information on asset disposal submitted to legislature (Y/N)
Y	Y	Full	NA	Y

Data source: relevant laws, city council decrees indicated in Annex 3.1.

230. The score for this dimension is A.

PI-13. Debt management

231. This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-13. Debt management (M2)	B	
13.1. Recording and reporting of debt and guarantees	A	The Finance Department of Vinnytsia City Council prepares and submits to the Treasury quarterly information on local debt and local guarantees following the template prescribed in the Ministry of Finance Order dated 17.01.2018 No.12. ²⁵ This information is included in quarterly and annual budget reports on local budgets performance and contains data on internal and external debt liabilities of local governments, which are detailed by the repayment period (long-term, medium-term, short-term) and source of financing (loans from banks and financial institutions, loans from TSA, etc.). Information covers local debt stock and operations. Data on debt service is also included in the quarterly and annual budget reports however is presented in a separate form. Data on internal and external local debt and local guarantees are complete, accurate, updated, and reconciled on a monthly basis.
13.2. Approval of debt and guarantees	A	According to Article 16 of the BCU, the legal right to make local borrowings and issue local guarantees within the limits set by the local budget decision belongs to the head of the local financial body on behalf of the City Council. In accordance with Article 74 of the BCU, the scope and conditions of local borrowing and local guarantees need to be agreed with the Minfin. Procedural issues in the process of approving local borrowings and local guarantees are regulated accordingly by Cabinet Decrees dated 16.02.2011 No. 110 "On approval of the Procedure for local borrowing" and dated 14.05.2012 No. 541 "On approval of the Procedure for local guarantees." The Procedure requires the adoption of the local council decision on borrowings and guarantees. Based on the evidence provided by the Finance

²⁵ The Ministry of Finance Order dated 17.01.2018 No. 12 "On organizational issues related to preparation by the State Treasury Service of Ukraine budget reports local budget performance".

		Department the last approval of local borrowings by the Ministry of Finance took place on July 27, 2021.
13.3. Debt management strategy (DMS)	D	Vinnytsia City Council annually approves the Local Debt Management Program of Vinnytsia CTC for the next budget period, which covers information on existing and projected local debt, local debt, and local guarantees portfolio, interest rate limits, and potential risks assessment. Medium-term debt management strategy is not developed.

Dimension PI-13.1. Recording and reporting of debt and guarantees

232. According to the Ministry of Finance Order dated 23.08.2012 No.938 "On approval of the Procedure for Treasury servicing of local budgets" (Clause 18.5 of the Procedure) and the Treasury Order dated 06.02.2018 No.36, which stipulates Instruction for local budget reports preparation (Clause 3.1 of the Instruction), the Finance Department of Vinnytsia City Council prepares and submits to the Treasury quarterly information on local debt and local guarantees through the Treasury IAS "E-Reporting."

233. This information is included in quarterly and annual budget reports on local budgets performance and contains data on internal and external debt liabilities of local governments, which are detailed by the repayment period (long-term, medium-term, short-term) and source of financing (loans from banks and financial institutions, loans from TSA, etc.). Information covers local debt stock and operations. Data on debt service is also included in the quarterly and annual budget reports, but it is presented in a separate form.

234. Data on internal and external local debt and local guarantees are complete, accurate, updated, and reconciled on a monthly basis. All treasury transactions related to local debt management are carried out in line with the Finance Department's payment directives.

235. In accordance with Article 18 of the BCU, the Ministry of Finance maintains Register of local borrowings and local guarantees. Relevant information is updated on a monthly basis and published on the official website of the Ministry of Finance.²⁶

Table 13.1: Recording and reporting of debt and guarantees

Domestic and foreign debt records maintained (Y/N)	Frequency of update of records (M/Q/A)	Records are complete and accurate (Y/N)	Frequency of reconciliation M=Monthly Q=Quarterly A=Annually N=Not done (Add whether All; Most: Some; Few)	Statistical reports (covering debt service, stock and operations prepared) M/Q/A/N	Additional information from reconciliation reported (if no statistical report) (Y/N)
Yes	M	Yes	M (All)	Q/A	NA

Data source: Finance Department of Vinnytsia City Council.

236. **The score for this dimension is A.**

²⁶ <https://mof.gov.ua/uk/miscevij-borg-ta-miscevij-garantovanij-borg>.

Dimension PI-13.2. Approval of debt and guarantees

237. According to Article 16 of the BCU, the legal right to make local borrowings and issue local guarantees within the limits set by the local budget decision belongs to the head of the local financial body on behalf of the City Council.

238. In accordance with Article 74 of the BCU, the scope and conditions of local borrowing and local guarantees need to be agreed with the Ministry of Finance. Procedural issues in the process of approving local borrowings and local guarantees are regulated by:

- The Cabinet Decree dated 16.02.2011 No. 110 "On approval of the Procedure for local borrowing." Clause 4 of the Procedure requires the adoption of the relevant local council decision on borrowings;
- The Cabinet Decree dated 14.05.2012 No. 541 "On approval of the Procedure for local guarantees";
- The Ministry of Finance Order dated 30.09.2021 No.532 "On the Guidelines for approval of the scope and conditions of local borrowing and local guarantees."

239. Based on the evidence provided by the Finance Department of Vinnytsia City Council, the last approval of local borrowings by the Ministry of Finance took place on July 27, 2021 (letter from the Ministry of Finance as of 28.07.2021 No.12040-08-6/23667).

Table 13.2: Approval of local debt and local guarantees

Primary legislation exists (Y/N; Name of Act)	Documented policies and guidance (Y/N, Name of regulation/policy)		Debt management responsibility (Y/N; Name and location of unit)		Annual borrowing approved by government or legislature (Y/N, specify last date of approval)
	Guidance to single debt management entity	Guidance to several entities	Authorization of debt granted to single responsible entity	Transactions reported to and monitored only by single responsible entity	
Yes, Budget Code of Ukraine	No	Guidance to all local governments, Cabinet Decree dated 16.02.2011 No.110	Yes, Vinnytsia City Council	Yes, Finance Department of Vinnytsia City Council	Yes, by the Ministry of Finance, July 27, 2021

Data Source: Budget Code of Ukraine, Cabinet Decree dated 16.02.2011 No.110.

240. **The score for this dimension is A.**

Dimension PI-13.3. Debt management strategy

241. Vinnytsia City Council annually approves the Local Debt Management Program of Vinnytsia CTC for the next budget period (hereinafter – the Program), which covers information on existing and projected local debt, local debt and local guarantees portfolio, interest rate limits, potential risks assessment.

242. Based on the results of the Program implementation, the Finance Department prepares an annual report on its implementation (once a year). Both the Program and the Report are published on the Vinnytsia City Council website.²⁷

243. Medium-term debt management strategy is not developed.

244. **The score for this dimension is D.**

²⁷ <https://www.vmr.gov.ua/Branches/Lists/Finances/ShowContent.aspx?ID=94>.

PILLAR 4: Policy-based fiscal strategy and budgeting

245. This pillar assesses whether the government’s fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

PI-14. Medium-term budget strategy

246. This indicator measures the ability of a sub-national government to develop robust macroeconomic and fiscal forecasts, which are crucial for developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government’s capacity to estimate the fiscal impact of potential changes in economic circumstances. The assessment of this indicator covered the budgetary units and the last budget submitted to the elected local legislature.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-14. Medium-term budget strategy (M2)	C+	
14.1. Underlying forecasts for medium-term budget	A	For FY2021 city budget forecast was based on historical information on transfers, revenue, and expenditure assignments. The budget forecast’s estimates were calculated based on macroeconomic forecast, fiscal strategy, sectoral strategies, new initiatives in expenditure and revenue policy implementation, and key demographic indicators. The city budget forecast and the underlying assumptions were submitted to the City Council together with the annual city budget for FY2021.
14.2. Fiscal impact of policy proposals	D	Estimates of the fiscal impact of proposed changes in revenue and expenditure policy for the budget year of 2021 and the following two fiscal years were not provided in the city budget forecast. Although the explanatory note of the forecast contains a description of the approach to budget revenue and expenditure calculation, as well as explanation of the main reasons and factors influencing budget indicators, such effects are not quantified.
14.3. Medium-term expenditure and revenue estimates	B	Medium-term estimates of budget expenditure and revenue for the budget year of 2021 and two following fiscal years are included in the local budget forecast submitted to the City Council in 2020. Revenues are presented by type. Expenditures are allocated by administrative and program (aggregated codes) classification. Expenditure allocation by economic classification is not provided.
14.4. Consistency of budget with previous year estimates	D	Budget documentation does not include explanation on changes to expenditure estimates between the last medium-term budget forecast and the current medium-term budget forecast.

Dimension PI-14.1. Underlying forecasts for medium-term budget

247. As per article 75¹ of the BCU, the Finance Department of Vinnytsia City Council prepares annually a local budget forecast for the budget year and two following fiscal years.

248. For FY2021 city budget forecast was based on historical information on transfers, revenue, and expenditure assignments. The city budget forecast’s estimates were calculated based on macroeconomic forecast, fiscal strategy, sectoral strategies included in the concept of integrated development of Vinnytsia

City through 2030,²⁸ new initiatives in expenditure and revenue policy implementation, and key demographic indicators. The main indicators considered are: the volume of retail turnover of enterprises and services sold, the volume of foreign direct investment per unit of population, the total export and import of goods, the average nominal wage per employee, and the number of private enterprises.

249. The city budget forecast and the underlying assumptions were submitted to the City Council together with the annual city budget for FY2021 – on the 10th of December, 2020 (after approval by the Executive Committee).²⁹

250. **The score for this dimension is A.**

Dimension PI-14.2. Fiscal impact of policy proposals

251. Estimates of the fiscal impact of proposed changes in revenue and expenditure policy for 2021 fiscal year and the following two fiscal years were not provided in the city forecast. Although the explanatory note of the forecast contains a description of the approach to budget revenue and expenditure calculation, as well as explanation of main reasons and factors influencing budget indicators, such effects are not quantified.

Table 14.1: Fiscal impact of policy proposals

Estimates of fiscal impact of ALL proposed changes prepared		
Budget year	Two following FYs	Submitted to legislature
No	No	No

Data source: Budget documentation submitted to the Vinnytsia City Council in 2020.

252. **The score for this dimension is D.**

Dimension PI-14.3. Medium-term expenditure and revenue estimates

253. Medium-term estimates of budget expenditure and revenue for the medium-term period (2021-2023) are included in the local budget forecast submitted to the City Council in 2020. Revenues are presented by type. Expenditures are allocated by administrative and program (aggregated codes) classification. Expenditure allocation by economic classification is not provided.

Table 14.2: Medium-term expenditure estimates

Classification	Budget year (Y/N)	Two following FYs (Y/N)
Administrative	Yes	Yes
Economic	Yes (partially)	No
Program/Function	Yes	Yes

Data source: Budget documentation submitted to the Vinnytsia City Council in 2020.

254. **The score for this dimension is B.**

²⁸ <https://2021.vmr.gov.ua/Branches/Lists/EconomicsBusinessAndInvestmens/ShowContent.aspx?ID=314>.

²⁹ <https://2021.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=143>.

Dimension PI-14.4. Consistency of budget with previous year's estimates

255. Budget documentation does not include explanations on changes to expenditure estimates between the last medium-term budget forecast and the current medium-term budget forecast.

256. **The score for this dimension is D.**

Reform measures

257. Local budget forecast template and Instruction on its preparation were approved by the Ministry of Finance in 2021 (Order dated 02.06.2021 No.314³⁰). It prescribes that local budget forecast is to be approved by the Executive Committee and submitted to the local council before the 5th of September of the current year.

PI-17. The budget preparation process

258. This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. The assessment of this indicator covers the budgetary units of the SNG. It comprises the last budget submitted to the elected local legislature (2021 city budget) for dimensions 17.1 and 17.2, and the last three completed FYs (that is city budgets for 2019, 2020, 2021) for dimension 17.3.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-17. The budget preparation process (M2)	D+	
17.1. The budget calendar	C	The budget calendar is strictly adhered to by all the budget process players. Based on the measures and timelines defined in the budget calendar KSUs have less than four weeks (actual period – 9 days) to meaningfully complete their budget requests (detailed budget estimates).
17.2. Guidance on budget preparation	C	A budget circular which reflects the guidelines on budget requests preparation and expenditure ceilings for each KСУ was issued by the Finance Department of the Vinnytsia City Council and distributed to KSUs on the 13 th of October, 2020. The budget circular covered total budget expenditure for the full fiscal year. Expenditure ceilings were approved by the Order of the Finance Department dated October 9, 2020 that is prior to the circular's distribution to KSUs. When budget estimates elaboration is complete expenditure ceilings for all KSUs are included in the local budget decree and approved by the Executive Committee.
17.3. The budget submission to the legislature	D	For all three years under assessment (2018-2020) the Executive Committee submitted the annual budget to the Vinnytsia City Council (legislature) less than a month before the start of the next fiscal year. Actual submission dates were as follows: for 2019 budget – 06.12.2018; 2020 budget – 12.12.2019; 2021 budget – 10.12.2020.

³⁰ <https://zakon.rada.gov.ua/laws/show/z0879-21#Text>.

Dimension PI-17.1. The Budget Calendar

259. Table 17.1 below outlines the main steps and timelines for local budget preparation and approval (these steps are backed by BCU, articles 75, 75¹, 76, 77, 78).

Table 17.1: Budget approval steps and timelines

By 15 August	Local financial bodies submit local budget forecasts to executive committees of local councils
By 1 September	Executive committees of local councils examine and approve local budget forecasts
By 6 September	Executive committees of local councils submit local budget forecasts (accompanied with financial calculations and justification) to local councils
Within one week after the Draft State Budget Law is approved by the Cabinet (latest by 22 September)	MoF issues to local governments an instructive letter which covers: <ul style="list-style-type: none"> - indicative estimates of intergovernmental transfers; - the methodology used for intergovernmental transfers calculation; - organizational and methodical requirements to budget preparation; - template of Local Council Resolution on local budget approval.
Within one week after the Draft State Budget Law is approved by the Parliament in the second reading (latest by 27 November)	The MoF submits to local governments updated budget information established by the draft Budget Law approved by the Parliament in the second reading, including: <ul style="list-style-type: none"> - indicators of intergovernmental relations (including transfers); - textual legal provisions of the State Budget Law; - organizational and methodical requirements to budget preparation.
By 25 December	Local budgets are adopted by local councils

Note. Developed by the authors based on the BCU.

260. The budget calendar of the Vinnytsia City Council (official title – Action plan of preparation of Vinnytsia city budget for 2021 and Vinnytsia city budget forecast for 2022-2023) is approved by Executive Committee of the City Council (Decree dated 25.06.2020 No. 1259). The budget calendar is quite comprehensive and clear (Table 17.2 below) and adhered to by all budgetary units.

Table 17.2: Budget calendar and guidance on budget preparation

No.	Activities	Responsible institution	Scheduled date	Actual date
1.	Calculation of tax revenues of Vinnytsia CTC for 2021 city budget and 2022-2023 budget forecast.	Principal Directorate of the State Tax Service in Vinnytska Oblast, Finance Department of the City Council	10-31.07.2020	10-31.07.2020
2.	Budget revenue and expenditure planning for 2021 city budget and 2022-2023 budget forecast.	Finance Department of the City Council	01-06.10.2020	01-06.10.2020
3.	Elaboration of guidelines on budget requests preparation for 2021 and indicative forecast indicators for 2022-2023, templates of budget requests (general, individual and additional) and calculations to them.	Finance Department of the City Council	07.08.2020	07.08.2020
4.	Calculation of expenditure ceilings for 2021 and indicative forecast indicators for expenditure for 2022-2023 for KSUs in Vinnytsia CTC.	Finance Department of the City Council	07-09.10.2020	07-09.10.2020

5.	Distributing to KSUs the following information:			
	- guidelines for preparing budget requests for 2021 and indicative budget indicators for 2022-2023, template of budget requests and calculations for them, recommendations as to local budget forecast preparation for 2022-2023;	Finance Department of the City Council	14.08.2020	12.08.2020
	- expenditure ceilings for budget 2021 and budget forecast for 2022-2023.		13.10.2020	13.10.2020
6.	Preparation of the key indicators of the economic and social development program of Vinnytsia CTC for 2021 and forecast indicators for 2022-2023.	Finance Department Economic Development and Investments Affairs Department	22.10.2020	22.10.2020
7.	Drawing up a list of projects to be funded from the development budget in 2021, in terms of construction and refurbishment.	Finance Department of the City Council	22.10.2020	22.10.2020
8.	Preparation of budget requests for 2021 and the forecast for 2022-2023 and relevant calculations by KSUs.	KSUs (budgetary institutions)	17.08-22.10.2020	17.08-22.10.2020
9.	Analysis of budget requests of KSUs and calculations to them.	Finance Department of the City Council	23-30.10.2020	23-30.10.2020
10.	Adjusting of proposals to the draft budget of Vinnytsia CTC for 2021 and the budget forecast for 2022-2023 with KSUs within the framework of coordination meetings.	Finance Department of the City Council	16-18.11.2020	27.11.2020 30.11.2020
11.	Drawing 2021 draft budget of Vinnytsia CTC.	Finance Department of the City Council	17-30.11.2020	17-30.11.2020
12.	Drawing budget assumptions indicators for Vinnytsia CTC for the main types of funding: revenue, financing, expenses and providing loans, local debt, and the debt guaranteed by the amalgamated community for the two budget periods following the ensuing one.	Finance Department Economic Development and Investments Affairs Department	17-30.11.2020	17-30.11.2020
13.	Preparation of draft decrees of the Executive Committee: on 2021 budget approval; on 2022-2023 budget forecast for Vinnytsia CTC.	Finance Department of the City Council	30.11-03.12.2020	30.11-03.12.2020
14.	Preparing information on the budget execution in 2020.	Finance Department of the City Council	06-10.11.2020	06-10.11.2020
15.	Preparing of information on the socio-economic development of Vinnytsia CTC and further developments expected in 2021 and 2022-2023.	Finance Department Economic Development and Investments Affairs Department	02-10.11.2020	02-10.11.2020
16.	Preparing of the explanatory note to the draft city budget for 2021.	Finance Department of the City Council	01-07.12.2020	01-07.12.2020

17.	Preparation of a decree of the Executive Committee of the City Council on conducting public consultations on budget. Meeting of the Executive Committee to discuss this issue.	Finance Department of the City Council	26.10-23.11.2020 26.11.2020	26.11.2020
18.	Preparation and running of public consultations on the city budget.	Departments of the City Council: Finance Department and Legal Policy Department	01-07.12.2020 08.12.2020	08.12.2020
19.	Submission to the City Council: 2021 draft city budget and 2022-2023 draft budget forecast. Meeting of the Executive Committee to discuss this issue.	Finance Department of the City Council	10.12.2020	10.12.2020
20.	Examination of 2021 city budget as well as 2022-2023 budget forecast under the sectoral committees of the Vinnytsia City Council.	Finance Department of the City Council	04-24.12.2020	16-22.12.2020
21.	2021 city budget and 2022-2023 city budget forecast are debated in the City Council. 2021 city budget is approved	Finance Department of the City Council	25.12.2020	24.12.2020

261. Timelines for some measures indicated in Table 17.2 are quite short, which may affect the quality and timeliness of budget documents and indicators preparation. This applies, in particular, to the preparation of budget requests by KSUs who have only 9 days to develop budget requests and relevant calculations to be submitted to the Finance Department of Vinnytsia City Council (Items 5 and 8 of the budget calendar).

Table 17.3: Budget calendar and guidance on budget preparation

Budget calendar exists (Y/N)	Date of budget circular	Deadline for submission of estimates	Coverage	% of KSUs complying with deadline	Date of the Executive approved ceilings	Budget estimates are reviewed and approved by the Executive after completion (if ceilings not issued) (Y/N)
Yes	13.10.2020	22.10.2020	100 %	100%	10.12.2020	NA

Data source: Finance Department of Vinnytsia City Council.

262. **The score for this dimension is C.**

Dimension PI-17.2. Guidance on budget preparation

263. Article 75, Part 3 of BKU defines the guidance on budget preparation for local governments. The law mandates the Finance Department (local financial body) to issue budget circular with expenditure ceilings calculated for each KSU. The budget circular and expenditure ceilings for FY 2021 were sent to KSUs on the 13th of October 2020. The budget circular covered total budget expenditure for the full fiscal year. Expenditure ceilings were approved by the Order of the Finance Department dated 09.10.2020 No.18³¹

³¹ <https://2021.vmr.gov.ua/TransparentCity/ContentLibrary/1e4f864c-2faa-4c51-b0e3-2e3f02ed51b4/77/%E2%84%9618%20%D0%B2%D1%96%D0%B4%2009.10.2020.pdf>.

that means prior to the circular's distribution to KSUs. However, according to the PEFA Secretariat resolution, the Finance Department of Vinnytsia City Council cannot be considered as the cabinet.

264. When budget estimates elaboration is complete, expenditure ceilings for all KSUs are updated (if necessary) and included in the local budget decree to be approved by the Executive Committee. In 2020, expenditure limits were approved on the 10th of December.

265. **The score for this dimension is C.**

Dimension PI-17.3. The budget submission to the sub-national council

266. As it is indicated in Table 17.3 below, for all three years under assessment (2018-2020), the Executive Committee submitted the annual budget to the Vinnytsia City Council (legislature) less than a month before the start of the next fiscal year. Actual submission dates were as follows: for 2019 budget – 06.12.2018; 2020 budget – 12.12.2019; 2021 budget – 10.12.2020.

Table 17.4: Budget submission to legislature

Draft budget for FY	Date of submission of budget proposal
2019	06.12.2018
2020	12.12.2019
2021	10.12.2020

Data source: Finance Department of Vinnytsia City Council.

267. **The score for this dimension is D.**

PI-18. Legislative scrutiny of budgets

268. This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. The time period assessed for dimensions 18.1, 18.2 and 18.4 is the last completed FY (2020), and for dimension 18.3 are the last three completed FYs (2018-2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-18. Legislative scrutiny of budgets (M1)	B+	
18.1. Scope of budget scrutiny	A	The City Council's review covers budget indicators for both annual and medium-term perspectives. Statements of the fiscal strategy are included in the local budget forecast as well. The review also covers detailed indicators of budget revenues and expenditures.
18.2. Legislative procedures for budget scrutiny	A	The Budget regulations is approved by the City Council Decree dated 29.04.2016 No.214. The regulations contain clear procedures for budget preparation, scrutinizing, approval, debating and adoption in the council, and presenting budget performance reports. The budget regulations also indicate the procedural issues on the budget elaboration in the sectoral commissions of the City Council, as well as rules for conducting public consultations under the budget preparation. The procedures described are adhered to in all instances.

		Organizational, technical and other support to the City Council is provided by its Secretariat and Executive Committee.
18.3. Timing of budget approval	A	In each of three years under assessment (2018-2020), the budget of Vinnytsia CTC was approved by the City Council before the start of the next fiscal year (see Table 18.3 below).
18.4. Rules for budget adjustments by the executive	B	There are clear legal requirements and rules for in-year budget adjustments, which are adhered to in all instances. However, they allow for extensive administrative reallocations (among KSUs) without any limits.

Dimension PI-18.1. Scope of budget scrutiny

269. After draft city budget and city budget forecast are approved by the Executive Committee, the documents are submitted to the City Council.

270. Local budget forecast that is the main budget document developed for the medium-term perspective is an unintegral part of the budget documents package submitted by the Executive Committee to the legislature (City Council) – it was prescribed in the Budget Code of Ukraine (Article 76) until 2021. Consequently, the local council review covers both annual and medium-term budget estimates. Since 2021, the forecast is to be submitted to the legislature separately – by the 5th of September.

271. Vinnytsia City Council consists of sectoral commissions, one of them is the Commission on planning, finance, budget and socio-economic development (hereinafter - the Commission). The Commission's functions and responsibilities are approved by the City Council Decree dated 20.11.2020 No.5.

272. The Commission (and the City Council afterwards) ensures review of both aggregated and detailed budget estimates and calculations provided by KSUs. The review covers budget revenue (by types), budget expenditure by administrative, economic and program classification, and trends in budget performance in previous periods.

273. Under the medium-term fiscal forecast review, the medium-term priorities in budget revenue and expenditure policies, inter-budgetary regulation, debt, and investment policies are scrutinized and debated.

Table 18.1: Scope of budget scrutiny

Legislature reviews budget (Y/N)	Coverage (specify)				
	Fiscal policies	Medium-term fiscal forecasts	Medium-term priorities	Aggregate expenditure and revenue	Details of expenditure and revenue
Yes	Yes	Yes	Yes	Yes	Yes

Data source: Finance Department of the Vinnytsia City Council.

274. **The score for this dimension is A.**

Dimension PI-18.2. Legislative procedures for budget scrutiny

275. The Budget regulations is approved by the City Council Decree dated 29.04.2016 No. 214.³² The regulations contain clear procedures for budget preparation, scrutinizing, approval, debating, and adoption

³² <https://2021.vmr.gov.ua/Docs/CityCouncilDecisions/2016/%E2%84%96214%2029-04-2016%20%20%9F%D1%80%D0%BE%20%D0%91%D1%8E%D0%B4%D0%B6%D0%B5%D1%82%D0%BD%D0%B8%D0%B9.pdf>

in the Council, and presenting budget performance reports as well as rules for conducting public consultations under the budget preparation. The procedures mentioned are adhered to in all instances.

276. The Budget regulations also indicate the procedural issues on the budget elaboration in the sectoral commissions of the City Council. The main task of the commissions is preliminary scrutinizing and discussion (negotiation) of draft documents submitted to the City Council, including draft city budget for the next period and city budget forecast for medium-term. Members of the local parliament (City Council) participate in the work of the Commission on a regular base. KSUs are involved in this process as well. If commissions make a proposal to increase budget expenditure or reduce budget revenue, it is required to propose the same amount of funds, respectively, to increase revenues from other sources or reduce expenditures on another item. A written justification is to be prepared for every proposal/amendment. The Commission on planning, finance, budget, and socio-economic development receives and considers proposals from other sectoral commissions of the City Council and prepares consolidated summary/conclusions to be submitted and reviewed on the City Council session.

277. As per the City Council Decree dated 04.12.2020 No.42 “On Vinnytsia City Council Regulation,”³³ the Secretariat of the City Council and its Executive Committee provide organizational, technical and other support to the City Council activity.

Table 18.2: Legislative procedures for budget scrutiny

Legislative procedures exist	Approved in advance of budget hearings	Procedures are adhered to	Procedures include organizational arrangements
Yes	Yes	Yes	Yes

Data source: The Budget regulations of Vinnytsia City Council.

278. **The score for this dimension is A.**

Dimension PI-18.3. Timing of budget approval

279. As per BCU, local budgets are to be adopted by city councils before December 25th of the current year. Actual dates of Vinnytsia city budget approval by local council in 2018-2020 are presented in Table 18.3 and confirm the compliance with PEFA Methodology criteria (regarding budget approval before the start of the next fiscal year).

Table 18.3: Timing of budget approval

Budget for FY	Date of budget approval
2019	21.12.2018
2020	27.12.2019
2021	24.12.2020

Data source: Vinnytsia city budget for 2019, 2020, 2021.

280. **The score for this dimension is A.**

³³ <https://2021.vmr.gov.ua/Docs/CityCouncilDecisions/2020/%E2%84%96139%2024-12-2020.pdf>.

Dimension PI-18.4. Rules for budget adjustments by the executive

281. According to Article 23 of the BCU, local financial bodies (Finance Department) are permitted to adjust budget allocations during the budget period without local council approval as follows: 1) increase of own incomes (special fund) of budget institutions; 2) budget allocation redistribution among KSUs; 3) expenditure assignments reallocation by economic classification within the limits of budget program; 4) budget expenditure redistribution among the budget programs within the limits of overall budget assignments of respective KSU; 5) distribution of contingency fund and budget transfers, increase of investment expenditure by reducing operational ones.

282. Some of these adjustments need to be approved by the City Council's sectoral commission responsible for budget preparation and execution.

283. The rules prohibit adjustments aimed at increasing wage (compensation) expenditure and expenditure for local self-governance by decreasing other expenditure.

284. The rules for in-year budget adjustments are clear and governed properly as well as are fully adhered to in all instances. However, they allow for extensive administrative reallocations without any limits in their quantity and volume.

285. **The score for this dimension is B.**

PILLAR 5: Predictability and control in budget execution

286. This pillar assesses whether the budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

PI-19. Rights and obligations for revenue measures

287. This indicator focuses on the administration of the SNG core taxes. It assesses the procedures used to collect and monitor the core taxes of the SNG. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores. The assessment period for dimension 19.1 and 19.2 is at time of assessment, for dimension 19.3 and 19.4 – last completed fiscal year (2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-19. Revenue administration (M2)	NA	
19.1. Rights and obligations for tax measures	NA	Core taxes and fees are administered and collected by central authority – the State Fiscal Service of Ukraine.
19.2. Property tax register and valuation	NA	Property tax, land tax, and fees from rent are administered and collected by central authority – the State Fiscal Service of Ukraine.
19.3. Tax risk management, audit and investigations	NA	Administered by central authority – the State Fiscal Service of Ukraine.
19.4. Tax arrears monitoring	NA	Administered by central authority – the State Fiscal Service of Ukraine.

PI-19.1. Rights and obligations for tax measures

288. The Guidance on SNG PEFA Assessment indicates that this dimension is applicable to core taxes if the sub-national government administers and collects them directly; and/or the sub-national government administers them, but a higher-level government or agency collects them.

289. Since tax revenues and fees are administered and collected by the State Fiscal Service of Ukraine on behalf of Vinnytsia City Council per the Tax Code of Ukraine and some other field laws, this dimension is not applicable.

290. **The score for this dimension is NA.**

PI-19.2. Property tax register and valuation

291. Property tax and land tax as well as fees from rent which are related to territorial communities are collected by the State Fiscal Service of Ukraine, which has sharing arrangements with Vinnytsia City Council.

292. **The score for this dimension is NA.**

PI-19.3. Tax risk management, audit and investigations

293. The Vinnytsia City Tax Office does not conduct any risk management, tax audit, and investigations. These are responsibilities of the Oblast Tax Service that makes the dimension 19.3 not applicable.

294. **The score for this dimension is NA.**

PI-19.4. Tax arrears monitoring

295. This dimension is also not applicable due to administration and collection of core taxes and fees by the State Fiscal Service of Ukraine.

296. **The score for this dimension is NA.**

PI-20. Accounting for revenue

297. This indicator assesses the procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling revenue accounts. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores. The assessment of this indicator comprises the SNG budgetary units and EBUs 'at time of assessment.'

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-20. Accounting for revenue (M1)	A	
20.1. Information on revenue collections	A	The Finance Department receives monthly revenue reports from the City Treasury office presenting information on total tax collections broken down into tax types. Furthermore, the City Tax Office provides for daily information on tax revenues (broken down also by taxpayers). The Finance Department prepares monthly consolidated report on both tax and non-tax revenue (broken down into revenue classification codes).
20.2. Transfer of revenue collections	A	All taxes are paid directly into the accounts registered in the Treasury – separately for each type of tax revenue. Therefore, all tax revenues are directly transferred to the Treasury within 24 hours.
20.3. Revenue accounts reconciliation	NA	Since Vinnytsia City Government does not administer and collect core taxes directly, this dimension is not applicable.

Dimension PI-20.1. Information on revenue collections

298. The Finance Department of Vinnytsia City Council receives monthly revenue reports from the City Treasury office presenting information on total tax collections broken down into tax types. Furthermore, the City Tax Office provides for daily information on tax revenues (broken down also by taxpayers) to be submitted to Vinnytsia City Council. In addition, entities responsible for non-tax revenue collection submit respective revenue reports to the Finance Department on the monthly basis. The Finance Department prepares consolidated report on both tax and non-tax revenue (broken down into revenue classification codes) every month.

299. **The score for this dimension is A.**

Dimension PI-20.2. Transfer of revenue collections

300. The tax administration system allows identification of taxpayers' location and transferring respective tax revenue to the appropriate budget (based on requirements and approach established by the tax and budget legislation). The City Tax Office does not maintain a transit bank account. All taxes are paid directly into the accounts registered in the Treasury – separately for each type of tax revenue. Therefore, all tax revenues are directly transferred to the Treasury within 24 hours.

301. **The score for this dimension is A.**

Dimension PI-20.3. Revenue account reconciliation

302. As indicated under the PI-19 Vinnytsia City Government does not administer and collect core taxes directly. This is the competence of the State Fiscal Service of Ukraine.

303. **The score for this dimension is NA.**

PI-21. Predictability of in-year resource allocation

304. This indicator assesses the extent to which the Finance Department of the City Council is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. Coverage of the assessment includes the budgetary units of the SNG. The time period examined for 21.1, 21.2 and 21.4 is at 'time of assessment,' and for 21.3, the last completed FY (2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-21. Predictability of in-year resource allocation (M2)	B+	
21.1. Consolidation of cash balances	A	All cash balances on the city budget accounts are consolidated by the Treasury on a daily basis. As of October 31, 2021, the consolidated cash balance stood at UAH 415.4 million.
21.2. Cash forecasting and monitoring	A	After the budget is approved by Vinnytsia City Council, an annual cash flow forecast is prepared by the Finance Department. It is updated regularly (at least monthly) on the basis of actual cash inflows (revenue) and outflows (expenditure payments).
21.3. Information on commitment ceilings	A	After the city budget is approved by the Vinnytsia City Council, the Finance Department issues reliable monthly expenditure commitment ceilings to each KSU, which set such ceilings to each subordinated budgetary unit. The expenditure ceilings allow budgetary units to take commitments for one full fiscal year within the limits of budget allocations approved by the Council.
21.4. Significance of in-year budget adjustments	C	Vinnytsia city budget analysis demonstrates significant in-year budget adjustments. The budget was amended <i>thirteen times</i> within the FY2020 in line with the procedures and rules established by the Budget Code of Ukraine.

Dimension PI-21.1. Consolidation of cash balances

305. The local government cash management framework is based on the Treasury Single Account (TSA) that is a national system established by the Treasury and governed in line with Treasury Order dated 26.06.2002 No. 122.

306. The number of accounts operated by the local government and its spending units depends on the number of budget programs (expenditure classification). All 330 bank accounts opened for KSUs of Vinnytsia city budget and 1322 bank accounts opened for spending units of lower-tier and budget funds recipients in 2021 are linked to the TSA and maintained at the National Bank of Ukraine. Cash balances on the accounts are consolidated on a daily basis. As of October 31, 2021, the consolidated cash balance stood at UAH 415.4 million.

307. **The score for this dimension is A.**

Dimension PI-21.2. Cash forecasting and monitoring

308. A cash flow forecast is prepared by the Finance Department for each fiscal year after the budget is approved by Vinnytsia City Council in accordance with the Procedure for cash flow preparation and execution (approved by Order of the Finance Department of City Council dated 27.05.2011 No.27³⁴). The annual cash flow forecast broken down into twelve months is developed separately for budget revenue and budget expenditure. It is updated regularly (at least monthly) on the basis of actual cash inflows (revenue including grants from other budgets) and outflows (expenditure payments). As per clause 3.3 of the mentioned Procedure, respective sectoral departments (KSUs) of the City Council submit their proposals on amendments to cash flow forecast (on the basis of legal grounds) to the Finance Department no later than the 20th of the current month.

309. **The score for this dimension is A.**

Table 21.1: Consolidation of bank and cash balances (summary)

Extent of consolidation (All, Most, < Most)	Frequency of consolidation (D, W, M)
All	D

Data source: Finance Department of Vinnytsia City Council.

Table 21.2: Consolidation of bank and cash balances (by accounts)

Account	Frequency of consolidation	Time	Amount
Treasury	Every day (2 times per day)	October 31, 2021	UAH 415.4 million
Special accounts	NA	NA	NA
Percentage of daily consolidated bank balance(A/(A+B))			100 %
Percentage of monthly consolidated bank balance			-

Data source: Finance Department of Vinnytsia City Council.

Dimension PI-21.3. Information on commitment ceilings

310. After the city budget is approved by Vinnytsia City Council, the Finance Department issues reliable monthly expenditure commitment ceilings to each KSU which set such ceilings to each subordinated budgetary unit. The expenditure ceilings allow budgetary units to take commitments for one full fiscal year within the limits of budget allocations approved by the Council. This prevents the accumulation of expenditure arrears as evidenced in PI-22 below.

311. **The score for this dimension is A.**

Dimension PI-21.4. Significance of in-year budget adjustments

312. Fiscal rules for budget amendments are established in Article 78 of the Budget Code of Ukraine. Following these rules, the budget of Vinnytsia CTC was adjusted **thirteen times** within the FY2020. The cumulative amendments stood at 6.5% of the total budget originally approved (see PI-1.1). The adjustments significantly influenced expenditure composition by function (15.8%) and economic items composition

³⁴ <https://2021.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=43>.

(22.4%) under PI-2.1 and PI-2.2 respectively. All these are the basis to conclude on significant in-year budget adjustments.

313. **The score for this dimension is C.**

PI-22. Expenditure arrears

314. This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. It contains two dimensions and uses the M1 (WL) method for aggregating dimension scores. The time period assessed for 22.1 are the last three completed FYs (2018-2020), and for 22.2 is 'at time of assessment.'

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-22. Expenditure arrears (M1)	A	
22.1. Stock of expenditure arrears	A	In each of the last three completed fiscal years 2018, 2019, and 2020, there were no stock of expenditure arrears.
22.2. Expenditure arrears monitoring	A	Even though there are no stock of expenditure arrears, all budget institutions prepare, as part of the monthly financial reporting requirements, a statement to show any commitment that is unpaid even if the arrears are zero. These statements of arrears from budget institutions and KSUs are a basis for the City Treasury to prepare monthly consolidated reports within two weeks after the end of the previous month.

Dimension PI-22.1. Stock of expenditure arrears

315. Expenditure arrears are defined as, according to the Ministry of Finance Order dated 02.04.2014 No. 372 "On Approval of the Procedure for Accounting of Certain Assets and Liabilities of Budget-Sustained Institutions and Amendment of Certain Regulatory Legal Acts on Bookkeeping of Budget-Sustained Institutions," overdue commitments payable after the 30th day of the expiration of the mandatory payment deadline in accordance with the agreements entered into.

316. In each of the last three completed fiscal years 2018 2019, and 2020, there were no stock of expenditure arrears relating to employee remuneration/salary, pension payments, suppliers, contractors, or default on loans. The Treasury management framework strictly limits expenditure commitments to actual cash available for payment of expenditure; therefore, no expenditure commitments are made if there is no actual cash to pay for these commitments.

317. **The score for this dimension is A.**

Dimension PI-22.2. Expenditure arrears monitoring

318. Even though there are no stock of expenditure arrears, the BCU obliges all budget institutions to prepare monthly reports on outstanding expenditure commitments and submit them to the City Treasury in accordance with "Form No.7m of Treasury reports." This legal requirement is strictly observed by all institutions and KSUs. Based on these reports, the City Treasury prepares consolidated monthly reports within two weeks after the end of the reporting period, which present information on expenditure arrears

by budget programs and economic classification codes. The age of the arrears is distinguished based on the following types of arrears: overdue arrears, unpaid arrears, and written-off arrears. Any possible single delayed payment at the end of a year has been far less than the required 2% of total expenditure to affect the scoring.

319. **The score for this dimension is A.**

PI-23. Payroll controls

320. This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labour and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. This indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores. The time period assessed for 23.1, 23.2 and 23.3 is 'at time of assessment,' and for 23.4 includes the last three completed FYs (2018, 2019, 2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-23. Payroll controls (M1)	C+	
23.1. Integration of payroll and personnel records	B	The process of human resource management and payroll management is fully automatized. The human resource management software and payroll management software are both linked to the approved staff list to ensure internal control, data consistency and monthly data reconciliation. At the same time, changes in the personnel database are not automatically reflected in the payroll management software. The total integration between personnel and payroll data is provided through manual intervention.
23.2. Management of payroll changes	A	Any changes to the personnel and payroll records are updated within 24 hours and reconciled every month before the monthly payroll is processed and paid. All changes result in an audit trail. The basis for changing records is always a city council/mayor resolution and other supporting official documents. Due to this there were no payroll arrears that would require retroactive adjustments.
23.3. Internal control of payroll	A	There are clear rules and procedures for making changes to the personnel and payroll database and records. They envisage digital signature authorization that consequently results in an audit trail that is adequate to maintain a permanent history of transactions together with details of the authorizing officers. Only authorized HR staff, chief accountants, and deputy accountants of KSUs and budgetary units have access to the personnel and payroll management software for both review and changing relevant information. This is an instrument to ensure full integrity of data.
23.4. Payroll audit	C	The SAS, the Pension Fund, and social security funds are empowered to conduct payroll audit (the Pension Fund and social security funds – in part of respective salary deduction). Interviewing the Executive Committee of the Vinnytsia City Council, the evidence for 52 payroll audits conducted in 2018-2020 was obtained, including 47 audits provided by social security funds and 5 audits by the Pension Fund Department in Vinnytsia Oblast.

		Any payroll audit covering all entities of the Vinnytsia City Council has not been conducted in the last three completed fiscal years (2018-2020).
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Dimension PI-23.1. Integration of payroll and personnel records

321. There is a centralised human resource management software in Vinnytsia City Council with a decentralised payroll management software used at the level of budgetary units.

322. The staff list approved by the Executive Committee is a base for the budget allocations. The human resource management software and payroll management software are both linked to the approved staff list. However, there is no direct linkage between two of them. In other words, changes in the personnel database (affecting the payroll status of an employee) are not automatically (without human intervention) reflected in the payroll management software. The total integration between personnel and payroll data is provided through manual intervention.

323. Furthermore, all staff sign attendance sheet every working day which is used to calculate monthly payroll. Before the monthly payroll is processed and paid, the head of each budgetary unit checks the current month's payroll (using records from HR Department – for personnel, and records from Accounting Department – for payroll) against the previous month's payroll for any variance to be detected. If the variance takes place, it must be supported by respective documentation (city council/mayor resolution, legal acts).

Table 23.1: Payroll controls

Function	Y/N	By whom	Frequency (if applicable)
Hiring and Promotion checked against approved staff list	Y	HR Department, Head of relevant budgetary unit	When any changes occur
Reconciliation of payroll and personnel database	Y	Accounting Department	Every month
Documentation maintained for payroll changes	Y	Accounting Department	On a regular basis
Payroll checked and reviewed for variances from last payroll	Y	Accounting Department	Before monthly payroll is processed
Updates to personnel records and payroll	Y	HR Department, Accounting Department	When any changes occur
Updates include validation with approved staff list	Y	HR Department, Accounting Department	When any changes occur
Audit trail of internal controls	Y	Accountants and other officials with access to the human resource management and payroll management software	On a regular basis
Payroll audits in last three years	Y	SAS, Pension Fund, Social Security Funds	According to legal requirements

Data sources: evidence received from Executive Committee of Vinnytsia City Council.

324. **The score for this dimension is B.**

Dimension PI-23.2. Management of payroll changes

325. Any changes to the personnel and payroll records are updated within 24 hours and reconciled every month before the monthly payroll is processed and paid. All changes result in an audit trail. The basis for changing records is always a city council/mayor resolution and other supporting official documents. Due to this, there were no payroll arrears that would require retroactive adjustments.

326. **The score for this dimension is A.**

Dimension PI-23.3. Internal control of payroll

327. There are clear rules and procedures for making changes to the personnel and payroll database and records, which include digital signature authorization and consequently results in an audit trail that is adequate to maintain a permanent history of transactions together with details of the authorizing officers.

328. Only authorized HR staff, chief accountants, and deputy accountants of KSUs and budgetary units have access to the personnel and payroll management software for both review and changing relevant information. This is an instrument to ensure full integrity of data.

329. **The score for this dimension is A.**

Dimension PI-23.4. Payroll audit

330. The SAS, the Pension Fund and social security funds are empowered to conduct payroll audit (the Pension Fund and social security funds – in part of respective salary deduction).

331. Interviewing the Executive Committee of the Vinnytsia City Council, the evidence for 52 payroll audits conducted in 2018-2020 was obtained, including 47 audits provided by social security funds (hereinafter – SSF) and 5 audits by the Pension Fund Department in Vinnytsia Oblast. The payroll audits are allocated by the year as follows: 2018 – 2 audits conducted by SSF and 3 audits conducted by the Pension Fund; 2019 – 19 and 1 audits; 2020 – 26 and 1 audits respectively.

332. The payroll audits mentioned above covered accountant divisions of various KSUs of the city budget. Most of the audits included on-site physical verification.

333. Any comprehensive payroll audit covering all entities of the Vinnytsia City Council has not been conducted in the last three completed fiscal years (2018-2020).

334. **The score for this dimension is C.**

PI-24. Procurement

335. This indicator examines key aspects of procurement management. It assesses the transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. The time period examined is the last completed FY, and the assessment covers the budgetary units and EBUs.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-24. Procurement (M2)	B+	
24.1. Procurement monitoring	A	Data available on the ProZorro are accurate and complete for all procurement methods for goods, services and works. Information is

		presented in real time showing the purpose, subject, conditions, the value, winner(s) of the contract. The accuracy and completeness of the procurement information are assessed by SAS inspections and audits.
24.2. Procurement methods	C	The Public Procurement Law establishes the following public procurement methods: 1) open bidding; 2) competitive dialogue; 3) procurement under the framework contract; and 4) negotiation procurement procedure. As it is presented in Table 24.2, only 60.04% of 2020 total public procurements went through competitive method.
24.3. Public access to procurement information	A	Findings on public access to procurement information led to the conclusion that all six requirements to information accessibility were met by KSUs and budgetary institutions of Vinnytsia City Council.
24.4. Procurement complaints management	B	Procurement complaints are managed by the Antimonopoly Committee of Ukraine (hereinafter – AMCU) as a body responsible for complaints management process at both national and sub-national levels. There is no specific local government procurement complaint body. Complaints are submitted to the AMCU as an e-document through the ProZorro electronic procurement system. Procurement complaints framework for Vinnytsia City meets 5 out of 6 criteria of the PEFA Methodology.

Background

336. The National legal and regulatory framework for public procurement is applicable to both national and sub-national governments and among others presented by the Public Procurement Law.

337. Ukraine Public government purchases are held on the electronic platform "Public Procurement. Online" which is a part of the ProZorro Public Procurement system (hereinafter – ProZorro) where information on all public purchases is publicly accessible. It also provides an opportunity to participate in procurement bids, offer goods, services and works to public institutions and public corporations as well as consume all relevant services.

338. As per the Public Procurement Law of Ukraine, all procurement entities are obliged to publish procurements of all forms and methods of amount above UAH 50,000.

339. Electronic sales platforms integrated in the Prozorro portal are used by buyers and sellers for implementing procurements. Bidding information is identical and available on all electronic platforms and on the Prozorro portal. To participate in the procurements using the Prozorro all participants including SNGs (through their official representatives) need to be registered. All the participants have their individual electronic cabinets with password access to the system.

Dimension PI-24.1. Procurement monitoring

340. Data available on the ProZorro are accurate and complete for all procurement methods for goods, services, and works. Information is presented in real time showing the purpose, subject, conditions, the value, winner(s) of the contract.

341. There is also complete and accurate information (from the Procurement and Tender Division) on the procurement contracts that did not go through the electronic system in 2020 (see PI-24.2 below). The accuracy and completeness of the procurement information are assessed by SAS inspections and audits.

342. **The score for this dimension is A.**

Dimension PI-24.2. Procurement methods

343. The Public Procurement Law establishes the following public procurement methods: 1) open bidding; 2) competitive dialogue; 3) procurement under the framework contract; and 4) negotiation procurement procedure. The thresholds for each of the methods are presented in Table 24.1.

Table 24.1: Procurement threshold (applicable at all levels of governments)

Procurement method	Threshold			
	Normal activity in the economy		Other areas of economy ³⁵	
	Goods & Services	Works	Goods & Services	Works
Open bidding	Equal or above UAH200,000	Equal or above UAH1.5million	Equal or above UAH1.0 million	Equal or above UAH5.0 million
Competitive dialogue	Equal or above UAH200,000	Equal or above UAH1.5million	Equal or above UAH1.0 million	Equal or above UAH5.0 million
Framework contract	Equal or above UAH200,000	Equal or above UAH1.5million	Equal or above UAH1.0 million	Equal or above UAH5.0 million
Negotiation procurement procedure	Equal or above UAH200,000	Equal or above UAH1.5million	Equal or above UAH1.0 million	Equal or above UAH5.0 million

344. Each KSU or budgetary unit is responsible for its own procurements. Consolidated information obtained from the ProZorro and verified by the Procurement and Tender Division of the City Council indicates that 60.04% (43.91% open bidding and 16.13% negotiated shortened restricted tender) of total public procurements within Vinnytsia City Council went through competitive method. The remaining 39.96% of procurements were covered by non-competitive methods, including 17.92% by value of sole-sourced procurements that did not go through the electronic system (see Table 24.2 below).

Table 24.2: Procurement methods and corresponding value

Total value of procurement (1)	Total value of contracts procured through non-competitive method (2)	Total value of contracts procured through competitive method (3)	Percentage of competitive method by value (3)/(1)
2,260.2 UAH million	903.2 UAH million	1,357.0 UAH million	60.04%

Detailed information on procurement methods and respective procurement value undertaken by the local governments, public corporations and budget institutions of Vinnytsia City in 2020

Procurement method	Estimated value of contracts (UAH million)	Estimates %	Actual value of contracts (UAH million)	Actual %
Open bidding/competitive dialogue	1,120.4	46.41%	992.5	43.91%
Negotiation procedure	546.1	22.62%	498.1	22.03%

³⁵ Examples of other areas of the economy include: (i) gas production, transportation, supply and storage; (ii) production, transportation and supply of thermal energy; (iii) production, transmission, distribution, purchase and sale, supply of electric energy, centralised dispatch (operational-technological) management of the unified energy system of Ukraine; (iv) production, transportation and supply of drinking water, ensuring the functioning of a centralised water disposal system; (v) the services delivery for the use of public railway infrastructure, the functioning of urban electric transport and the operation of its facilities for the delivery of transportation services.

Negotiation procedure (shortened restricted tender)	342.7	14.20%	364.5	16.13%
Procurement without ProZorro implementation	404.8	16.77%	404.8	17.92%
E-catalogue	0.23	0.01%	0.23	0.01%
TOTAL	2,414.3	100.00%	2,260.2	100.00%

Source: prozorro.gov.ua; Economic Development and Investment Affairs Department.

345. The score for this dimension is C.

Dimension PI-24.3. Public access to procurement information

346. Table 24.3 below summarizes the PEFA requirements for public access to procurement information. Findings presented in the table confirm that all six requirements are met by KSU and budgetary institutions of Vinnytsia City Council. The accuracy and completeness of the information are assessed by SAS inspections and audits. The information is complete and reliable as this is verified by the State Audit Service.

Table 24.3: Public access to procurement information

Type of procurement information	Findings	Public access
Legal and regulatory framework for procurement	Law on Public Procurement: https://zakon.rada.gov.ua/laws/show/922-19#Text Other procurement legislation and methodological base are regularly updated on ProZorro portal: https://infobox.prozorro.org/news-mert and Vinnytsia City Council website: https://www.vmr.gov.ua/TransparentCity/Lists/PublicTendersHelp/Default.aspx	Yes
Government procurement plans	Published on ProZorro portal: https://www.dzo.com.ua/tenders/plans and Vinnytsia City Council website: https://www.vmr.gov.ua/TransparentCity/Lists/TenderPlans/Default.aspx	Yes
Bidding opportunities	Published on ProZorro portal: http://prozorro.org/ and Vinnytsia City Council website: https://www.vmr.gov.ua/TransparentCity/Lists/TenderMenu/Default.aspx	Yes
Contract award (purpose, contractor, value)	Published on ProZorro portal: https://www.dzo.com.ua/tenders/contracts and Vinnytsia City Council website: https://www.vmr.gov.ua/TransparentCity/Lists/BuyerRatings/Default.aspx ; https://www.vmr.gov.ua/TransparentCity/Lists/TenderResults/Default.aspx	Yes
Data on resolution of procurement complaints	Published on ProZorro portal: http://prozorro.org/	Yes
Annual procurement statistics	Published on ProZorro portal: https://bi.prozorro.org/sense/app/fba3f2f2-cf55-40a0-a79f-b74f5ce947c2/sheet/HbXjQep/state/analysis	Yes

347. The score for this dimension is A.

Dimension PI-24.4. Procurement complaints management

348. Article 18 of the Public Procurement Law establishes the Procedure for Procurement complaints management and indicates the Antimonopoly Committee of Ukraine (hereinafter – AMCU) as a body responsible for complaints management process at both national and sub-national levels. There is no specific local government procurement complaint body.

349. Complaints are submitted to the AMCU as an e-document through the ProZorro electronic procurement system.

350. Table 24.4 below summarizes the procurement complaints framework for Vinnytsia City that meets 5 out of 6 criteria of the PEFA Methodology.

Table 24.4: Procurement complaints management

Criteria for the reviewing body	Findings	Met/ Not met
Not involved in any capacity in procurement transactions or in the process leading to contract award decisions	The AMCU does not participate in procurement procedures and awarding of the contracts (Clause 4, Article 7 of the Procurement Law).	Met
Does not charge fees that prohibit access by concerned parties	The fee rate is established by the Cabinet Decree dated 22.04.2020 No. 292 ³⁶ and varies depending on the subject of complaint (qualification requirements to procurement parties, technical, quantitative and qualitative characteristics of the subject of procurement, tender documentation etc.). The fee rate cannot be less than UAH 2,000.0 and more than UAH 85,000.0. The fee is to be refunded to applicant if the complaint is upheld or complaint judging is terminated due to elimination of violation.	Not met
Follows processes for submission and resolution of complaints that are clearly defined and publicly available	Complaints are submitted electronically through the Prozorro electronic procurement system.	Met
Exercises the authority to suspend the procurement process	The electronic procurement system automatically suspends the procurement procedure until the determination of the appeal.	Met
Issues decisions within the timeframe specified in the rules/regulations	The period for consideration of a complaint does not exceed 10 business days from the date of its acceptance (in special cases it can be reasonably expanded by the Antimonopoly Committee up to 20 business days) – Clause 14, Article 18 of the Procurement Law.	Met
Issues binding decisions for each party (without precluding access to an external higher authority)	The AMCU's decisions are binding, but they could be appealed in the court (Clause 22, Article 18 of the Procurement Law).	Met

351. **The score for this dimension is B.**

³⁶ <https://zakon.rada.gov.ua/laws/show/292-2020-%D0%BF#Text>.

PI-25. Internal controls on non-salary expenditure

352. This indicator measures the effectiveness of general internal controls for non-salary expenditures. Specific expenditure controls on public service salaries were discussed under PI-23. The present indicator contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. The time period covered by the assessment is 'at time of assessment,' and the coverage is SNG budgetary units and EBUs.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-25. Internal controls on non-salary expenditure (M2)	B	
25.1. Segregation of duties	A	The City of Vinnytsia has established and documented a clear segregation of duties which is in force for the PFM procedures throughout the City Administration. As it is required by the law, the procedure for the document's endorsement is specified in the instructions developed within each KSU. The Accounting Manual also prescribes clear rules/procedures for segregation of duties. According to the Accounting Manual, different officials in the Finance Department are responsible for authorization and recording, including authorization and custody of public assets assigned to separate officials. Expenditure commitments and payments are subjected to compliance checks by the Finance Department of the City Administration headed by the Chief Administrator who reports to the Executive Committee, headed by the City Mayor.
25.2. Effectiveness of expenditure commitment controls	C	In line with documented internal procedures and under the supervision of the internal control procedures, spending units exercise control to make sure that commitments are kept only within the scope of budgets and monthly budget allocations. The Treasury Information System is applied to public administration bodies at all levels; it includes a module that provides for the registration of all legal commitments (contracts) and based on the last – budget commitments. This procedure ensures that commitments are effectively limited within the budget allocations set by monthly budget allocation plan developed at the beginning of the year for the relevant spending unit. The system does not limit commitment based on cash unavailability.
25.3. Compliance with payment rules and procedures	B	Presently, the absence of a functional internal audit unit as well as the non-existence of external audit reports as evidence in principle limits the base for assessors' judgement on the effectiveness and the level of compliance with payment rules and procedures. However, the information from the Internal control shows good compliance and that possible deviations are always observed and corrected. That said, the lack of independent external audit and an institutionalised internal audit leave a gap in the defence of financial integrity. At the same time, information received from the representatives of the Northern Office of State Audit Service in Vinnytska Oblast (who were interviewed) presents data on violations of the financial and budgetary discipline revealed during SAS audits and inspections in the budgetary institutions and public corporations of Vinnytsia City Council. As of the

		time of assessment (01.10.2021), these violations were UAH 3.7 million that is only 0.4% of budgetary and extra-budgetary funds audited.
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Background

353. In the city of Vinnytsia, the organization and implementation of internal control in each department and in each institution of the Territorial Community is ensured through:

- development and approval by the head of the institution of internal documents aimed at ensuring the functioning of the elements of internal control.

In particular,

- setting the purpose (mission) and strategic goals of the institution;
- establishment of organizational structure, duties, responsibilities;
- supervisor's responsibility and control over legislation compliance, abiding by the budgetary discipline;
- establishing a list of tasks and functions, their distribution and assignment among employees;
- development of action (strategic) plan for the institution and its implementation;
- ensuring that employees comply with the requirements of the legislation in the field of prevention and detection of corruption, follow rules of ethical conduct;
- reporting on performance results.

354. During the organization and performance of internal control, responsibility and accountability of the head and employees of the institution are ensured. The head of the institution is responsible and accountable for the decent management and development of the institution as well as achievement of certain goals, strategic and other goals, objectives, plans and requirements for the activities of the institution.

355. Implementation is ensured by evaluation of overall performance results and alignment with steering documents.

Dimension PI-25.1. Segregation of duties

356. The Ministry of Finance sets out the general principles of internal control across central government, and local government budget institutions and extra-budgetary units. These internal control practices are clearly defined in the Cabinet Resolution dated 12th December 2018 No.1062, but they became functional in FY2019. This Resolution is also applicable at the sub-national government level. Three key elements of Resolution No.1062 are fundamental to an effective internal control framework across central (and local) government; these are: (i) itemizing of tasks and functions (job description) for each employee (heads of departments and subordinate staff); (ii) creation of authorization and approval mechanisms; and most importantly (iii) outlining clear segregation of duties for each staff especially for those with administrative and financial implications.

357. With the guidance from the above law, the City of Vinnytsia has established and documented a clear segregation of duties, which is in force for the PFM procedures throughout the City Administration. As it is required by the law, the procedure for the document's endorsement is specified in the instructions developed within each KSU. Based on the instructions the persons who sign a document are not the same as those recording it in the system as well as the person authorizing the payment (head of structural division) differs from the one who makes the payment (accountant).

358. Furthermore, there is no doubt on segregation of duties related to preparation of procurement tenders and bids evaluation. Each KSU and budget institution have the person responsible for preparing procurement tenders with specific job description. Appraisal of tender proposal and selection of tender winner are done automatically by the ProZorro Public Procurement system based on the criteria and evaluation methods specified by the procuring entity in the procurement documentation. The Accounting Manual also prescribes clear rules/procedures for segregation of duties. According to the Accounting Manual, different officials in the Finance Department are responsible for authorization and recording, including authorization and custody of public assets assigned to separate officials. Expenditure commitments and payments are subjected to compliance checks by the Finance Department of the City Administration headed by the Chief Administrator who reports to the Executive Committee, headed by the City Mayor.

359. **The score for this dimension is A.**

Dimension PI-25.2. Effectiveness of expenditure commitment controls

360. In line with documented internal procedures and under the supervision of the internal control procedures, spending units exercise control to make sure that commitments are kept only within the scope of budgets and monthly budget allocations. The Treasury Information System is applied to public administration bodies at all levels; it includes a module that provides for the registration of all legal commitments (contracts) and based on the last – budget commitments. This procedure ensures that commitments are effectively limited within the budget allocations set by monthly budget allocation plan developed at the beginning of the year for relevant spending unit. The system does not limit commitment based on cash unavailability.

361. **The score for this dimension is C.**

Dimension PI-25.3. Compliance with payment rules and procedures

362. Presently, the absence of a functional internal audit unit as well as the non-existence of external audit reports as evidence in principle limits the base for assessors' judgement on the effectiveness and the level of compliance with payment rules and procedures. However, the information from the Internal Control Division shows good compliance and that possible deviations are always observed and corrected. That said, lack of independent external audit and an institutionalized internal audit leaves a gap in the defence of financial integrity.

363. At the same time, information received from the representatives of the Northern Office of State Audit Service in Vinnytska Oblast (who were interviewed) presents data on violations of the financial and budgetary discipline revealed during SAS audits and inspections in the budgetary institutions and public corporations of Vinnytsia City Council. As of the time of assessment (01.10.2021), these violations were UAH 3.7 million that is only 0.4 % of budgetary and extra-budgetary funds audited.

364. **The score for this dimension is B.**

PI-26. Internal audit

365. This indicator assesses the standards and procedures applied in internal audit. The time period covered for 26.1 and 26.2 was at 'time of assessment,' for 26.3 the last completed FY (2020), and for 26.4, the audit reports of the last three completed FYs (2018-2020) were examined. All SNG budgetary units were assessed.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-26. Internal audit (M1)	D	
26.1. Coverage of internal audit	D	Budgetary institutions in the city of Vinnytsia have not established any internal audit divisions or appointed an official responsible for internal audit. Therefore, there is no functional internal audit unit in the Vinnytsia City Council.
26.2. Nature of audits and standards applied	NA	As there is no functional internal audit unit, this dimension is not applicable.
26.3. Implementation of internal audits and reporting	NA	As there is no functional internal audit unit, this dimension is not applicable.
26.4. Response to internal audits	NA	As there is no functional internal audit unit, this dimension is not applicable.

Background

366. According to Part 3 of Article 26 of the BCU, KSUs must establish functional internal audit units and must also be responsible for such audits in their institution and subordinated budgetary and extra-budgetary institutions. Internal audit means the activities of an internal audit division in a budgetary institution aimed at improving the management system, preventing illegal, inefficient, and ineffective use of budget funds, errors, or other drawbacks arising in these institutions, and improving internal control.

367. The Cabinet of Ministers of Ukraine establishes the basic principles for conducting internal audits and the procedure for setting up an internal audit division (Resolution No. 1001 dated September 28, 2011, as amended by Decree 1062 on December 12, 2018). Internal audit divisions have to be created in all budgetary institutions (Article 26 of the Budget Code). It is also recommended that governments establish internal divisions from January 1, 2012 audit. If it is not possible to create the internal audit division, an official should be appointed, with responsibility for internal audit. According to these legal provisions, local governments in the process of organizing and implementing internal audit activities must be guided by the "Procedure approved by this Resolution and by normative legal acts, adopted the Ministry of Finance."

368. In order to strengthen the independence of internal audit divisions, Paragraph 5-1 of Resolution No.1001, introduced the signing by the head of the state body, its territorial body, the budget institution with the head of the internal audit division of the relevant body or institution, and an internal audit declaration. Such a declaration is a document comparable to the Internal Audit Charter used in international practice.

369. Internal Audit Standards, approved by MoF's Order No 1247, dated October 4, 2011, (Chapter 3) set independence of internal audit. Organizational independence requires direct subordination and accountability of the internal audit division to the head of the institution. Organizational independence is ensured through: (1) approval by the head of the institution of the regulation on the internal audit division and the six-month internal audit activity plan; (2) informing the head of the institution by the head of the internal audit division about the status of the implementation of the internal audit plan and other tasks, as well as about the existence of restrictions in conducting the internal audit or resources.

370. Functional independence relates to preventing employees of the internal audit division from performing functions not related to the implementation of the internal audit plan.

371. MoF issues the methodological recommendations on internal audit in the public sector, based on international standards for the professional practice of internal auditing developed by the Institute of Internal Auditors (IIA).

372. Although there is no established Internal Audit in Vinnytsia, the National Treasury has an internal audit section covering the integrated National Treasury system with a direct effect on the integrity of treasury operation in Vinnytsia.

Dimension PI-26.1. Coverage of internal audit

373. Budgetary institutions in Vinnytsia City have not established any internal audit divisions or appointed an official responsible for internal audit. Therefore, there is per definition no functional internal audit unit in the local government administration.

374. **The score for this dimension is D.**

Dimension PI-26.2. Nature of audits and standards applied

375. As there is no functional internal audit unit, this dimension is not applicable.

376. **The score for this dimension is NA.**

Dimension PI-26.3. Implementation of internal audits and reporting

377. As there is no functional internal audit unit, this dimension is not applicable.

378. **The score for this dimension is NA.**

Dimension PI-26.4. Response to internal audits

379. As there is no functional internal audit unit, this dimension is not applicable.

380. **The score for this dimension is NA.**

PILLAR 6: Accounting and reporting

381. This pillar measures whether accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

PI-27. Financial data integrity

382. This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores. The assessment covers: budgetary and extrabudgetary units of the SNG for PI-27.1; budgetary units of SNG – for PI-27.2, PI-27.3 and PI.27.4. Assessment period – at time of assessment, covering the precedent year (2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-27. Financial data integrity (M2)	A	
27.1. Bank account reconciliation	A	The 1652 bank accounts are directly linked to the TSA. The local government financial bodies received daily transactional report on the movement of funds from each of the 1652 accounts, which it reconciles with its cash ledgers. In addition to this, there is a complete daily bank reconciliation for all accounts; this is done within a day or two following the end of the reporting week.
27.2. Suspense accounts	NA	There are no suspense accounts.
27.3. Advance accounts	A	Advance payments to staff for salary and operational activities are very rare. Contractors receive up to 30% mobilization which is set-off against any future payment. The Treasury provides control over advance payments and accounts. All advances are reconciled every month when submitting budget arrears reports to the Treasury.
27.4. Financial data integrity processes	B	Only authorised staff have access to financial records. All changes to these records are duly authorised by the head of department and/or budget institution; changes result in audit trail. The Treasury has the overall responsibility for the integrity of financial data and decides who can get access to the system. In the Finance Office, it is the director who makes the plans for operative security, still under the Treasury's integrity policies. The Treasury server system is safely geographically located and is run from a secure and protected spot and there are a number of physical and other security measures applied. Within the National Treasury system, there is also a central internal audit function tasked with securing the data quality in the system. This internal audit function is reported to the head of the National Treasury.

Dimension PI-27.1. Bank account reconciliation

383. The government of Vinnytsia has 1652 bank accounts (opened for KSUs, spending units of lower tier, recipients of budget funds, including EBUs), actually expenditure accounts based on expenditure classification approved by the Ministry of Finance. The number of bank accounts depends on each year's budget programs, approved by the local budget decision. Therefore, the number of bank accounts could change from year to year.

384. The bank accounts are directly linked to the Treasury Single Account (TSA). Information is uploaded to the TSA centralised data storage system. Once the business day is closed for funds transfer and all the technological procedures determined by the requirements of the regulatory acts and technological regulations of Treasury are performed, the report, which includes accounting, operational, and management reports (daily trial balance, daily reports on execution of revenues and other receipts of state and local budgets, etc.), is produced.

385. **The score for this dimension is A.**

Dimension PI-27.2. Suspense accounts

386. There are no suspense accounts.

387. **The score for this dimension is NA.**

Dimension PI-27.3. Advance accounts

388. The balances on advances to staff for either salaries or approved operational activities are very rare. The current practice is that the local government does not give staff cash advances for operational activities; once the activity is approved, staff are asked to use their own resources to pay for expenses and submit the necessary receipts for refund. Salary advances are automatically deducted from the monthly salary. For expenses such as air ticket, train ticket, or bus ticket that are standardized and for which receipts can be produced before departure, the local government pays for those expenses directly. This practice has eliminated instances of unreconciled and un-acquitted balances on staff account. Thus, advance payments to staff are very rare.

389. Referencing infrastructure contracts, the local government pays contractors up to 30% mobilization fee. This is set-off against future payments based on approved completion certificates received from contractors. The Treasury provides control over advance payments and accounts. All advances are reconciled every month when submitting budget arrears reports to the Treasury.

390. **The score for this dimension is A.**

Dimension PI-27.4. Financial data integrity processes

391. Only authorized staff have access to financial records. The level of access is based on the level of authority; some staff have read-only access, some have access for data entry, and others (head of budget entity) have full access. All changes to these records are duly authorized by the head of department and/or budget institution; changes result in audit trail. The local accounting software generates an audit trail report.

392. The Treasury has the overall responsibility for the integrity of financial data and decides who can get access to the system. In the Finance Office, it is the director who makes the plans for operative security, still under the Treasury's integrity policy. The Treasury server system is safely geographically located and run from a secure and protected place and there are a number of physical and other security measures applied.

393. Within the National Treasury system, there is also a central internal audit function tasked with securing the data quality in the system. This internal audit function is reporting to the head of the National Treasury.

394. **The score for this dimension is B.**

PI-28. In-year budget reports

395. This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow for monitoring of budget performance and, if necessary, timely use of corrective measures. The assessment of this indicator covers the SNG budget unit and over the last completed FY (2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-28. In-year budget reports (M1)	D+	
28.1. Coverage and comparability of reports	D	Coverage and classification of financial reports do not allow direct comparison between the originally approved expenditure budget and actual expenditure outturns for the main administrative headings. Only the revenues are directly comparable by detailed codes of classifications.
28.2. Timing of in-year budget reports	A	As indicated in Table 28.2 below, the local government prepares monthly in-year budget execution reports; these are issued within one week after the end of the previous month.
28.3. Accuracy of in-year budget reports	C	The in-year budget execution reports include planned and actual expenditures but do not cover expenditure at commitment stage. The data presented in the monthly and quarterly reports (such as revenue and expenditure performance, contingency fund and grants from the national government, budget arrears and local debt indicators) is consistent and sufficient for analysis of budget execution that is provided on a quarterly basis. Analysis results are published on the city council website. At present, there is no functional independent internal audit to validate the accuracy of these reports. Also, external audit has not been conducted to equally authenticate the integrity of these reports. That said, the reports are very useful as they provide information and variance analysis of both revenue and expenditure for management use.

Dimension PI-28.1. Coverage and comparability of reports

396. Each budgetary unit prepares and submits monthly in-year budget execution reports to the City Treasury office as required by the Cabinet Decree dated 28.02.2000 No.419 and the Ministry of Finance Order dated 24.01.2012 No.44. These reports are directly produced from the accounting software; the City Treasury Office prepares a consolidated monthly report for management use.

Table 28.1: In-year budget reports

Coverage and classification			Timeliness		Accuracy		
Allows direct comparison to original budget (Y/N)	Level of detail A=All budget items P= Partial aggregation M= Main administrative headings E=Main economic headings	Includes transfers to de-concentrated units (Y/N)	Frequency W/M/Q N= >Q'ly	Within: 2/4/8 weeks N= >8weeks	Material concerns (Y/N)	H/Y Analysis prepared (Y/N)	Payment information E=Exp C=Commit

N	P	N	M/Q	2 weeks	N	Y	E
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Data source: 2020 in-year Treasury report on Vinnytsia city budget performance.

397. The reports indicate revenues by detailed codes of revenue classification and expenditure (recurrent and capital) by budget programs, detailed functional and economic classifications, and the financing of budget. They allow direct comparison between approved revenue budgets and actual outturns for the period, as well as year-to-date outturns. However, the reports do not allow direct comparison between the originally approved expenditure budget and actual expenditure outturns since Treasury's reports on expenditure are based on economic and functional classifications, but not on administrative classification. There are no transfers to de-concentrated units. A change of the report's composition and structure can only be introduced on the national level by the Ministry of Finance.

398. **The score for this dimension is D.**

Dimension PI-28.2. Timing of in-year budget reports

399. Table 28.2 below shows the dates issuance of 2020 in-year budget execution reports. As indicated below, the territorial bodies of the Treasury prepare monthly in-year budget execution reports; these are issued within one week after the end of the previous month.

Table 28.2: Issue dates of in-year budget reports (FY2020)

Period covered by the report	Actual date of issuance	Deadlines
January 2020	06.02.2020	04.02.2020
February 2020	04.03.2020	04.03.2020
March 2020	03.04.2020	04.04.2020
April 2020	04.05.2020	04.05.2020
May 2020	03.06.2020	04.06.2020
June 2020	03.07.2020	04.07.2020
July 2020	04.08.2020	04.08.2020
August 2020	04.09.2020	04.09.2020
September 2020	02.10.2020	04.10.2020
October 2020	04.11.2020	04.11.2020
November 2020	04.12.2020	04.12.2020
December 2020	06.01.2021	04.01.2021

Data source: Finance Department of the Vinnytsia City Council.

400. Timing of in-year budget reports in Vinnytsia City Council is regulated by the orders of territorial Treasury in Vinnytska Oblast: No.91 dated 08.09.2016 and No.35 dated 14.05.2020. As per these legal acts, the deadline for monthly report submission to the SNG is the 4th day of the month next to the reporting period.

401. **The score for this dimension is A.**

Dimension PI-28.3 Accuracy of in-year budget reports

402. The in-year budget execution report includes planned and actual expenditures but does not cover expenditure at commitment stage. The data presented in the monthly and quarterly reports (such as revenue and expenditure performance, contingency fund and grants from the national government, budget

arrears, and local debt indicators) is consistent and sufficient for analysis of budget execution that is provided on a quarterly basis. Analysis results are published on the city council website.³⁷

403. Currently, there is no functional independent internal audit to validate the accuracy of these reports. Also, external audit has not been conducted to equally authenticate the integrity of these reports. That said, the reports are very useful as they provide information and variance analysis of both revenue and expenditure for management use.

404. **The score for this dimension is C.**

PI-29. Annual financial reports

405. This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores. The assessment covers the SNG budget units over the last completed FY (2020) for dimensions 29.1 and 29.2, and the last three FYs' financial reports (2018-2020) for dimension 29.3.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-29. Annual financial reports (M1)	D+	
29.1. Completeness of annual financial reports	D	The annual financial statements present information on revenue and expenditure according to program, functional and economic classifications, cash balances and receivables, tangible assets, payables and long-term liabilities, plus a reconciled cash flow statement. However, the annual financial reports are not comparable with the approved budget.
29.2. Submission of reports for external audit	D	Vinnytsia City Government has not submitted the FY2020 annual financial statement for external audit.
29.3. Accounting standards	B	Though the local government has never been audited within the last three completed FY 2018-2020, it prepares annual financial statements in accordance with the National Public Sector Accounting Regulations prescribed by the Ministry of Finance, which are generally in line with IPSAS; the annual financial statements have been consistent over time. The accounting standards and policies adopted are disclosed in the notes to the financial statements. Differences between the National Public Sector Accounting Standards and those of IPSAS are not disclosed.

Dimension PI-29.1. Completeness of annual financial reports

406. Table 29.1 below summarizes the information contained in the annual financial statements for FY2020. As shown in the table, the annual financial statements present information on revenue (by aggregated and disaggregated revenue codes) and expenditure (according to program, functional and economic classification), cash balances and receivables, tangible assets, payables and long-term liabilities, plus a reconciled cash flow statement. Coverage and classification of revenue in Treasury's reports allow direct comparison to the original budget. However, reports on expenditure are based on economic and

³⁷ <https://2021.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=150>.

functional classifications, but not on administrative classification, what does not allow for their direct comparison with the original budget.

Table 29.1: Information contained in annual financial reports

Financial report	Date annual report submitted for external audit	Content of annual financial report			Reconciled cash flow statement (Yes/No)
		Expenditures by program, functional and economic classification and revenues (Yes/No)	Financial and non-financial assets and liabilities (Yes/No)	Guarantees and long-term obligations (Yes/No)	
Consolidated annual financial report (2020)	No report for submission for external audit	Yes	Yes	Yes	Yes

Data source: 2018-2020 annual financial reports on Vinnytsia city budget performance.

407. **The score for this dimension is D.**

Dimension PI-29.2. Submission of reports for external audit

408. The local government of Vinnytsia City has not submitted the FY2020 annual financial statement for external audit. The financial records of the government have not been subject to annual audit by the external Accounting Chamber in any of the last three years and not before that. However, the city provides consolidation and submission an annual financial report to the Ministry of Finance by the 25th of January but latest by the 4th of February fully in line with legislation. The scoring however is about submitting the report to external audit which the city does not provide.

409. The reports coming from SAS is not about annual audit.

410. **The score for this dimension is D.**

Dimension PI-29.3. Accounting standards

411. Though the local government has never been audited within the last three completed FY 2018-2020, it prepares annual financial statements in accordance with the National Public Sector Accounting Regulations prescribed by the Ministry of Finance, which are generally in line with IPSAS; the annual financial statements have been consistent over time. The accounting standards and policies adopted are disclosed in the notes to the financial statements. Differences between the National Public Sector Accounting Standards and those of IPSAS are not disclosed.

412. **The score for this dimension is B.**

PILLAR 7: External scrutiny and audit

413. This pillar assesses whether public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement by the executive.

PI-30. External audit

414. This indicator examines the characteristics of external audit. This indicator is used when the external audit of SNGs is performed by the national Supreme Audit Institution (SAI) or its regional offices. It contains four dimensions and uses the M1 (ML) method for aggregating dimension scores. The assessment covers the budgetary units and EBUs over the last three completed FYs for 30.1, 30.2 and 30.3, and for 30.4, 'at time of assessment.'

415. The first dimension of this indicator is centred on the operations of the SAI: the coverage of the audits and how the SAI conducts its operations. The fourth dimension assesses the independence of the SAI. The second dimension examines the process and procedures once the SAI audits are completed. The third dimension assesses how audited entities respond to recommendations made in the audit reports.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-30. External audit (M1)	D	
30.1. Audit coverage	D	Over the last three completed fiscal years, the Supreme Audit Institution known as the Accounting Chamber of Ukraine (ACU) has not conducted any external audit of the financial record and operation activities of the Vinnytsia City Government.
30.2. Submission of the audit reports to the sub-national council	D	The Accounting Chamber of Ukraine has not conducted any external audit of the financial records of the Vinnytsia City Government; therefore, it has also not submitted any audit reports to the Vinnytsia City Council for scrutiny.
30.3. External audit follow-up	NA	Within the assessment period (2018-2020), the Accounting Chamber of Ukraine has not undertaken any external audit follow-up within the Vinnytsia City Council. This dimension is therefore not applicable.
30.4. Independence of the public audit institution in charge of sub-national governments	D	ACU is not fully independent. Its staff are civil servants under the authority and control of the executive government. Again, it has no full mandate to audit all public funds.

Dimension PI-30.1. Audit coverage

416. Over the last three completed fiscal years, the Supreme Audit Institution known as the Accounting Chamber of Ukraine (ACU), responsible for conducting external audit of local budget expenditure made by transfers from central government as well as audit of local government fixed revenues and expenditures that are determined by the functions of the state and passed to local governments (as per a revised ACU law in November 2018), has not conducted any external audit of the financial record and operation activities of the Vinnytsia City Government administration. In terms of standards, it is known that ACU largely conducts audit (evidence from the results of audit reports at the state budget level) based on adapted ISSAI standards.

417. **The score for this dimension is D.**

Dimension PI-30.2. Submission of audit reports to the legislature

418. The Accounting Chamber of Ukraine, over the last three completed fiscal years, has not conducted any external audit of the financial records of the local government; therefore, it has also not submitted any audit reports to the Vinnytsia City Council for scrutiny.

419. **The score for this dimension is D.**

Dimension PI-30.3. External audit follow-up

420. Within the assessment period (2018-2020), the Accounting Chamber of Ukraine has not undertaken any external audit of the financial records of the Vinnytsia City Council; therefore, it has also not issued any recommendations. This dimension is therefore not applicable.

421. **The score for this dimension is NA.**

Dimension PI-30.4. Supreme Audit Institution independence

422. In 2015, the Parliament promulgated a new law aimed at strengthening the independence of the Accounting Chamber of Ukraine (which is the Supreme Audit Institution of Ukraine). Per the new law, the Chairperson of the Accounting Chamber (who is a member of the ACU) and other members of the ACU are appointed by the legislature; their removal is only at the instance of the Parliament based on sufficient evidence as prescribed by law. Nonetheless, the staff of ACU are civil servants; this means that ACU staff are not independent from the executive authority. Also, their remuneration and benefits are determined by the executive government and not the ACU governing council. Furthermore, the staff of ACU could be transferred at any time by the executive government. ACU however has full authority to develop its own audit plan but has no full authority to audit all public funds; for instance, it has a mandate to audit some part of sub-national government revenues and expenditures and the remaining part is to be audited by the State Audit Service - SAS (which is more of a centralised internal audit directorate, reporting directly to the executive government). SAS's audits are not aligned to the budget cycle, and they are also more directed towards performance and effectiveness audits as opposed to financial audits. In terms of the share of revenue and expenditure to be audited by ACU and SAS, officials say the actual proportions are yet to be determined based on the amended law of November 2018.

423. Another element of independence³⁸ relates to ACU budget; the ACU does not submit its budget directly to the legislature, but it is submitted to the Ministry of Finance for consolidation. Officials of ACU have indicated that although the institution has not experienced any cuts in the approved budget and/or delays in actual transfers for its operations, the future remains unpredictable.

The score for this dimension is D.

PI-31. Legislative scrutiny of audit reports

424. This indicator focuses on legislative scrutiny of the audited financial reports of the sub-national government, including institutional units, to the extent that either: (a) they are required by law to submit audit reports to the legislature; or (b) their parent or controlling unit must answer questions and act on

³⁸ Cf INTOSAI ISSAI 1, Section 7, Point 2, Financial independence of Supreme Audit Institutions.

their behalf. The assessment of this indicator is based on the audit reports submitted to the legislature within the last three years.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-31. Legislative scrutiny of audit reports (M2)	D	
31.1. Timing of audit report scrutiny	D	The City Council has not received any external audit and/or audited annual financial report for scrutiny from the ACU or SAS.
31.2. Hearings on audit findings	NA	The City Council has not conducted any hearing on external audit findings and also hearing on any audited financial reports from the Finance Department of the Vinnytsia City Council.
31.3. Recommendations on audit by the sub-national council	NA	The City Council has not issued any recommendations on audit and/or financial findings derived from annual reports.
31.4. Transparency of legislative scrutiny of audit reports	NA	The City Council has not conducted any public scrutiny of annual audit reports.

PI-31.1. Timing of audit report scrutiny

425. The City Council has not received any external audit and/or audited annual financial report for scrutiny from the Accounting Chamber of Ukraine (ACU) or the State Audit Service (SAS).

426. **The score for this dimension is D.**

PI-31.2. Hearings on audit findings

427. The City Council has not conducted any hearing on external audit findings and also hearing on any audited financial reports from the Finance Office of the local government administration.

428. **The score for this dimension is NA.**

PI-31.3. Recommendations on audit by the sub-national council

429. The City Council has not issued any recommendations on audit and/or financial findings as a result from an audit process.

430. **The score for this dimension is NA.**

PI-31.4. Transparency of legislative scrutiny of audit reports

431. The City Council has not conducted any public scrutiny of audit reports.

432. **The score for this dimension is NA.**

3. CONCLUSIONS OF THE ANALYSIS OF PFM SYSTEMS

3.1 Integrated assessment across the PIs

3.1.1 Intergovernmental fiscal relations

433. The overall performance of intergovernmental fiscal relations is varying. The performance of transfers from higher levels of government gets a low rating (HLG-1 rated 'D+'). Outturns of transfers from higher levels of government, transfers composition outturn and predictability of transfers, also show poor results (HLG-1.1, 1.2, and 1.4 all rated 'D'), with the exception for the timeliness of transfers from higher levels of government that show good performance (HLG-1.3 rated 'A'). The low performance of transfers from higher levels of government depends on the central government's failure to notify local governments of their annual subventions promptly for inclusion into their annual budgets (including Vinnytsia City Government budget). This has had a negative impact on the performance of the City Government's budget in terms of budget reliability. It is therefore not surprising that expenditure composition outturns for both functional and economic classifications (PI-2.1 and PI-2.2) scored 'Ds.' Fiscal rules and monitoring of fiscal positions show better performance, with an overall score of 'A' and all dimensions also rated 'A.' Central government fiscal and debt rules for local governments are clear and applicable to all sub-national governments. These rules are closely monitored, with sanctions administered to defaulting local governments.

3.1.2 Budget reliability

434. Budget reliability, according to the assessment, shows a more spread rating of the performance. Aggregate expenditure budget appears to be reliable based on evidence collected, as the corresponding analysis indicate that actual outturns are less than 5% of the original approved budget at least in two out three years (PI-1 rated 'A'). The reliability of the aggregate expenditure budget shows fiscal discipline. Expenditure composition outturn according to function and economic category, though, show poor results (PI-2.1 and 2.2 all rated 'D'). The poor performance of expenditure composition outturns is because of the negative effect of transfers from higher levels of government (HLG-1 rated 'D+'); these transfers are not originally budgeted for by the City Government – therefore, actual transfers result in budget adjustments and reallocations across expenditure votes, the effect of which could be a misallocation of expenditure or misuse of public funds. However, the use of the contingency vote is respected by the City Government; the actual expenditure charged to the contingency budget is 0% - this indicates some level of budget reliability. Aggregate revenues were not reliable (PI-3.1 rated 'C'); revenue composition outturns were also unreliable (PI-3.2 rated 'C') – this is largely due to the poor performance of transfers from higher levels of government (HLG-1), state subventions that are paid to the City Government within the year, but not originally budgeted for.

3.1.3 Transparency of public finances

435. Budget preparation and execution are based on administrative, economic, functional, and program classification using GFS/COFOG standards but budget reporting is based only on economic, functional, and program classification. The classification follows GFS 2001. As administrative classification is not used in budget reports, there is a lack of transparency which results in a 'D' score for PI-4.1.

436. Mentioned the assessment shows that budget formulation, execution, and reporting are based on administrative, economic, function, and programmatic classifications in line with GFS 2001 (at the same, time, the budget documentation submitted to the City Council is comprehensive (PI-5 rate 'B')). The ratio of extra-budgetary expenditure of healthcare institutions to total expenditures of the Vinnytsia city budget stood at 5.93% in FY2020. These expenditures were not included in the reports on budget

performance. The share of total extra-budgetary revenues outside the City Government budget reports was 5.85% of total City Government revenue for FY2020 resulting in a 'C' score for PI-6.1 and PI-6.2. In these circumstances, the effect of City Government operations outside the budget poses is not a big threat to local government funds and the overall score for PI-6 is 'B.' As there is no first-tier government below the City Government, PI-7 is not applicable.

437. Performance information on service delivery is good (PI-8 'B') (A). Planned performance outputs with KPIs are published on the website, providing information to the public on planned resources for service delivery as well as actual resources allocated and their effectiveness. There is substantial information on all resources received in cash and kind; creating reasonable assurance that budget allocations are achieving planned results. Public access to fiscal information is good (PI-9 rated 'A'); all key fiscal information including annual budgets, in-year budget execution reports, annual financial statements, and a citizens' budget are available to the public promptly. The City Government has a mechanism for public consultation during budget preparation, design of service delivery, and public investment projects. The framework for public consultation is considered satisfactory (PI-9bis rated 'B'). This has a positive impact on accountability.

3.1.4 Management of assets and liabilities

438. This pillar shows varied performance. The analysis shows that the City Government has reasonable control over its assets and liabilities; control over assets and liabilities improves service delivery. City municipal enterprises are monitored at least annually with a half of these enterprises (about 47,5% by value) being audited annually and publishing their annual audit reports on their respective websites (PI-10.1 rated 'C'). As there are no first-tier governments below the City Government and no contingent liabilities and PPPs, PI-10.2 and PI-10.3 are not applicable.

439. There are no guidelines established/approved by the local authority for the economic analysis of public investment projects. However, an economic analysis of seven major investment projects (No. 1, 2, 4, 5, 8, 9 and 10 in Table 11.1) was conducted in line with the terms of reference template established by the Ministry for Regional Development (Order dated 24.04.2015 No.8039). The template is used to select projects that can be funded by means of the SRDF and provides for an assessment of such project characteristics as: area (territory) of a project impact; number of citizens that benefit from project implementation; expected quantitative and qualitative outcomes of a project implementation. Results of economic analysis of investment projects are published on the Ministry for Regional Development website and reviewed by the regional (oblast) commission under the selection process. Such a commission is an entity other than the sponsoring entity. The annual budget of Vinnytsia CTC does not indicate the total life-cycle cost of all investment projects. Capital investment project costing does not include recurrent cost estimates. Only the total capital investment cost with estimates for the budget year and the two following years are provided in the budget documentation.

440. Financial assets are monitored but only limited to cash/bank balances; the number of shares and the corresponding value of shares of city enterprises are unknown (PI-12.1 rated 'C'). Non-financial assets are also monitored, but at present, information on land and subsoil assets is yet to be captured (PI-12.2 rated 'B'). There is, however, a comprehensive and transparent asset disposal framework that allows public auction; all proceeds from asset disposal are paid directly into the treasury (PI-12.3 rated 'A'). There is a good public debt approval system with laws, regulations, and procedures established by the state government but also with local council approval mechanism (PI-13.2 rated 'A'). Debt figures are complete

³⁹ <https://zakon.rada.gov.ua/laws/show/z0488-15#Text>.

and reconciled annually (PI-13.1 rated 'A'). The City Government, however, does not prepare a medium-term debt management strategy (PI-13.3 rated 'D').

3.1.5 Policy-based fiscal strategy and budgeting

441. This pillar shows varied performance. A good medium-term fiscal strategy provides a basis for a reliable budget. At this stage, the City Government's budget is based on annual macroeconomic indicators with its underlying assumptions (PI-14.1 rated 'A'). The main macroeconomic indicators (GDP, interest rate, exchange rate, and inflation rate) are forecasted by the central government. The Finance Department of Vinnytsia City Council does not prepare estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years. However, the City Government prepares medium-term revenue and expenditure estimates; revenue is by type and expenditure is by administrative classification (PI-14.3 rated 'B'). The budget consistency analysis is non-existent (PI-14.4 rated 'D'); the absence of this analysis and its accompanying explanations is impacting negatively on the reliability of the budget.

442. The assessment indicates that the budget preparation process is at an under average level (PI-17 rated D+; both PI-17.1 and PI-17.2 rated 'C'). While the budget calendar and circular are comprehensive and clear for budget preparation, the calendar allows less than four weeks for budget preparation and submission. Expenditure ceilings for budget proposals are approved by the Finance Department of the City Council, which is the main executive body responsible for city budget preparation. The budget submission to the City Council for scrutiny and approval is within one month of the start of the new fiscal year. The City Council scrutiny of the budget proposals is comprehensive. The City Council's review covers budget indicators for both annual and medium-term perspectives. Statements of the fiscal strategy are included in the local budget forecast as well. The review also covers detailed indicators of budget revenues and expenditures (PI-18.1 rated 'A'). The legislative review processes are well established, respected, and allow public consultation (PI-18.2 rated 'A'). The City Council's timely approval of the annual budget (PI-18.3 rated 'A') allows key spending units to better plan and use approved budget allocations for improved service delivery. In-year budget amendment procedures exist, but they allow for extensive administrative reallocations without limit (PI-18.4 'B'); frequent and significant budget virements have the potential to derail planned government policies and programmes.

3.1.6 Predictability and control in budget execution

443. The overall performance of this pillar is above average. The State Tax Service (STS) is responsible for the administration of taxes on behalf of the City Government of Vinnytsia; therefore, PI-19 and all its dimensions are not applicable. That said, STS has a user-friendly website with comprehensive and clear taxpayer information in terms of laws, rights and obligations, and the procedure for filing and payment of taxes. Client service for taxpayers is good, as it provides toll-free telephone service in addition to the online enquiry and complaint framework. There is also information on the taxpayer complaint mechanism.

444. Accounting for taxes shows good performance (PI-20 rated 'A'). All taxes are properly accounted for and reported promptly, which is a prerequisite for effective and efficient cash management – therefore, not surprising that the cash management framework is sound (PI-21.1 rated 'A'). All taxes collected are directly deposited into the Treasury (PI-20.2 rated 'A'); PI-20.3 is not applicable since Vinnytsia City Government does not administer and collect core taxes directly. The budgetary institutions receive reliable information on expenditure commitments at least six months in advance - actually, one year (PI-21.3 rated 'A'); this ensures timely planning of procurement activities leading to efficient service delivery. That said, the frequency and significance of in-year budget allocations are of concern, even

though with an average score (PI-21.4 rated 'C'). These frequent in-year budget virements negatively affect planned service delivery programmes and overall government policies.

445. Expenditure arrears are well controlled and monitored (PI-22 with an overall score of 'A'). Payroll and personnel management perform satisfactorily (PI-23 with an overall score of 'C+'); to a great degree depending on uneven payroll audit, this contributes to budget reliability since payroll is one of the largest expenditure items on the budget. Even so, the City Government has a fairly good payroll and personnel records management system (some institutions use manual systems and others automated ones). Nevertheless, the payroll and personnel software management systems are completely directly linked (PI-23.1 rated 'B'). Management and changes to payroll and personnel records as well as the safety, security and integrity of payroll and personnel records appear to be well managed (PI-23.2 and PI-23.3 all rated 'A'). The incidence of 'ghost' workers is non-existence; however, payroll audits are uneven (PI-23.4 rated 'C'). Procurement systems are sound (PI-24 with an overall score of 'B+'); sound procurement system improves service delivery. There is good public access to all procurement information (PI-24.3 rated 'A'), but only 60% of procurement activities go through competitive procurement methods (PI-24.2 rated 'C'). The system for managing procurement complaints is satisfactory (PI-24.4 rated 'B').

446. Internal controls for non-salary expenditure show good performance (PI-25 rated 'B'), with a strong legal and regulatory framework established by the central government but also applicable at all local government levels, including the City Government of Vinnytsia. The financial management laws, regulations, and procedures prescribe appropriate measures for segregation of duties (PI-25.1 rated 'A'). Compliance level regarding PFM laws and regulations is high (PI-25.3 is rated 'B'), but the lack of an internal audit function means that there is no regular independent check on compliance; as internal audit function does not exist, it results in a 'D' score.

3.1.7 Accounting and reporting

447. The performance of this pillar is varying. The financial integrity process, however, shows good performance. Bank reconciliations are carried out promptly, likewise advance accounts. There are no suspense accounts; this reflects a high degree of data accuracy. Only authorised staff have access to financial records. All changes to these records are duly authorised and approved by the head of the department and/or budget institution; changes result in an audit trail (PI-27 rated 'A').

448. The City Government in-year budget execution reports provide useful financial information for management use, even though there is no separate unit responsible for data integrity (PI-28.3 rated 'C'). The reports show information on revenue and expenditure according to administrative, functional (and programme), and economic classifications, in line with GFS2001. Coverage and classification of financial reports do not allow direct comparison between the originally approved expenditure budget and actual expenditure outturns for the main administrative headings. Only the revenues are directly comparable by detailed codes of classifications (PI-28.1 rated 'D'). The E-reporting system facilitates the completion and submission of in-year budget execution reports; submission is done within one week after the previous month (PI-28.2 rated 'A').

449. The National Accounting Standards are also applicable to the City Government for the preparation of annual financial statements (PI-29.3 rated 'B'). The annual financial statements are comprehensive, as they present information on revenue and expenditure according to economic classification, cash balances and receivables, tangible assets, payables, long-term liabilities and guarantees, plus a reconciled cash flow statement. However, the annual financial statements are not comparable with the approved budget (PI-29.1 rated 'D'). The City Government also did not submit annual financial statements to the Accounting Chamber of Ukraine (ACU) within the last three years under review (PI-29.2 rated 'D').

3.1.8 External scrutiny and audit

450. The assessment shows poor results for this pillar. The Accounting Chamber of Ukraine's legal mandate does not cover all local government's revenues and expenditures; coverage is limited to only state subventions. In the last three years under review, the City Government had not been audited by the Accounting Chamber of Ukraine (ACU). The independence of ACU is weakened by the fact that its staff are civil/public servants in terms of employment conditions, remuneration, appointment, transfer, and termination. The Auditor-General and Members of the Board of ACU are, however, appointed by the national legislature. The Chamber's annual budget is scrutinised and approved by MoF just like any other budget institution; this affects ACU's independence (PI-30 rated 'D'). Since the external auditors (ACU) has not audited the finances of the City Government of Vinnytsia, no external audit reports have been submitted to the City Council for scrutiny (PI-31 rated 'D').

3.2 Strengths and weaknesses of the PFM systems

3.2.1 Fiscal discipline

451. Strong PFM laws promulgated by the state government as a result of years of PFM reforms are applicable at all sub-national governments have contributed to fiscal discipline. The assessment also shows that there is high compliance with payment rules and procedures; this also improves fiscal discipline.

452. Though the expenditure budget is reliable at the aggregate level, the high deviations for both economic and functional expenditure classifications resulting from unpredictable and unbudgeted higher level government transfers is risking the efficiency in the use of resources for the delivery of public service. At present, local governments are not allowed by law to budget for expenditure out of revenue yet to be earmarked by the state government. The rules of engagement in terms of allocating resources/transfers from higher levels of government to agreed programmes and policies have been respected by local government officials; this may not always be the case and is likely to result in misallocation and misappropriation of public funds going forward. Fiscal discipline is strengthened by the reliability of aggregate revenues but also weakened by the variances in revenue composition.

453. Revenues and expenditures outside the City Government budget and reports exist, but they are less than 6% of City Government operations and do not pose a significant threat to fiscal discipline due to strong reporting requirements. However, it is important to closely monitor these figures and address the underlying causes. The legal framework allows extra-budgetary units to use their own resources to improve service delivery; the law also requires strict and periodic reporting of these funds – this is complied with.

454. Fiscal risk management is at average performance; city public corporations are fairly monitored, with the majority of them being audited annually. Concerning public enterprises, there are reasons to strengthen the oversight responsibilities of public corporations. The assessment concludes that public investment management is rated 'B,' there is a good system for managing, implementing and monitoring public investments projects.

455. One key element that usually distorts government budget and consequently impacts negatively on fiscal discipline is payroll. However, in Vinnytsia, payroll management and controls are reasonable with very little or no impact on fiscal discipline.

456. Although there is generally a good internal control practice, the lack of institutionalised regular internal audit is a matter of concern.

457. The ineffectiveness of the external oversight roles by the Accounting Chamber of Ukraine and the City Council mainly due to legal limitations of the former and consequently not auditing and submitting external audit reports of the local government for legislative review may weaken the internal control framework with a consequential effect on fiscal discipline – this is because local government staff may feel less accountable.

3.2.2 Strategic allocation of resources

458. Resource allocation in a strategic manner has been enhanced by the good budget classification in line with international good practice. The budget is detailed at every level of classification (administrative, economic, functional and programme); this facilitates traceability of allocated resources for efficient service delivery. There is also comprehensive information in the budget documentation submitted to the City Council. The comprehensiveness of budget documentation improves transparency and allows citizens to keenly monitor fiscal information.

459. The annual budget estimates derive their source from underlying forecasts prepared by the City Government principally based on historical fiscal performance and current central government macroeconomic projections. These underlying assumptions and forecasts provide a basis for the allocation of resources according to policy priorities. There is, however, a weakness in terms of the City Government's inability to estimate the fiscal impact of changes in policy proposals. The budget formulation and preparation processes are affected by the insufficient time allocation for key spending units to meaningfully prepare their budget proposals; this reduces the ability of key spending units to effectively prioritise their spending needs. Nevertheless, the approval of the annual budget promptly allows key spending units to commence their annual programmes and activities in time to ensure full utilisation of allocated resources to improve service delivery.

460. While on the one hand, transfers from higher level government affects budget reliability due to their unpredictable nature, sufficient resources, on the other hand, are made available to the City Government for the execution of its programmes. The economic and functional reallocation of expenditure during the budget year, coupled with the frequent in-year budget virements, is of utmost concern as they could potentially affect the strategic allocation of resources – this is, however, minimised by the fact that programmes and activities have already been pre-agreed. Strategic resource allocation has been enhanced by the strong revenue accounting framework as well as the efficient cash management system, together with ensuring the availability of resources promptly for improved service delivery.

3.2.3 Efficient use of resources for service delivery

461. Good budget classification, which ensures that resources are allocated strategically, has led to improvement in the use of resources allocated for service delivery. This is so because resources are properly allocated. However, there is still concern over the frequency and significance of in-year budget virements as well as budget reallocations across expenditures by economic and functional classifications. At present, the availability of resources to fund city government programmes negates the effect of budget reallocations; also, revenues are well managed and allocated at the right time.

462. The effectiveness and transparency of procurement systems, resulting in most procurement activities done through competitive means, have contributed to the efficiency of the use of resources for service delivery. Competitive procurement leads to a reduction in the marginal cost of public service. This also means more services could be delivered due to cost reduction.

463. The publication of performance information for service delivery ensures that the public can track the provision of services according to plan. The public can then raise questions and by so doing help to improve the delivery of service efficiently. It reduces the wastage of resources due to public

accountability. There is also a good framework for recording, accounting and reporting on all resources (both cash and kind) received by frontline service delivery units. This mechanism ensures that resources are used efficiently. Public consultation is equally satisfactory; more public engagement in the design of public service means improvement in the efficient use of resources for service delivery.

464. Internal audit is not instituted in Vinnytsia; external audit is almost non-existent – a negative impact on efficient service delivery due to less accountability. It is a concern that international best practices for independent audit are not institutionalised in the city. There are proper safeguards and accountability for public fixed assets, a prerequisite for improved service delivery. The timely preparation and publication of fiscal data (in-year budget execution reports) have led to improvement in public accountability, thereby leading to efficient use of resources for service delivery.

3.3 Performance changes since a previous assessment

465. This is the first assessment (baseline study).

3.4 Conclusions on service delivery

3.4.1 Intergovernmental fiscal relations

466. Primary service delivery was not negatively affected by the poor PFM performance of transfers from higher levels of government. As indicated under HLG-1 above, deviations between budgets and actuals were high. The timely release of actual transfers/subventions from state and oblast governments negated the impact of these high deviations; this meant that funds were readily available to pay for goods and the provision of critical services.

3.4.2 Budget reliability

467. The assessment reveals that service delivery was not negatively affected by the mixed PFM performance of budget reliability indicators. The aggregate expenditure budget was reliable, which meant that originally budgeted expenditure was sufficiently funded and utilised within targets. Also, additional funding was made available from inflows from state and oblast governments. Otherwise, the unreliability of expenditure budget according to functional and economic classifications theoretically affects service delivery, but the state and City Government have developed a mechanism that predetermines programmes and activities to be funded - this mechanism appears to have resulted in minimising the impact of huge deviations in the economic and functional classification of expenditure. On the revenue side, except for the unreliability of revenue composition, revenue at the aggregate level is reliable and thus does not affect the revenue/cash flow streams required for the provision of primary services.

3.4.3 Transparency of public finances

468. The transparency framework of the City Government's PFM functions, which requires the publication of all fiscal information, performance plans and achievements for service delivery, as well as citizens' engagement during the design of service delivery programmes, has led to improvement in the delivery of primary service. The online feedback mechanism provides an opportunity to measure client satisfaction with services rendered. The City Government's budget classification architecture allows easy tracking of resource allocation to specific services, programmes and activities; SD units also use the same classification and this facilitates traceability of public finances. Healthcare facilities in particular report on revenues and expenditures from their own resources – this helps in the transparency and accountability framework. Educational institutions revenues and expenditures are all part of the main budget of the City

Education Department. The procedure and allocation formula of funds to SD units is well known to all parties ahead of actual transfers; this improves the transparency of public finances.

3.4.4 Management of assets and liabilities

469. SD units have no borrowing powers; that said, healthcare institutions can arrange for short-term bank overdrafts to make up for revenue and/or cashflow shortfalls. Schools, however, do not have this arrangement because they are part of the Department of the Education budget. The overdraft arrangement for healthcare institutions is to ensure the continuous provision of critical services to the public. The City Government monitors all overdraft arrangements. SD units, especially healthcare facilities that are public enterprises submit annual financial statements to the Department of Health. There is also a good, fixed assets management system that provides reasonable assurance of the safety and security of SD unit assets that are needed for primary service delivery. The involvement of managers of SD units in the decision-making process of public investments, especially those that have a direct impact on their services, has contributed to the efficiency of service delivery; this is so because SD units have the technical knowledge in terms of product/equipment selection.

3.4.5 Policy-based fiscal strategy and budgeting

470. Service delivery may be affected because of the absence of a medium-term perspective in expenditure planning; a medium-term budgeting framework encourages resource planning and expenditure allocation in advance. Furthermore, SD units may be negatively impacted by the City Government's inability to estimate the impact of changes to fiscal policy proposals. These changes could result in budget adjustments that could be detrimental to SD units' programs. Any hiccups in the budget formulation, preparation, and approval processes at the City Government level could potentially affect SD units service delivery programs; at present, this is not the case. The budgets are approved on time. SD units receive information on their proposals within one month of budget approval – this does not affect service delivery programs/activities.

3.4.6 Predictability and control in budget execution

471. SD units' own revenues, which constitute about 3% of its total revenue is properly accounted for and reported. The state PFM laws allow SD units to open and operate their own bank accounts but with the approval of the respective level of government. Own revenues are deposited into these bank accounts and used for SD unit operation. Even though not significant, the use of SD units' own revenue contributes to improvement in service delivery. SD units do not prepare annual cash flow plans. They rely on the City Government and the National Health Service of Ukraine's cash flow plans for the management of their cash need. Based on the interactions with SD units visited, cash shortages are not experienced; cash releases are timely which ensures the timely provision of service. There are no expenditure arrears – arrears have the potential of reducing the budget and cash available for critical services. Payroll controls are fairly good at SD units; changes to personnel and payroll records are properly authorized and approved. The national procurement system also serves the procurement needs of SD units. Most procurement activities are done through competitive methods. Internal controls are strong; they provide assurance of management and accountability of public funds. Internal audit coverage is, however, limited; SD units visited have never been audited within the last three completed fiscal years. As of now, one cannot conclude on the efficiency and effectiveness of public services especially in schools and healthcare facilities due to the absence of performance audit reports.

3.4.7 Accounting and reporting

472. State and City Government financial management laws and regulations, as well as reporting templates, also apply to SD units including schools and healthcare facilities. Accounting and reporting

requirements are strictly enforced by the City Government department responsible for monitoring SD units. They also comply with the accounting and reporting requirements. SD units prepare monthly and annual financial reports and submit the same to their supervisory budgetary unit; the reports contain information on all revenues, expenditures, assets, and liabilities. Healthcare facilities publish activity/programme reports on their respective websites. Schools, on the other hand, are part of the Education Department, and therefore their reports are consolidated into the department's reports. The strict state and City Governments' reporting requirements contribute to improving the PFM environment within SD units, even if financial errors are detected; it also helps SD units to be more efficient in their service delivery approach.

3.4.8 External scrutiny and audit

473. External audit coverage is as SD units are not independently and annually financially audited, neither have no performance audits been carried out to ascertain the efficiency and effectiveness of primary service delivery. The legislative review by the City Council is less effective, because independent performance evaluations have not been carried out. Nevertheless, the City Council conducts some performance reviews of SD units during budget hearings; this may not be effective.

4. GOVERNMENT PFM REFORMS

4.1 National approach to PFM reforms

474. The core strategic document of the Government designed for presenting comprehensive information on PFM reform planning and implementation is PFM Reform Strategy and its action plan.

475. PFM Reform Strategy for 2017-2020 was approved by the Cabinet Resolution dated 08.02.2017 No.142-r.⁴⁰ Measures and tasks for local budget reform are included in the Strategy under the Chapter II and provide for the next targets:

- clear delineation of powers between the central government and local self-governments;
- increase of own financial resources of local self-government;
- improvement of financial support to expenditures delegated by the central government to local self-government;
- introduction of medium-term budget planning and PBB improvement at the local level;
- strengthening the capacity of local self-government authorities in debt management;
- improvement of financial transparency and accountability of local self-government.

476. Since 2017-2020, PFM Reform Strategy implementation had been completed. Recently, the new draft PFM Reform Strategy for 2021-2025 was developed by the Ministry of Finance in cooperation with other ministries and agencies, and international technical assistance projects. The draft PFM Reform Strategy for 2021-2025 was published on the Ministry of Finance official website on the 5th of July, 2021.⁴¹

477. According to the information received during the meeting of the assessment team with the Ministry's representatives on the 23rd of September 2021, the draft Strategy is currently being finalized by stakeholders and is expected to be approved by the Government shortly.

4.2 Recent and ongoing PFM reform actions impacting sub-national governments

478. One of the most important and comprehensive reforms has been implemented over the recent years in Ukraine is the decentralisation reform, which can be considered and analysed in two ways which are closely linked however differ by their nature. They are **decentralisation of public administration** and **fiscal decentralisation**.

479. Both of them are aimed at building an effective local government, providing comfortable living conditions for citizens and accessible high-quality service delivery. These goals cannot be achieved without ensuring proper economic development of territorial communities and providing them with sufficient financial resource.

480. The process of decentralisation of public administration was launched when the Government adopted the Concept for Reformation of Local Self-Governance and Administrative-Territorial Structure

⁴⁰ <https://zakon.rada.gov.ua/laws/show/142-2017-%D1%80#Text>.

⁴¹ https://mof.gov.ua/uk/legal_acts_drafts_2021-485.

in Ukraine (Cabinet Resolution dated 01.04.2014 No. 333-r). Based on the Concept, the process of amalgamation of territorial communities was held over 2015-2020.

481. The main change in the budget system structure delivered under the decentralisation reform was a replacement of the three-tier budget system with the two-tier one. The three-tier budget system was represented by:

the 1st tier – central government budget;

the 2nd tier – oblast and rayon budgets, budgets of cities of oblast significance;

the 3rd tier – budgets of cities of rayon significance and villages (which received transfers from rayon budget).

482. The new valid **two-tier budget system** is more simplified as follows:

the 1st tier – central government budget;

the 2nd tier – oblast and rayon budgets, and budgets of territorial communities (that is budgets of all cities and villages) – all these budgets receive transfers directly from the state budget.

483. Such an approach means two important things: 1) introduction of direct budget relations between central government and all local governments, and 2) reducing dependence of municipalities from the intermediate tier of rayon administrations.

484. Although these novelties did not bring any changes to capital cities and cities of oblast significance (which Vinnytsia City belongs to), they provide important background for further development of other municipalities (small cities and villages) and strengthening their financial capacity.

485. The process of amalgamation of territorial communities was additionally encouraged through the instrument of fiscal decentralisation that was amendments to the Budget Code, which established new more significant revenue and expenditure powers for amalgamated communities and switched them to direct relations with the central government that consequently means that amalgamated communities receive transfers from the state budget in a direct way (avoiding rayon level).

486. Thus, fiscal decentralisation reform has provided local governments with fiscal tools to increase their own resources and, to some extent, reduce their financial dependence on the central government. The additional resource allocated to local governments give them more opportunities for territorial development, investments in modern infrastructure, and improvement of service delivery budget programs.

487. At the same, time, fiscal policy at the local level has been still unpredictable in the medium term. Lack of integrated strategic planning system prevents adequate budget planning and results in huge variance in both revenue and expenditure outturn.

488. Introduction of **medium-term budget planning** in the budget process, including at the local level, has still remained one of the priorities of the Government and the Ministry of Finance and is included in the draft PFM Strategy for 2021-2025.

489. The first significant step towards MTBF introduction was done in December 2018 when the Parliament of Ukraine adopted amendments to the Budget Code, which prescribed legal requirement for local governments to develop local budget forecasts starting from 2020. However, due to the need to provide MTBF training to local governments to ensure their capacity building in budget forecast preparation, the Ministry of Finance initiated respective changes to the Budget Code and Article 75¹ (“Local Budget Forecast Preparation and Approval”) was suspended until January 1, 2021.

490. FY 2021 became the first one when local governments prepared and approved their budget forecasts for 2022-2024 based on the template and instruction for local budget forecast preparation developed by the Ministry of Finance (respective Order dated 02.06.2021 No. 314, see PI-14). In addition, it was the first time when the Ministry of Finance provided local governments with the medium-term forecast of budget transfers that are prescribed annually in the State Budget Law.

491. In line with Article 75¹ of the Budget Code local budget forecast includes the following information:

- key economic and social development indicators of the territory;
- overall indicators of local budget revenue and financing, budget expenditure ceilings (separately for general and special fund);
- budget expenditure ceilings by KSUs (separately for general and special fund);
- local budget revenues disaggregated by types (separately for general and special fund);
- local budget deficit/surplus and source of means for deficit financing;
- local debt and local guarantees, repayments for local debt;
- capital investments (broken-down by investment projects);
- other indicators and provisions required for drafting a local budget decision.

492. Another way to increase transparency and effectiveness of budget resource allocation under PFM reform in Ukraine is **gender-responsive budgeting** implementation at both national and sub-national levels. Although respective measures and reform actions took place over 2013-2020 under the SIDA project, currently the GRB elements are only fragmentally applied in the budget preparation and execution. To improve gender equality in the country through ensuring budgeting that considers men and women interests and needs, there is specific link to the Government's 2021-2025 draft PFM Reform Strategy, which suggests: introducing GRB in medium-term budget planning; gender analysis of budget programs; gender equality as a budget program's performance indicator; introducing unified list of performance indicators considering GRB.

493. Under the annual budget process, the Government has developed and submitted to the Parliament a draft law on amendments to the Budget Code, which constitute the legal base for novelties in the budget process to be implemented in the next budget periods (in case of their adoption by the Parliament).

494. The novelties say that additional budget revenue (that are 10% of administrative fines received as fee for road safety violence and 50% of fees for gambling activity license) are granted to local budgets in line with amendments to the Budget Code. Furthermore, the new transfers from the state budget to local budgets are defined for 2022, which are designated to cover expenditure on purchase of equipment for canteens and ensuring fire safety in educational institutions.

4.3 Institutional consideration

Government Leadership and Ownership

495. Based on information received from the Ministry of Finance, the draft PFM Reform Strategy for 2021-2025 is in line with EU Association Agreement as well as IMF Extended Fund Facility Program.

496. Although PFM reform is owned and led by the central government, the Vinnytsia City Government also plays an important role in ensuring that PFM reform objectives and activities that affect the City

Government's financial management processes are executed in accordance with agreed implementation schedule and timelines.

Coordination across Government

497. To coordinate 2017-2020 PFM Reform Strategy, implementation coordination working group was established by the Ministry of Finance (Order dated 22.12.2018 No.1124), which consists of representatives of the Cabinet, Presidential Administration, sectoral committees of the Parliament, other line ministries, the Treasury, SFS, All-Ukrainian association of local self-governance, international financial organizations (IMF, World Bank), EU Delegation to Ukraine, and international technical assistance projects. The same approach was adopted during the design of 2021-2025 PFM Reform Strategy. Development partners such as Swiss SECO, WB, EU, and IMF contributed to the Strategy drafting. At the same time, there is no evidence to show the direct involvement of Vinnytsia City Government in the process of PFM Reform Strategy elaboration.

A Sustainable Reform Process

498. While it is acknowledged that there is no standalone PFM Reform Strategy for Vinnytsia City Government, the central government of Ukraine has made adequate budgetary provisions to ensure the sustainability of the overall PFM strategy, which will also feed into the funding arrangements of the City Government's reforms activities. Additionally, the City Government is enjoying the support of some development partners, specifically Swiss SECO, for the improvement of local PFM system.

Transparency of the PFM Programme

499. As has been the case with 2017-2020 PFM Reform Strategy, the Ministry of Finance has indicated its readiness to publish the new 2021-2025 PFM Reform Strategy on its website once it is approved by the Cabinet. Other transparency arrangements comprise the monitoring and evaluation mechanism, which includes quarterly reporting of each reform component by all implementing agencies to the Ministry of Finance who will then consolidate all inputs from implementing agencies and submit them to Cabinet for review and approval. Once approved, the consolidated report is published on the Ministry's official website.⁴²

4.4 Key aspects of the SNG specific PFM reforms

500. The governments of Vinnytsia City Council have no standalone PFM Reform Strategy. All PFM reform activities are governed and coordinated at the central level. As it was mentioned above, at the time of assessment, the central government was in the process of finalizing 2021-2025 PFM Reform Strategy. Once approved by the Cabinet, it will form the basis of local government reform programs.

⁴² <https://mof.gov.ua/uk/zvit>

Annex 1. Performance indicator summary

Indicator /Dimension	2021 score	Description of requirement met
SUB-NATIONAL PILLAR: INTERGOVERNMENTAL FISCAL RELATIONS		
HLG–1 TRANSFERS FROM HIGHER LEVEL GOVERNMENT	D+	
HLG–1.1 Outturn of transfers from higher level government	D	Table HLG.1 shows that in two of the last three years under assessment, actual transfers were less than 92% of the original budget estimates. Actual deviation made up: 2018 - 85.6 %; 2019 - 79.8 %; 2020 - 112.3 %.
HLG–1.2 Transfers composition outturn	D	Variance in transfer composition was more than 15% in two of the last three years: 2018 - 30.8 %; 2019 - 29.7 %; in 2020 - 8.9 %.
HLG–1.3 Timeliness of transfers from higher level government	A	Transferring grants from state budget to local budgets, including the budget of Vinnytsia CTC, is provided in accordance with the Procedure developed at the central level and approved by Cabinet Decree No. 1132. ⁴³ Before the start of the next budget period, the Finance Department prepares an annual budget allocation plan (cash flow forecast), which defines the schedule of transferring grants from state budget to local budgets. In each of the years under assessment (2018, 2019, and 2020) more than 93% of all budget grants were transferred timely to the city budget according to the period restriction governed by the law.
HLG–1.4 Predictability of transfers	D	FY2021 was the first year when the Ministry of Finance of Ukraine provided the SNG with information on budget transfers forecast for the fiscal year and the two following fiscal years (2022-2024).
HLG–2 FISCAL RULES AND MONITORING OF FISCAL POSITION	A	
HLG–2.1 Fiscal rules for sub-national governments	A	Basic rules and procedures (budget rules) used in local budgets preparation, consideration, approval and implementation as well as local budgets reporting are governed by the BCU, which contains prescribes restrictions on local budgets adoption with deficit/surplus.
HLG–2.2 Debt rules for sub-national governments	A	Debt policy rules for SNGs are regulated in the BCU. According to Article 16 of the Code, city councils have the right to carry out: local internal borrowings; local external borrowings by obtaining credits (loans) from international financial organizations; other local external borrowings (city councils of city territorial communities with the administrative centre in the city of oblast significance). Article 18 of the BCU stipulates that the maximum amount of local debt and debt guaranteed by the City Territorial Community at the end of the budget period may not exceed 200% of the average annual estimated development budget

⁴³ Cabinet Decree dated 15.12.2010 No. 1132 “On approval of Procedure for transferring budget grants”.

		revenues for the next two budget periods defined in the local budget forecast. To ensure compliance with the limits of local debt and local guarantees, the Ministry of Finance maintains a register of local borrowings and local guarantees.
HLG-2.3 Monitoring of sub-national governments	A	The law provides for the submission of annual financial statements up to three months after the end of the previous financial year. Available evidence from the National Treasury indicates that all sub-national governments submit their annual financial statements on or before the 31 st day of March following the previous financial year. Each year, the National Treasury also prepares a consolidated report of all local government financial statements.
PILLAR I: BUDGET RELIABILITY		
PI-1 AGGREGATE EXPENDITURE OUTTURN	A	
PI-1.1 Aggregate expenditure outturn	A	Actual aggregate expenditure outturn stood at 98.6%, 102.4%, and 93.5% in 2018, 2019 and 2020 respectively. That means less than 5% deviation in two of the last three completed FYs.
PI-2 EXPENDITURE COMPOSITION OUTTURN	D+	
PI-2.1 Expenditure composition outturn by function	D	Variance in expenditure composition by functional classification was more than 15% in each of the last three FYs: 20.5%, 15.6% and 15.8% in 2018, 2019, and 2020 respectively.
PI-2.2 Expenditure composition outturn by economic type	D	Variance in expenditure composition by economic categories are somewhat higher comparing with the function criteria. As it is presented in Table 2.1 and Annex 4, actual variances were 21.9%, 18% and 22.4% in 2018, 2019, and 2020 respectively.
PI-2.3 Expenditure from contingency reserves	A	There were no actual expenditures from contingency reserves over 2018-2020, however such expenditures were planned in amount no more than 1% of the general fund of the city budget.
PI-3- REVENUE OUTTURN	C	
PI-3.1 Aggregate revenue outturn	C	Actual aggregate revenue outturn by years: 115.3%, 117.2% and 95.0% in 2018, 2019, and 2020 respectively.
PI-3.2 Revenue composition outturn	C	Actual revenue composition outturn by years: 13.4%, 16.0% and 7.1% in 2018, 2019, and 2020 respectively.
PILLAR II: TRANSPARENCY OF PUBLIC FINANCES		
PI-4 BUDGET CLASSIFICATION	D	
PI-4.1 Budget classification	D	Budget preparation and execution are based on administrative, economic, functional, and program classification using GFS/COFOG standards. However, budget reporting is based only on economic, functional, and program classification. The classification follows GFS 2001.
PI-5 BUDGET DOCUMENTATION	B	
PI-5.1 Budget documentation	B	Budget documentation submitted to Vinnytsia City Council in 2020 fulfils three out of four basic elements and four out of eight additional elements as shown in Table 5.1.
PI-6 SUB-NATIONAL GOVERNMENT OPERATIONS OUTSIDE FINANCIAL REPORTS	B	
PI-6.1 Expenditure outside financial reports	C	The ratio of extra-budgetary expenditure of healthcare institutions to total expenditures of Vinnytsia city budget stood at 5.93% in FY2020. These expenditures were not included in the budget reports of Vinnytsia City Council.

PI-6.2 Revenue outside financial reports	C	The share of total extra-budgetary revenues outside the Vinnytsia city budget reports was 5.85% of total City Government revenue for FY2020.
PI-6.3 Financial reports of extrabudgetary units	A	Annual financial statements were prepared by all budget and extra-budgetary units and submitted to their respective supervisory KSUs within two months after the end of the previous budget period, as it is prescribed by the law. The annual financial statements contain full information on revenues, expenditures, financial and tangible assets, liabilities, and reconciled cash flow.
PI-7 TRANSFERS TO SUB-NATIONAL GOVERNMENTS	NA	
PI-7.1 System for allocating transfers	NA	This dimension is not applicable since there is no lower-tier government of Vinnytsia City Council.
PI-7.2 Timeliness of information on transfers	NA	This dimension is not applicable since there is no lower-tier government of Vinnytsia City Council.
PI-8 PERFORMANCE INFORMATION FOR SERVICE DELIVERY	A	
PI-8.1 Performance plans for service delivery	A	Annual performance plans (budget program passports) specify purpose, tasks, and performance indicators of respective budget program implementations and are to be developed separately for every budget program according to the budget legislation. All seventeen KSUs developed passports for all the budget programs they are responsible for. The budget program passports of Vinnytsia city budget KSUs are published on the website of Vinnytsia City Council.
PI-8.2 Performance achieved for service delivery	A	All KSUs prepared and submitted reports on budget program passport implementation to the Finance Department in line with requirements prescribed by the budget legislation. Reports, which present outputs and outcomes (quality performance indicators) of each budget program, are available on the Vinnytsia City Council website.
PI-8.3 Resources received by service delivery units	A	All KСУ and budgetary institutions are obliged to report quarterly on resources received in-kind, and monthly on resources received in cash. These monthly and quarterly reports are submitted by KSUs to the finance departments and the Treasury. Information on resources received in-kind is quantified in monetary terms and included in the annual financial statements. Documentary evidence received from the City Council verifies that information on resources received by KSUs for budget program implementation is disaggregated by source of funds.
PI-8.4 Performance evaluation for service delivery	B	All KSUs ensured annual budget program evaluation over 2018-2020: most of them – in each of the last three completed FYs, others – at least in two of the three years. The evaluation was provided by KSUs, hence there is no independent evaluation of service delivery programs. Evaluation results by budget programs as well as consolidated results are published on the Vinnytsia City Council website. Budget program evaluation includes: analysis of compliance of a budget program with national and local priorities of socio-economic development, as well as legal requirements

		established by the budget legislation; assessment of the budget program efficiency by establishing correlation between the results achieved and the amount of budget funds used; analysis of variance in planned and actual performance indicators; identification of factors hindering budget programs implementation; development of proposals to improve the efficiency of a budget program.
PI-9 PUBLIC ACCESS TO FISCAL INFORMATION	A	
PI-9.1 Public access to fiscal information	A	Local governments of Vinnytsia CTC provide the public with wide and free access to fiscal information. In particular, it is true for four basic elements and one additional element, as indicated in Table 9.1 below. Elements 5 and 7 are NA since the legislation does not require external audits of local budgets.
PI.9bis. PUBLIC CONSULTATION	B	
PI-9bis.1 Public consultation in budget preparation	A	<p>The Regulations on public consultation in Vinnytsia CTC (hereinafter – the Regulations) are approved by the City Council Decree dated 30.09.2016 No.395. In 2020, public consultations on draft budget preparation for 2021 were provided in accordance with the Executive Committee’s Decree dated 26.11.2020 No. 512 "On providing public consultation to discuss draft program on economic and social development of Vinnytsia City Territorial Community for 2021 and the annual draft budget of the Vinnytsia City Territorial Community for 2021."</p> <p>Citizens have free access to clear and simplified budget information. Public consultation on Vinnytsia CTC budget preparation for 2021 was led by the Finance Department of Vinnytsia City Council on December 8, 2020, i.e., before the annual budget approval (December 24, 2020, see Table 18.3 below).</p> <p>The minutes and recommendations prepared based on the results of public consultation were published in "Vinnytska Gazeta" on December 11, 2020, No.49-50 (3509-3510) and on the website of the city council.</p>
PI-9bis.2 Public consultation in the design of service delivery programs	C	Evidence received from the Vinnytsia City Government suggests that service delivery programs were discussed in 2018 and 2020. Consultation was provided prior to the city budget approval; however, it did not cover all of the service delivery budget programs (in FY2018 – 25.2% of total city budget expenditure).
PI-9bis.3 Public consultation in investment planning	C	<p>Consultation on investment projects was conducted within the framework of the Capital Construction Program, which includes all investment projects implemented in Vinnytsia City by means of budget funds.</p> <p>Public consultation to discuss investment projects for 2021 was hosted by the Economic Development and Investment Affairs Department on December 8, 2020 (before the budget was approved on December 24, 2020, see Table 18.3). However, the City Government did not publish any results and/or findings of feasibility studies or economic analysis of any investment projects, which are to be the subject of public consultation.</p>

		The protocol which includes inputs from citizens and explanation on the way of its implementation, as well as recommendations of the public consultation were published in "Vinnytska Gazeta" on December 11, 2020, No.49-50 (3509-3510) and on the city council website.
PILLAR III: MANAGEMENT OF ASSETS AND LIABILITIES		
PI-10 FISCAL RISK REPORTING	C	
PI-10.1 Monitoring of public corporations	C	2020 annual audited financial statements of two out of ten largest PCs were published on the city council website within six months from the end of the fiscal year. These two audited PCs constitute 47.5% by their value. All 42 PCs of Vinnytsia City Council submitted their 2020 annual financial reports to respective sectoral departments of the City Council within the deadline prescribed in the Procedure approved by the City Council Decree dated 27.12.2019 No.2081, that is before the 10 th of March of the year next to the reporting period.
PI-10.2 Monitoring of sub-national governments	NA	This dimension is not applicable since there is no lower-tier government of Vinnytsia City Council.
PI-10.3 Contingent liabilities and other fiscal risks	NA	This dimension is not applicable since there are neither PPP nor contingent liabilities among the fiscal risk of Vinnytsia City Council.
PI-11 PUBLIC INVESTMENT MANAGEMENT	B	
PI-11.1 Economic analysis of investment proposals	C	There are no guidelines established/approved by the local authority for economic analysis of public investment projects. However, an economic analysis of seven major investment projects (No. 1, 2, 4, 5, 8, 9 and 10 in Table 11.1) was conducted in line with the terms of reference template established by the Ministry for Regional Development (Order dated 24.04.2015 No.80). The template is used to select projects that can be funded by means of the SRDF and provides for assessment of such project characteristics as: area (territory) of a project impact; number of citizens that benefit from a project implementation; expected quantitative and qualitative outcomes of a project implementation. Results of economic analysis of investment projects are published on the Ministry for Regional Development website and reviewed by the regional (oblast) commission under selection process. Such a commission is an entity other than the sponsoring entity.
PI-11.2 Investment project selection	A	Key criteria for investment projects to be selected and included in the Capital Construction Program are specified in the Procedures for the development of the Capital Construction Program approved by the Vinnytsia City Council Executive Committee (Decree dated 04.07.2019 No. 1689). Seven major investment projects funded by means of SRDF were selected according to standard criteria defined (published) in the Cabinet Decree dated 18.03.2015 No. 196. The project on construction of the Vinnytsia Regional Clinical Medical and Diagnostic Centre for Cardiovascular Pathology in Vinnytsia was selected in accordance with the Procedure and Conditions for assigning subvention from the state budget to

		local budgets for regional healthcare systems reformation under cooperation with the International Bank for Reconstruction and Development (Cabinet Decree dated 27.05.2015 No.350).
PI-11.3 Investment project costing	C	Capital investment project costing does not include recurrent cost estimates. Only the total capital investment cost with estimates for the budget year and the two following years are provided in the budget documentation.
PI-11.4 Investment project monitoring	A	The entities responsible for project implementation prepare quarterly reports on project implementation and submit them to the Economic Development and the Investments Affairs Department of Vinnytsia City Council before the 10 th day of the month following the reporting quarter. The Economic Development and Investments Affairs Department ensures monitoring of all investment projects. The results of the monitoring are published on the Vinnytsia City Council website (see Table 11.3). Furthermore, monitoring of major investment projects implemented by means of SRDF was provided by relevant project contractors with respect to both financial component and physical progress of the project implementation. The Vinnytsia SOA provided for monitoring results publication on the website of the Ministry for Regional Development on a quarterly basis before the 10 th day of the month following the reporting quarter.
PI-12 PUBLIC ASSET MANAGEMENT	B	
PI-12.1 Financial asset monitoring	C	All budget institutions and public corporations of Vinnytsia City Council maintain their individual records of financial assets through the accountant software centralised at the city level. Financial assets are recognized at fair value. The City Government has a 100% stake in forty-two public corporations but has no records of the number and value of shares of these corporations. Information on financial assets' performance portfolio is not published.
PI-12.2 Nonfinancial asset monitoring	C	All budget institutions and public corporations of Vinnytsia City Council maintain their individual registers on all items of fixed assets (buildings, vehicles, facilities, equipment), including information on their usage and age through the accountant software centralised at the city level. The register information is complete; SNG updates it on a regular basis. The land register is maintained by the central government (State Cadastre). The real estate communal property register of Vinnytsia CTC approved by the City Council Decision dated 30.08.2019 No.1933 is available on the city council website. Information on other fixed assets is not subject to disclosure.
PI-12.3 Transparency of asset disposal	A	Procedures and rules for asset disposal are established. Any asset disposal requires an individual local council decision. Information on communal property disposal is included in the budget reports as budget revenues. Furthermore, the Communal Property Department of Vinnytsia City Council issues an annual analytical report on assets disposal, which is published on the city council website.

		In 2020, 14 communal property items were disposed, and consequently the city budget received UAH 14,579,0 thousand.
PI-13 DEBT MANAGEMENT	B	
PI-13.1 Recording and reporting of debt and guarantees	A	The Finance Department of Vinnytsia City Council prepares and submits to the Treasury quarterly information on local debt and local guarantees following the template prescribed in the Ministry of Finance Order dated 17.01.2018 No.12. ⁴⁴ This information is included in quarterly and annual budget reports on local budgets performance and contains data on internal and external debt liabilities of local governments, which are detailed by the repayment period (long-term, medium-term, short-term) and source of financing (loans from banks and financial institutions, loans from TSA, etc.). Information covers local debt stock and operations. Data on debt service is also included in the quarterly and annual budget reports, however it is presented in a separate form. Data on internal and external local debt and local guarantees are complete, accurate, updated and reconciled on a monthly basis.
PI-13.2 Approval of debt and guarantees	A	According to Article 16 of the BCU, the legal right to make local borrowings and issue local guarantees within the limits set by the local budget decision belongs to the head of the local financial body on behalf of the City Council. In accordance with Article 74 of the BCU, the scope and conditions of local borrowing and local guarantees need to be agreed with the Ministry of Finance. Procedural issues in the process of approving local borrowings and local guarantees are regulated accordingly by Cabinet Decrees dated 16.02.2011 No.110 "On approval of the Procedure for local borrowing" and dated 14.05.2012 No.541 "On approval of the Procedure for local guarantees." The Procedure requires the adoption of the relevant local council decision on borrowings. Based on the evidence provided by the Finance Department of Vinnytsia City Council the last approval of local borrowings by the Ministry of Finance took place on July 27, 2021.
PI-13.3 Debt management strategy	D	Vinnytsia City Council annually approves the Local Debt Management Program of Vinnytsia CTC for the next budget period, which covers information on existing and projected local debt, local debt and local guarantees portfolio, interest rate limits, and potential risks assessment. Medium-term debt management strategy is not developed.
PILLAR IV: POLICY-BASED FISCAL STRATEGY AND BUDGETING		
PI-14. MEDIUM-TERM BUDGET STRATEGY	C+	
PI-14.1 Underlying forecasts for medium-term budget	A	For FY2021 city budget forecast was based on historical information on transfers, revenue, and expenditure assignments. The budget forecast's estimates were calculated based on macroeconomic forecast, fiscal strategy, sectoral strategies, new initiatives in expenditure and revenue policy implementation, and key demographic indicators. The city

⁴⁴ The Ministry of Finance Order dated 17.01.2018 No.12 "On organizational issues related to preparation by the State Treasury Service of Ukraine budget reports local budget performance."

		budget forecast and the underlying assumptions were submitted to the city council together with the annual city budget for FY2021.
PI-14.2 Fiscal impact of policy proposals	D	Estimates of the fiscal impact of proposed changes in revenue and expenditure policy for the budget year of 2021, and the following two fiscal years were not provided in the city budget forecast. Although the explanatory note of the forecast contains a description of the approach to budget revenue and expenditure calculation as well as explanation of main reasons and factors influencing the budget indicators, such effects are not quantified.
PI-14.3 Medium-term expenditure and revenue estimates	B	Medium-term estimates of budget expenditure and revenue for the budget year of 2021 and two following fiscal years are included in the local budget forecast submitted to the City Council in 2020. Revenues are presented by type. Expenditures are allocated by administrative and program (aggregated codes) classification. Expenditure allocation by economic classification is not provided.
PI-14.4 Consistency of budget with previous year's estimates	D	Budget documentation does not include explanation on changes to expenditure estimates between the last medium-term budget forecast and the current medium-term budget forecast.
PI-17 BUDGET PREPARATION PROCESS	D+	
PI-17.1 Budget calendar	C	The budget calendar is strictly adhered to by all the budget process players. Based on the measures and timelines defined in the budget calendar KSUs have less than four weeks (actual period – 9 days) to meaningfully complete their budget requests (detailed budget estimates).
PI-17.2 Guidance on budget preparation	C	A budget circular which reflects the guidelines on budget requests preparation and expenditure ceilings for each KSU was issued by the Finance Department of the Vinnytsia City Council and distributed to KSUs on the 13 th of October, 2020. The budget circular covered total budget expenditure for the full fiscal year. Expenditure ceilings were approved by the Order of the Finance Department dated October 9, 2020 that is prior to the circular's distribution to KSUs. When budget estimates elaboration is complete expenditure ceilings for all KSUs are included in the local budget Decree and approved by the Executive Committee.
PI-17.3 Budget submission to the sub-national council	D	For all three years under assessment (2018-2020) the Executive Committee submitted the annual budget to the Vinnytsia City Council (legislature) less than a month before the start of the next fiscal year. Actual submission dates were as follows: for 2019 budget – 06.12.2018; 2020 budget – 12.12.2019; 2021 budget – 10.12.2020.
PI-18 LEGISLATIVE SCRUTINY OF BUDGETS	B+	
PI-18.1 Scope of budget scrutiny	A	The City Council's review covers budget indicators for both annual and medium-term perspective. Statements of the fiscal strategy are included in the local budget forecast as well. The review also covers detailed indicators of budget revenues and expenditures.

PI-18.2 Legislative procedures for budget scrutiny	A	The Budget regulations is approved by the City Council Decree dated 29.04.2016 No.214. The regulations contain clear procedures for budget preparation, scrutinizing, approval, debating and adoption in the council, and presenting budget performance reports. The budget regulations also indicate the procedural issues on the budget elaboration in the sectoral commissions of the City Council, as well as rules for conducting public consultations under the budget preparation. The procedures described are adhered to in all instances. Organizational, technical, and other support to the City Council is provided by its Secretariat and the Executive Committee.
PI-18.3 Timing of budget approval	A	In each of three years under assessment (2018-2020), the budget of Vinnytsia CTC was approved by the City Council before the start of the next fiscal year (see Table 18.3 below).
PI-18.4 Rules for budget adjustment by the executive	B	There are clear legal requirements and rules for in-year budget adjustments, which are adhered to in all instances. However, they allow for extensive administrative reallocations (among KSUs) without any limits.
PILLAR V: PREDICTABILITY AND CONTROL IN BUDGET EXECUTION		
PI-19 TAX ADMINISTRATION	NA	
PI-19.1 Rights and obligations for tax measures	NA	Core taxes and fees are administered and collected by central authority – the State Fiscal Service of Ukraine.
PI-19.2 Property tax register and value assessment	NA	Property tax, land tax, and fees from rent are administered and collected by central authority – the State Fiscal Service of Ukraine.
PI-19.3 Tax risk management, audit and investigations	NA	Administered by central authority – the State Fiscal Service of Ukraine.
PI-19.4 Tax arrears monitoring	NA	Administered by central authority – the State Fiscal Service of Ukraine.
PI-20 ACCOUNTING FOR REVENUE	A	
PI-20.1 Information on revenue collections	A	The Finance Department receives monthly revenue reports from the City Treasury office presenting information on total tax collections broken down into tax types. Furthermore, the City Tax Office provides for daily information on tax revenues (broken down also by taxpayers). The Finance Department prepares monthly consolidated report on both tax and non-tax revenue (broken down into revenue classification codes).
PI-20.2 Transfer of revenue collections	A	All taxes are paid directly into the accounts registered in the Treasury – separately for each type of tax revenue. Therefore, all tax revenues are directly transferred to the Treasury within 24 hours.
PI-20.3 Tax accounts reconciliation	NA	Since Vinnytsia City Government does not administer and collect core taxes directly, this dimension is not applicable.
PI-21 PREDICTABILITY OF IN-YEAR RESOURCE ALLOCATION	B+	
PI-21.1 Consolidation of cash balances	A	All cash balances on the city budget accounts are consolidated by the Treasury on a daily basis. As of October 31, 2021, the consolidated cash balance stood at UAH 415.4 million.
PI-21.2 Cash forecasting and monitoring	A	After the budget is approved by Vinnytsia City Council an annual cash flow forecast is prepared by the Finance Department. It is updated regularly (at least monthly) on the

		basis of actual cash inflows (revenue) and outflows (expenditure payments).
PI-21.3 Information on commitment ceilings	A	After the city budget is approved by Vinnytsia City Council, the Finance Department issues reliable monthly expenditure commitment ceilings to each KSU which set such ceilings to each subordinated budgetary unit. The expenditure ceilings allow budgetary units to take commitments for one full fiscal year within the limits of budget allocations approved by the Council.
PI-21.4 Significance of in-year budget adjustments	C	Vinnytsia city budget analysis demonstrates significant in-year budget adjustments. The budget was amended <i>thirteen times</i> within the FY2020 in line with the procedures and rules established by the Budget Code of Ukraine.
PI-22 EXPENDITURE ARREARS	A	
PI-22.1 Stock of expenditure arrears	A	In each of the last three completed fiscal years 2018, 2019, and 2020, there were no stock of expenditure arrears.
PI-22.2 Expenditure arrears monitoring	A	Even though there are no stock of expenditure arrears, all budget institutions prepare, as part of the monthly financial reporting requirements, a statement to show any commitment that is unpaid even if the arrears are zero. These statements of arrears from budget institutions and KSUs are a basis for the City Treasury to prepare monthly consolidated reports within two weeks after the end of the previous month.
PI-23 PAYROLL CONTROLS	C+	
PI-23.1 Integration of payroll and personnel records	B	The process of human resource management and payroll management is fully automatized. The human resource management software and payroll management software are both linked to the approved staff list to ensure internal control, data consistency, and monthly data reconciliation. At the same, time, changes in the personnel database are not automatically reflected in the payroll management software. The total integration between personnel and payroll data is provided through manual intervention.
PI-23.2 Management of payroll changes	A	Any changes to the personnel and payroll records are updated within 24 hours and reconciled every month before the monthly payroll is processed and paid. All changes result in an audit trail. The basis for changing records is always a city council/mayor resolution and other supporting official documents. Due to this, there were no payroll arrears that would require retroactive adjustments.
PI-23.3 Internal control of payroll	A	There are clear rules and procedures for making changes to the personnel and payroll database and records. They envisage digital signature authorization that consequently results in an audit trail that is adequate to maintain a permanent history of transactions together with details of the authorizing officers. Only authorized HR staff, chief accountants, and deputy accountants of KSUs and budgetary units have access to the personnel and payroll management software for both review and changing relevant information. This is an instrument to ensure full integrity of data.

PI-23.4 Payroll audit	C	<p>The SAS, the Pension Fund, and social security funds are empowered to conduct payroll audit (the Pension Fund and social security funds – in part of respective salary deduction). Interviewing the Executive Committee of the Vinnytsia City Council, the evidence for 52 payroll audits conducted in 2018-2020 was obtained, including 47 audits provided by social security funds and 5 audits by the Pension Fund Department in Vinnytsia Oblast.</p> <p>Any payroll audit covering all entities of the Vinnytsia City Council has not been conducted in the last three completed fiscal years (2018-2020).</p>
PI-24 PROCUREMENT	B+	
PI-24.1 Procurement monitoring	A	Data available on the ProZorro are accurate and complete for all procurement methods for goods, services, and works. Information is presented in real time showing the purpose, subject, conditions, the value and winner(s) of the contract. The accuracy and completeness of the procurement information are assessed by SAS inspections and audits.
PI-24.2 Procurement methods	C	<p>The Public Procurement Law establishes the following public procurement methods: 1) open bidding; 2) competitive dialogue; 3) procurement under the framework contract; and 4) negotiation procurement procedure.</p> <p>As it is presented in Table 24.2, only 60.04% of 2020 total public procurements went through competitive method.</p>
PI-24.3 Public access to procurement information	A	Findings on public access to procurement information led to the conclusion that all six requirements to information accessibility were met by KSUs and budgetary institutions of Vinnytsia City Council.
PI-24.4 Procurement complaints management	B	<p>Procurement complaints are managed by the Antimonopoly Committee of Ukraine (hereinafter – AMCU) as a body responsible for complaints management process at both national and sub-national level. There is no specific local government procurement complaint body.</p> <p>Complaints are submitted to the AMCU as an e-document through the ProZorro electronic procurement system. Procurement complaints framework for Vinnytsia City meets 5 out of 6 criteria of the PEFA Methodology.</p>
PI-25 INTERNAL CONTROL ON NONSALARY EXPENDITURES	B	
PI-25.1 Segregation of duties	A	The city of Vinnytsia has established and documented a clear segregation of duties, which is in force for the PFM procedures throughout the City Administration. As it is required by the law, the procedure for the document's endorsement is specified in the instructions developed within each KSU. The Accounting Manual also prescribes clear rules/procedures for segregation of duties. According to the accounting manual, different officials in the Finance Department are responsible for authorization and recording, including authorization and custody of public assets assigned to separate officials. Expenditure commitments and payments are subjected to compliance checks by the Finance Department of the City

		Administration headed by the Chief Administrator, who reports to the Executive Committee headed by the City Mayor.
PI-25.2 Effectiveness of expenditure commitment controls	C	In line with documented internal procedures and under the supervision of the internal control procedures, spending units exercise control to make sure that commitments are kept only within the scope of budgets and monthly budget allocations. The Treasury Information System is applied to public administration bodies at all levels; it includes a module that provides for the registration of all legal commitments (contracts) and based on the last – budget commitments. This procedure ensures that commitments are effectively limited within the budget allocations set by monthly budget allocation plan developed at the beginning of the year for the relevant spending unit.
PI-25.3 Compliance with payment rules and procedures	B	Presently, the absence of a functional internal audit unit as well as the non-existence of external audit reports as evidence in principle limits the base for assessors' judgement on the effectiveness and the level of compliance with payment rules and procedures. However, the information from the Internal control shows good compliance and that possible deviations are always observed and corrected. That said, the lack of independent external audit and an institutionalised internal audit leave a gap in the defence of financial integrity. At the same time, information received from the representatives of the Northern Office of State Audit Service in Vinnytska Oblast (who were interviewed) presents data on violations of the financial and budgetary discipline revealed during SAS audits and inspections in the budgetary institutions and public corporations of Vinnytsia City Council. As of the time of assessment (01.10.2021), these violations were UAH 3.7 million, that is only 0.4% of budgetary and extra-budgetary funds audited.
PI-26 INTERNAL AUDIT	D	
PI-26.1 Coverage of internal audit	D	Budgetary institutions in the city of Vinnytsia have not established any internal audit divisions or appointed an official responsible for internal audit. Therefore, there is no functional internal audit unit in the Vinnytsia City Council.
PI-26.2 Nature of audits and standards applied	NA	As there is no functional internal audit unit, this dimension is not applicable.
PI-26.3 Implementation of internal audits and reporting	NA	As there is no functional internal audit unit, this dimension is not applicable.
PI-26.4 Response to internal audits	NA	As there is no functional internal audit unit, this dimension is not applicable.
PILLAR VI: ACCOUNTING AND REPORTING		
PI-27 FINANCIAL DATA INTEGRITY	A	
PI-27.1 Bank account reconciliation	A	The 1652 bank accounts are directly linked to the TSA. The local government financial bodies received daily transactional report on the movement of funds from each of the 1652 accounts, which it reconciles with its cash ledgers. In addition to this, there is a complete daily bank reconciliation for all accounts; this is done within a day or two following the end of the reporting week.

PI-27.2 Suspense accounts	NA	There are no suspense accounts.
PI-27.3 Advance accounts	A	Advance payments to staff for salary and operational activities are very rare. Contractors receive up to 30% mobilization which is set-off against any future payment. The Treasury provides control over advance payments and accounts. All advances are reconciled every month when submitting budget arrears reports to the Treasury.
PI-27.4 Financial data integrity processes	B	Only authorised staff have access to financial records. All changes to these records are duly authorised by the head of department and/or budget institution; changes result in audit trail. The treasury has the overall responsibility for the integrity of financial data and decides who can get access to the system. In the Finance Office, it is the director who makes the plans for operative security, still under the Treasury's integrity policies. The Treasury server system is safely geographically located and is run from a secure and protected spot, and there are a number of physical and other security measures applied. Within the National Treasury system, there is also a central internal audit function tasked with securing the data quality in the system. This internal audit function is reported to the head of the National Treasury.
PI-28 IN-YEAR BUDGET REPORTS	D+	
PI-28.1 Coverage and comparability of reports	D	Coverage and classification of financial report do not allow direct comparison between the originally approved expenditure budget and actual expenditure outturns for the main administrative headings. Only the revenues are directly comparable by detailed codes of classifications.
PI-28.2 Timing of in-year budget reports	A	As indicated in Table 28.2 below, the local government prepares monthly in-year budget execution reports; these are issued within one week after the end of the previous month.
PI-28.3 Accuracy of in-year budget reports	C	The in-year budget execution reports include planned and actual expenditures but do not cover expenditure at commitment stage. The data presented in the monthly and quarterly reports (such as revenue and expenditure performance, contingency fund and grants from the National Government, budget arrears and local debt indicators) is consistent and sufficient for analysis of budget execution that is provided on a quarterly basis. Analysis results are published on the city council website. At present, there is no functional independent internal audit to validate the accuracy of these reports. Also, external audit has not been conducted to equally authenticate the integrity of these reports. That said, the reports are very useful as they provide information and variance analysis of both revenue and expenditure for management use.
PI-29 ANNUAL FINANCIAL REPORTS	D+	
PI-29.1 Completeness of annual financial reports	D	The annual financial statements present information on revenue and expenditure according to program, functional and economic classifications, cash balances and receivables, tangible assets, payables and long-term liabilities, plus a reconciled cash flow statement. However, the annual financial reports are not comparable with the approved budget.

PI-29.2 Submission of reports for external audit	D	Vinnytsia City Government has not submitted the FY2020 annual financial statement for external audit.
PI-29.3 Accounting standards	B	Though the local government has never been audited within the last three completed FY 2018-2020, it prepares annual financial statements in accordance with the National Public Sector Accounting Regulations prescribed by the Ministry of Finance which are generally in line with IPSAS; the annual financial statements have been consistent over time. The accounting standards and policies adopted are disclosed in the notes to the financial statements. Differences between the National Public Sector Accounting Standards and those of IPSAS are not disclosed.
PILLAR VII: EXTERNAL SCRUTINY AND AUDIT		
PI-30 EXTERNAL AUDIT	D	
PI-30.1 Audit coverage	D	Over the last three completed fiscal years, the Supreme Audit Institution known as the Accounting Chamber of Ukraine (ACU) has not conducted any external audit of the financial record and operation activities of the Vinnytsia City Government.
PI-30.2 Submission of audit reports to the sub-national council	D	The Accounting Chamber of Ukraine has not conducted any external audit of the financial records of the Vinnytsia City Government; therefore, it has also not submitted any audit reports to the Vinnytsia City Council for scrutiny.
PI-30.3 External audit follow-up	NA	Within the assessment period (2018-2020), the Accounting Chamber of Ukraine has not undertaken any external audit follow-up within the Vinnytsia City Council. This dimension is therefore not applicable.
PI-30.4 Independence of the public audit institution in charge of sub-national governments	D	ACU is not fully independent. Its staff are civil servants under the authority and control of the executive government. Again, it has no full mandate to audit all public funds.
PI-31 LEGISLATIVE SCRUTINY OF AUDIT REPORTS		
PI-31.1 Timing of audit report scrutiny	D	The City Council has not received any external audit and/or audited annual financial report for scrutiny from the ACU or SAS.
PI-31.2 Hearings on audit findings	NA	The City Council has not conducted any hearing on external audit findings and also hearing on any audited financial reports from the Finance Department of the Vinnytsia City Council.
PI-31.3 Recommendations on audit by the legislature	NA	The City Council has not issued any recommendations on audit and/or financial findings derived from annual reports.
PI-31.4 Transparency of legislative scrutiny of audit reports	NA	The City Council has not conducted any public scrutiny of annual audit reports.

Annex 2. Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
1. Control environment	
<p>The city of Vinnytsia has no special overall structure/organization and local regulations for internal control, like what they have in the city of Zhytomyr. That means that the internal control framework is what is prescribed in the national legislation, as implemented regionally and locally and interpreted within the administration. Responsibility for internal control is decentralised to all administrative entities in the city. Under the field phase interviews and document studies, the assessors have assured themselves that the practice of internal control is well established and practiced in the decentralised context.</p>	
<p>1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization</p>	<p>According to the Law of Ukraine No 2493 of June 7, 2001, the main responsibilities of local government officials include, in particular, respectful treatment of citizens and their appeals to local self-government bodies, care for a high level of culture, communication and behaviour, authority of the bodies, and officials of local self-government (Article 8).</p> <p>By its Order No.158 of 5 August 2016, the National Civil Service Agency of Ukraine approved the General Rules of Ethical Conduct for Civil Servants and Local Self-Government Officials, which they are obliged to follow in the performance of their duties. Compliance with the requirements of the General Rules should be considered during the annual performance assessment of managers and employees.</p> <p>The Order of the Ministry of Finance No 1217 of September 29, 2011 approved the Code of Ethics for staff of the Internal Audit Department.</p> <p>Pursuant to Article 142 of the Labour Code (No.322 of 10.12.1971), the work arrangements at enterprises, institutions, and organizations are determined by the internal rules of conduct approved on the basis of standard rules. Individual ministries have adopted their own standard rules for their subordinate institutions, which contain only general requirements for the personal and professional integrity and ethical values of management and staff. The form and explanations regarding the formulation of the rules of internal conduct are provided in the compilation of the unified forms of organizational and administrative documents approved by the Regulatory and Methodological Commission of the State Archive Service of Ukraine, Minutes No.7 of November 22, 2015. However, it does not determine whether they contain a code of corporate ethics as it is not formulated as a separate document.</p>
<p>1.2 Commitment to competence</p>	<p>According to Order No.336 of the Ministry of Social Policy dated 29 December 2004, the section of the job description "Qualification Requirements" contains provisions concerning education, educational qualification levels, and experience that are sufficient for complete and high-quality performance of jobs on the positions. The "Must Know" section contains requirements for specific knowledge, as well as knowledge of the legal acts and regulations required to perform the duties. The same Order stipulates that all employees must improve their professional qualifications in accordance with the requirements of current legislation, and all managers must implement measures for the professional development of staff in order to achieve high economic results.</p>

Internal control components and elements	Summary of observations
	<p>According to the General Rules of Ethical Conduct of Civil Servants and Officials of Local Self-Government (Order of the National Civil Service Agency No.158 dated 5 August 2016), local self-government officials should constantly improve their abilities, knowledge, and skills in accordance with the functions and tasks of their positions, improve their professional and cultural level, and improve the organization of professional activity. However, such a requirement is not always contained in the individual job description of the employee or in the rules of internal conduct that govern the employees.</p> <p>In order to increase the efficiency of local self-government officials, their certification is conducted once every four years, during which work results, business, and professional qualities are evaluated. The Standard Regulation for certification of local government officials was approved by the CMU Resolution No.1440 of 26 October 2001. Between the appraisals, annual performance by local government officials of their tasks and responsibilities is assessed annually.</p> <p>In accordance with the Resolution of the Cabinet of Ministers No.59 of 26 January 2011, a chief accountant must submit proposals to the manager for the organization of training of employees of the accounting service including accounting staff of budgetary institutions, which are subordinated to the budgetary institution, in order to improve their professional and qualification level.</p> <p>Depending on the industry (profession), employees undergo periodic attestation, which is preceded by the completion of advanced training. For example, the Order of the Ministry of Finance No.1537 of 1 December 2011 approved the procedure of evaluation of the performance by the chief accountant of the budgetary institution of his/her powers. Such an assessment shall be carried out annually. According to the Law of Ukraine No. 2145 of September 5, 2017 "On Education," pedagogical staff undergo regular attestation at least once every five years (Article 50).</p>
<p>1.3 The "tone at the top" (i.e., management's philosophy and operating style)</p>	<p>According to the law, all managers must:</p> <ul style="list-style-type: none"> - in terms of risk acceptance and monitoring: analyse the state of implementation of plans organization of works, executive skills of employees, satisfaction of customer requirements and technological, market, financial achievements or missteps (Order of the Ministry of Social Policy of 29th December 2004 No.336); - in terms of the management's attitude and actions on financial statements: approve the accounting policy of the enterprise (in accordance with the Law of Ukraine No.996 of 16 July 1999 "On Accounting and Financial Reporting in Ukraine"); - in terms of the management's attitude to: <ul style="list-style-type: none"> • information processing: have knowledge of law, economics, administration, finance, personnel management; analyse and summarize information (Order of the Ministry of Social Policy of 29 December 2004 No.336); • accounting functions: to approve the accounting policy of the enterprise (in accordance with the Law of Ukraine No.996 of July 16, 1999 "On Accounting and Financial Reporting in Ukraine"); • staff: to provide conditions for improving the organization of the division of labour, performance of work and management of units; to promote effective production (service) relationships and links between employees; to ensure compliance with the requirements of job descriptions; to

Internal control components and elements	Summary of observations
	<p>implement measures for professional development of staff in order to achieve high economic results; to improve forms of motivation of employees (Order of the Ministry of Social Policy of 29 December 2004 No.336);</p> <ul style="list-style-type: none"> • monitoring, auditing and evaluation: to analyse the state of implementation of plans organization of works, the executive skill of employees, the satisfaction of customer requirements and technological, market, financial achievements or failures (Order of the Ministry of Social Policy of 29 December 2004 No.336). <p>The basic provisions concerning the attitude of the management to the personnel are regulated by the rules of internal labour conduct.</p> <p>Current legislation does not allow for the optimization and improvement of efficiency of the segregation of responsibilities between a manager and his/her deputies, since all key units (positions) in the institution must be subordinate to the manager (as described in Paragraph 1.4 of this Annex).</p>
1.4 Organizational structure	<p>According to Article 26 of the Law of Ukraine "On Local Self-Government in Ukraine," exclusive competence of city councils includes approval of the structure of executive bodies of the Council. Article 54 of the Law stipulates that the regulations on departments, sections, and other executive bodies of the Council are also approved by the relevant council.</p> <p>The legislation provides for the organizational structure of institutions that contains key units required for internal control.</p> <p>CMU Resolution No.59 of 26 January 2011 approved the Standard Regulation on the Accounting Service of a Budgetary Institution, in accordance with which the accounting services operate. In particular, it is envisaged that such a service is an independent structural unit (or a designated specialist) reportable directly to the head of the institution or his/her deputy.</p> <p>Pursuant to Article 18 of the Law of Ukraine No.889 of 10 December 2015 "On Civil Service," the human resource service of a state body (or the position of a staff specialist) is established with direct subordination to the head of the civil service. Responsibilities of the human resource service may be entrusted to one of the public officials of the authority. A standard regulation on the HR service of a state body was approved by the Order of the National Agency of Ukraine for Civil Service No.47 of 3rd of March, 2016.</p> <p>As a rule, institutions create departments responsible for accounting and staff issues or appoint appropriate specialists. However, in small institutions, they are absent. In such cases, accounting is performed by a higher organization (for example, a centralised accounting service of the department of education, youth, sports, culture covers the financial activity of educational institutions). HR recruitment and accounting responsibilities may be shared with other employees.</p>

Internal control components and elements	Summary of observations
	<p>CMU Resolution No.1040 of November 26, 2008, approved the General Regulation on the legal service of ministries, other executive bodies, state enterprises, institutions and organizations. In accordance with this Regulation, the Legal Service of an executive authority or enterprise is formed as an independent structural unit reportable directly to the manager. In small institutions (such as schools), such units and staffing positions are not created, and a lawyer is contracted to provide legal services. Some small institutions do not have legal support for their operation.</p> <p>According to Clause 7 of the Order of the Ministry of Justice No.1000/5 of 18th of June 2015, organization of office management in institutions is entrusted with independent structural units for record keeping (documentation support), general departments, offices, etc. or a person responsible for record-keeping in the institution - secretary, record keeper (hereinafter referred to as the recordkeeping service). According to Paragraph 8 of the above Order, the archive is an independent structural unit or part of the record-keeping service of the institution. In numerically insignificant institutions, the person responsible for keeping the institution's archive is appointed. In small institutions, such persons may be absent, and other staff may share these responsibilities.</p> <p>Pursuant to Article 26 of the BCU, for the purpose of internal audit, a spending unit represented by the manager forms an independent internal audit unit subordinated and accountable directly to the manager. The basic principles of internal control and internal audit⁴⁵ as well as the procedure for the formation of internal audit units⁴⁶ are defined by the CMU. However, The city of Vinnytsia does not have an Internal audit unit and currently there are no plans to implement such a unit in the organization.</p>
1.5. Human resource policies and practices	<p>The standard regulation on the human resource service of a state body approved by the Order of the National Agency of Ukraine for Civil Service No 47 of 3 March 2016 includes, in particular, the selection of personnel, forecasting staff development, encouraging employees to build work careers, and enhancing their professional competence.</p> <p>As mentioned in Paragraph 1.4 of this Annex, in small institutions, individual units or designated personnel responsible for HR may be absent, while staff recruitment and accounting responsibilities may be shared with other employees. This may indicate a lack of capacity to formulate personnel policies, namely, to forecast staff development and enhance their professional competence.</p> <p>Pursuant to Article 16 of the Law of Ukraine No.2493-III dated 07.06.2001 "On Service in Local Self-Government Bodies," according to the decision of the local self-government body, personnel reserve is created for occupying positions and promotion, which is approved by the city mayor, head of rayon or city district or oblast council. The procedure of formation and maintenance of staff reserve of officials is determined by the relevant council. CMU Resolution No.1386 of 24 October 2001 approved the standard procedure for the formation of personnel reserves in local self-government bodies.</p>

⁴⁵ Cabinet Resolution No. 1062 of 12.12.2018.

⁴⁶ Cabinet Resolution No. 1001 of 28.09.2011.

Internal control components and elements	Summary of observations
2. Risk assessment	
2.1 Risk identification 2.2 Risk assessment (significance and likelihood) 2.3 Risk evaluation 2.4 Risk appetite assessment	<p>Strategic plans that contain clear and consistent goals of the institution's activities are not being formulated. Passports of budget programs contain the goals of public policy, which are pursued by the implementation of a specific budget program and its performance indicators. No comprehensive approach to managing risks in achieving budget program goals and indicators has been implemented. Internal control provisions that should have contained a section on risk management are not approved.</p> <p>Pursuant to Article 20 of the BCU, at all stages of the budgetary process, its participants are required, within the limits of their powers, to evaluate the efficiency of budgetary programs, which includes measures to monitor, analyse, and control the targeted and effective use of budgetary funds.</p> <p>Several parameters are connected with each other based on the degree of risk determination including:</p> <p>PI-11.1 Economic analysis of investment proposals is rated 'C' – There are no guidelines established/approved by the local authority for economic analysis of public investment projects. However, an economic analysis of seven major investment projects (No. 1, 2, 4, 5, 8, 9 and 10 in Table 11.1) was conducted in line with the terms of reference template established by the Ministry for Regional Development (Order dated 24.04.2015 No.80⁴⁷).</p> <p>PI-14.2 Fiscal impact of policy proposals is rated 'D' – The Finance Department of Vinnytsia City Council does not prepare estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years.</p> <p>PI-19.3 Tax risk management, audit and investigation is rated 'NA' – This dimension is not applicable because it is the responsibility of the State Tax Service.</p> <p>PI-21.2 Cash flow forecasting and monitoring is rated 'A' – After the budget is approved by Vinnytsia City Council, an annual cash flow forecast is prepared by the Finance Department before the start of the budget period. It is updated regularly (at least monthly) on the basis of actual cash inflows (revenue) and outflows (expenditure payments).</p>
2.5 Responses to risk (transfer, tolerance, treatment or termination)	Risk response is performed by employees within the job descriptions, functions and tasks of the units in which they work.
3. Control activities	
3.1 Authorization and approval procedure	In line with documented internal procedures and under the supervision of the internal control procedures, spending units exercise control to make sure that commitments are kept only within the scope of budgets and monthly budget allocations. The Treasury information system is applied to public administration bodies at all levels; it includes a module that provides for the registration of all

⁴⁷ <https://zakon.rada.gov.ua/laws/show/z0488-15#Text>.

Internal control components and elements	Summary of observations
	budget commitments and this procedure ensures that commitments are effectively limited within the budget allocations of the relevant spending unit.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	<p>According to the Resolution of the Cabinet of Ministers No.59 of 26 January 2011 "On Approval of the Standard Regulation on the Accounting Service of a Budgetary Institution," the main tasks include an accounting of financial and economic activities of a budgetary institution and preparation of reports.</p> <p>The Law of Ukraine "On Accounting and Financial Reporting" stipulates that a primary document (a work (service) delivery act) must be signed by the person who participated in the business operation. Order of the Ministry of Justice No.1000/5 of June 18, 2015 "On Approval of the Rules of Organization of Records Management and Archival Storage of Documents in State Bodies, Local Self-Government Bodies, Enterprises, Institutions and Organizations" defines the need for segregation of responsibilities when signing management documents. According to this Order, internal approval of the draft contract based on the procurement results should be carried out, inter alia, by the employee who prepared the document, the head of the structural unit in which it was created, the financial unit or chief accountant (accountant), the head of legal service (lawyer).</p> <p>The full segregation of responsibilities for approval and signing of certain types of documents at the institution should be summarized in the workflow schedule approved by the head of the institution.</p> <p>The head of an institution approves the regulation on the Tender Committee in accordance with the Standard Regulation approved by the Ministry of Economic Development (Order No.557 of March 30, 2016), as well as its membership. There is no restriction on the possibility to participate in determining the winner of the tender by the employees who prepared the corresponding tender offer.</p> <p>Order of the Ministry of Finance No.879 2 September 2014 approved the regulation for an inventory of assets and liabilities. The Order, in particular, specifies that for purposes of inventory, an executive document shall be issued by the head of the enterprise to establish an Inventory Commission out of representatives of the enterprise management, accounting service (representatives of an audit firm, centralised accounting office, business entity/natural person who performs accounting at the enterprise on a contractual basis), and experienced employees of the enterprise who know the object of inventory, pricing, and primary accounting (engineers, technologists, mechanics, contractors, stock managers, economists, accountants). The Inventory Commission is headed by the head of the enterprise (his/her deputy) or the head of the structural subdivision of the enterprise authorized by the head of the enterprise. This regulation also stipulates that financially responsible persons are not included in the Inventory Commission to check the assets held in their custody.</p> <p>PI-25.1 Segregation of duties is rated 'A'- Appropriate segregation of duties is prescribed in laws, regulations, and expenditure management process.</p> <p>PI-25.2 Effectiveness of expenditure commitment controls is rated 'C'. - In line with documented internal procedures and under the supervision of the internal control procedures, spending units exercise control to make sure that commitments are kept only within the scope of budgets and monthly budget allocations. The Treasury information system is applied to public administration bodies at all levels; it includes</p>

Internal control components and elements	Summary of observations
	a module that provides for the registration of all budget commitments, and this procedure ensures that commitments are effectively limited within the budget allocations of the relevant spending unit.
3.3 Controls over access to resources and records	<p>PI-25.3 Compliance with payment rules and procedures is rated 'B' – Presently, the absence of a functional internal audit unit, as well as the non-existence of external audit reports as evidence, limits the base for assessors' judgement on the effectiveness and the level of compliance with payment rules and procedures. However, the information from the internal control shows good compliance and that possible deviations are always observed and corrected. That said, the lack of independent external audits and an institutionalised internal audit leave a gap in the defence of financial integrity.</p> <p>PI-27.4 Financial data integrity process is rated 'B' - Only authorized staff have access to financial records. All changes to these records are duly authorized by the head of the department and/or budget institution; changes result in an audit trail. That said, there is no special unit or body in the city responsible for financial data integrity. However, the information we got from the Vinnytsia Treasury shows that the National Treasury is playing a crucial and defining role in ensuring integrity also at the city level.</p>
3.4 Verifications	<p>According to the Law of Ukraine No.996 of July 16, 1999, "On Accounting and Financial Reporting in Ukraine," enterprises are required to keep an inventory of assets and liabilities in order to ensure the accuracy of accounting and financial statements. Such audits verify the existence, condition and valuation of assets and liabilities, and document their existence. The regulation on inventory was approved by the Order of the Ministry of Finance No.879 of 2 September 2014. It specifies, in particular, that all types of liabilities and all assets of an enterprise, regardless of their location, are covered by a complete inventory prior to the preparation of the annual financial statements, and a partial inventory in the case of leases, changes of materially liable persons, etc.</p> <p>PI-28.3 Accuracy of in-year budget reports is rated 'C' – Currently, there is no functional independent internal audit to validate the accuracy of these reports. Also, external audit has not been conducted to equally authenticate the integrity of these reports.</p>
3.5 Reconciliations	<p>PI-27.1 Bank account reconciliation is rated 'A' – Bank reconciliation is done weekly within a week after the previous month. City Government's bank accounts are part of the TSA architecture.</p> <p>PI-27.2 Reconciliation of suspense accounts is not applicable (NA) - There are no suspense accounts.</p> <p>PI-27.3 Reconciliation of advance accounts is rated 'A' – All advances, including those for contractors are reconciled every month when submitting budget arrears reports to the Treasury. The Treasury provides control over advance payments and accounts.</p>
3.6 Reviews of operations, processes and activities	PI-24.1 Procurement monitoring is rated 'A' – Data available on the ProZorro are accurate and complete for all procurement methods for goods, services, and works.

Internal control components and elements	Summary of observations
	Information is presented in real-time showing purpose, subject, conditions, value, and winner(s) of the contract.
3.7 Supervision (assigning, reviewing and approving, guidance and training)	Supervision policies are approved.
4. Information and communication	<p>The law mandates all budgetary units to prepare monthly budget reports; in practice, this is done and submitted to the local treasury office. The reports show revenues by detailed codes of revenue classification and expenditure (recurrent and capital) by budget programs, detailed functional, administrative, and economic classifications. The annual financial statements present information on revenue and expenditure according to programmatic, functional, and economic classifications, cash balances and receivables, tangible assets, payables, and long-term liabilities, plus a reconciled cash flow statement, but comparability to the approved budget is of concern (PI-29.1 rated 'D').</p> <p>There is good public access to fiscal information (PI-9 rated 'A'). The public consultation also adds up to the transparency process (PI-9bis rated 'B'). There is also good public access to all procurement information – bids, contract awards, complaints resolved, procurement plans, and procurement statistics (PI-24.3 rated 'A'). The public also has access to planned and actual service delivery performance, as well as information on resources received in cash and in-kind (PI-8 rated 'A'). Taxpayer information in terms of rights and obligations is publicly available.</p>
5. Monitoring	
5.1 Ongoing monitoring	<p>Key aspects of ongoing monitoring include:</p> <p>PI-8.3 Resources received by service units is rated 'A' - Each service delivery unit prepares a detailed report on resources received in-kind; these resources are quantified in monetary terms and consolidated by the Treasury.</p> <p>PI-10.1 Monitoring of public (city) corporations is rated "C" – 47.5% of public corporations (by their value) were audited in 2020; the audit reports are published on their respective websites.</p> <p>PI-10.2 Monitoring of sub-national governments is not applicable - There is no first-tier lower-level government.</p> <p>PI-10.3 Contingent liabilities and other fiscal risks is not applicable – There are no PPPs and contingent liabilities.</p> <p>Monitoring of investment projects is rated "A" under PI-11.4. The local government undertakes M&E of capital projects. Annual physical and financial progress reports are prepared and published on the city council website.</p> <p>Quality of monitoring of government financial assets is rated "C" under PI-12.1. All budget institutions of Vinnytsia City Council maintain their individual records of all items of financial assets, which are recognized at fair value. Information on financial assets performance portfolio is not being consolidated and is not published.</p>

Internal control components and elements	Summary of observations
	<p>Quality of monitoring of government non-financial assets is rated “C” under PI-12.2. Each local government institution maintains a fixed asset register of buildings, vehicles, fixtures and fittings, indicating their cost, age, and usage. The real estate communal property register is available on the city council website.</p> <p>Monitoring of revenue arrears is rated “NA” under PI-19.4. This dimension is not applicable.</p> <p>Monitoring of expenditure arrears is rated “A” under PI-22.2. There is no stock of expenditure arrears. The statement of arrears together with the monthly financial report is prepared every month within one week after the end of the previous month.</p> <p>PI-24.1 Procurement monitoring is rated ‘A’ - There is complete procurement statistics for both competitive (60.04%) and non-competitive (39.96%); data on procurement is accurate.</p>
5.2 Evaluations	<p>PI-8.4 Evaluation of service delivery efficiency is rated ‘B’- Performance evaluation is carried out internally; no external (independent) evaluation of service delivery performance.</p>
5.3 Management responses	<p>PI-26.4 Response to internal audits is rated ‘D’- There is no organized Internal Audit in the city of Vinnytsia.</p> <p>PI-30.3 External audit follow-up is rated ‘NA’ – No external audit, in accordance with INTOSAI standards, is carried out. The State Audit Service, which is under MoF, conducts performs financial audit but not regularly on an annual basis across all public institutions.</p>

Annex 3.1 Evidence for scoring indicators

Indicator	Dimension	Data used
SNG Pillar: Intergovernmental fiscal relations		
HLG-1. Transfers from a higher level government	HLG-1.1 Outturn of transfer from higher level government	Treasury reports FY2018-2020 City Council Decision on the Vinnytsia city budget FY2018-2020 City Government budget execution reports FY2018-2020
	HLG-1.2 Transfer composition outturn	Treasury reports FY2018-2020 Decisions on the Vinnytsia city budget FY2018-2020
	HLG-1.3 Timeliness of transfer from higher level government	Annual budget and monthly allocation plan FY2020 Vinnytsia City Government daily transfers cash flows FY2020 Cabinet Decree dated December 24, 2019, No.1101 Cabinet Decree dated December 15, 2010, No.1132 “On approval of Procedure for transferring budget grants”
	HLG-1.4 Predictability of transfers	Letters of the Ministry of Finance dated August 1, 2017, No. 05110-14-21/20701; August 3, 2018 No. 05110-14-21/20720; September 9, 2019 No. 05110-14-6/22263
HLG-2 Fiscal rules and monitoring of fiscal position	HLG-2.1 Fiscal rules for sub-national governments	BCU
	HLG-2.2 Debt rules for sub-national governments	BCU
	HLG2.3 Monitoring of sub-national governments	Treasury reports FY2020
I. The budget Reliability		
1. Aggregate Expenditure Outturn	1.1 Aggregate Expenditure Outturn	Treasury reports FY2018-2020 City Council Decision on the Vinnytsia city budget FY2018-2020
2. Expenditure Composition Outturn	2.1 Expenditure Composition Outturn by Function	Treasury reports FY2018-2020 City Council Decision on the Vinnytsia city budget FY2018-2020
	2.2 Expenditure Composition Outturn by Economic Type	Treasury reports FY2018-2020 City Council Decision on the Vinnytsia city budget FY2018-2020 Monthly allocation plan FY2018-2020
	2.3 Expenditure from Contingency Reserves	Treasury reports FY2018-2020 City Council Decision on the Vinnytsia city budget FY2018-2020

3. Revenue Outturn	3.1 Aggregate Revenue Outturn	Treasury reports FY2018-2020 City Council Decision on the Vinnytsia city budget FY2018-2020
	3.2 Revenue Composition Outturn	Treasury reports FY2018-2020 City Council Decision on the Vinnytsia city budget FY2018-2020
II. Transparency of Public Finances		
4. The budget Classification	4.1 Budget Classification	MoF Order as of 14 January 2011 No.11 "On Budget Classification" The GFS Classification In-year and annual budget execution reports FY 2020
5. The budget Documentation	5.1 Budget Documentation	FY2020 and FY2021 budget documentation, including those available on the Vinnytsia City Council website: https://www.vmr.gov.ua/TransparentCity/Lists/BudjMista/Default.aspx City Council Decision on the Vinnytsia city budget FY2018-2020
6. Central Government Operations Outside Financial Reports	6.1 Expenditure Outside Financial Reports	Financial reports of health care budget institutions of Vinnytsia City Council FY2020
	6.2 Revenue Outside Financial Reports	Financial reports of health care budget institutions of Vinnytsia City Council FY2020
	6.3 Financial Reports of Extra Budgetary Units	Dates of submission of financial reports of health care budget institutions of Vinnytsia City Council FY2020 MoF Order dated 24 January 2012 No.44 "On approval of the Procedure for preparation of budget reports by spending units and recipients of budget funds"
7. Transfers to Sub-national Governments	7.1 System for Allocating Transfers	N/A
	7.2 Timeliness of Information on Transfers	N/A
8. Performance Information for Service Delivery	8.1 Performance Plans for Service Delivery	BCU MoF Order as of 26 August 2014 No.836 "Some Issues on PBB for local budgets planning and execution" Vinnytsia City Council website: https://www.vmr.gov.ua/Branches/Lists/Finances/ShowContent.aspx?ID=101
	8.2 Performance Achieved for Service Delivery	Vinnytsia City Council website: https://www.vmr.gov.ua/Branches/Lists/Finances/ShowContent.aspx?ID=101
	8.3 Resources Received by Service Delivery Units	MoF Order as of 23 August 2012 No. 938 "On approval of the Procedure for Treasury servicing of local budgets" Report on receipts and use of resource in-kind and in cash FY2020
	8.4 Performance Evaluation for Service Delivery	BCU MoF Order as of 17 May 2011 No.608 "On approval of the Methodological recommendations for the evaluation of the effectiveness of budget programs"

		MoF Guidance for the Local Governments “Methodology of the comparative analysis for evaluation of effectiveness of the local budget programs” Summary results of the analysis and evaluation of the effectiveness of budget programs (FY2020): Vinnytsia City Council website: https://www.vmr.gov.ua/Branches/Lists/Finances/ShowContent.aspx?ID=101
9. Public Access to Fiscal Information	9.1 Public Access to Fiscal Information	Vinnytsia City Council website: https://www.vmr.gov.ua/TransparentCity/Lists/BudjMista/Default.aspx
9bis. Public consultation	9bis.1 Public Consultation in Budget Preparation	City Council Decree dated 30 September 2016 No.395 “On approval of the Regulations on public consultation in Vinnytsia City Territorial Community” Executive Committee’s Decree dated 26 November 2020 No.2512 "On providing public consultation to discuss draft program on economic and social development of Vinnytsia City Territorial Community for 2021 and the annual draft budget of the Vinnytsia City Territorial Community for 2021" The Transparent City web-portal available on the Vinnytsia City Council website: https://www.vmr.gov.ua/TransparentCity/Lists/PublicHearingsLinks/BasicPublicVersion.aspx
	9bis.2 Public Consultation in the Design of Service Delivery	Vinnytsia City Council website: <i>Citizens Budget</i> : https://www.vmr.gov.ua/TransparentCity/Lists/BudjMista/ShowContent.aspx?ID=144
	9bis.3 Public Consultation in Investment Planning	Executive Committee’s Decree dated 26 November 2020 No.2512 "On providing public consultation to discuss draft program on economic and social development of Vinnytsia City Territorial Community for 2021 and the annual draft budget of the Vinnytsia City Territorial Community for 2021"
III. Management of Assets and Liabilities		
10. Fiscal Risk Reporting	10.1 Monitoring of Public Corporations	2020 annual financial statements of Vinnytsia City PCs Open Data Portal: https://opendata.gov.ua/dataset/ochobhi-noka3hnkn ; https://opendata.gov.ua/dataset/3bitn-npo-bnkohahr-noka3hnkib-qpihahcobnx-njiahib-komyhajibhnx-nidnnpnemctb
	10.2 Monitoring of Sub-national Governments	N/A
	10.3 Contingent Liabilities and Other Fiscal Risks	N/A

11. Public Investment Management	11.1 Economic Analysis of Investment Proposals	2020 Vinnytsia City annual budget Vinnytsia City budget forecast for 2022-2024
	11.2 Investment Project Selection	Cabinet Decree dated 18 March 2015 No.196 "Some issues of State Regional Development Fund"
	11.3 Investment Project Costing	Vinnytsia City Council's Executive Committee Decree dated 04 July 2019 No.1689 "On approval of the Procedures for the development of the Capital Construction Program"
	11.4 Investment Project Monitoring	Minregion website: https://new.dfr.minregion.gov.ua/regional-news?region=27
12. Public Asset Management	12.1 Financial Asset Monitoring	The Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16 July 1999 No.996-XIV
	12.2 Nonfinancial Asset Monitoring	Cabinet Decree No.351 "On Approval of the Procedure for Monitoring the Effectiveness of Asset Management" "Regulation on Accounting Policy Implementation for the Executive Committee of the Vinnytsia City Council" approved by the City Mayor Resolution dated 30 March 2015 No.103-r Treasury reports FY2020
	12.3 Transparency of Asset Disposal	Law "On Privatization of the State and Communal Property" No.2269-VIII as of 18 January 2018 Law "On Local Self-Governance in Ukraine" No. 280/97-BP as of 21 May 1997 Vinnytsia City Council Decree dated 22 May 2020 No.2282 "On approval of the list of communal property items for privatization and disposal " 2020 Report on Communal Property Disposal progress and results: https://www.vmr.gov.ua/Docs/CityCouncilDecisions/2021/%E2%84%96402%2030-04-2021.pdf
13. Debt Management	13.1 Recording and Reporting of Debt and Guarantees	Treasury report FY2020 Debt records FY2020
	13.2 Approval of Debt and Guarantees	BCU Cabinet Decree dated February 16, 2011, No.110 Cabinet Decree dated May 14, 2012, No.541 Cabinet Decree dated August 1, 2012, No.815 Annual Local Debt Management Program approved by Financial Policy Department and relevant annual report
	13.3 Debt Management Strategy	2020 Local Debt Management Program of Vinnytsia CTC and report on its implementation: https://www.vmr.gov.ua/Branches/Lists/Finances/ShowContent.aspx?ID=94
IV. Policy-Based Fiscal Strategy and Budgeting		

14. Medium-term budget strategy	14.1 Underlying Forecasts for Medium-term Budget	Budget documentation for FY2021, Vinnytsia City budget forecast for 2022-2023
	14.2 Fiscal Impact of Policy Proposals	Budget documentation for FY2021, Vinnytsia City budget forecast for 2022-2023
	14.3 Medium-term Expenditure Estimates	Local budget forecast template and Instruction on its preparation are approved by the Ministry of Finance Order dated 02.06.2021 No.314 Budget documentation for FY2021, Vinnytsia City budget forecast for 2022-2023
	14.4 Consistency of Budgets with Previous Year's Estimates	Budget documentation for FY2021, Vinnytsia City budget forecast for 2022-2023
17. The budget Preparation Process	17.1 Budget Calendar	FY2021 budget calendar (Executive Committee Decree dated 25.06.2020 No. 1259)
	17.2 Guidance on Budget Preparation	Budget circular FY2021 issued to key spending units Finance Department Order dated 09.10.2020 No.18 "On approval of budget expenditure ceilings under the city budget preparation for 2021"
	17.3 Budget Submission to the Legislature	Dates of submission of annual budget proposals to City Council FY2018-2020
18. Legislative Scrutiny of Budgets	18.1 Scope of Budget Scrutiny	Interview with City Council officials Budget documentation FY2021 Budget requests prepared by KSUs for 2021 budget
	18.2 Legislative Procedures for Budget Scrutiny	The Vinnytsia Council Budget Regulation (Vinnytsia City Council Decree dated 29 April 2016 No.214)
	18.3 Timing of Budget Approval	Dates of budget approval FY2018-2020
	18.4 Rules for Budget Adjustment by the Executive	BCU (Article 23)
V. Predictability and Control in Budget Execution		
19. Tax Administration	19.1 Rights and Obligations for Tax Measures	Not applicable
	19.2 Property Tax Register and Valuation	Not applicable
	19.3 Tax Risk Management, Audit, and Investigations	Not applicable
	19.4 Tax Arrears Monitoring	Not applicable
20. Accounting for Revenue	20.1 Information on Revenue Collections	Data on revenues for 2018-2020, provided by the Finance Department
	20.2 Transfer of Revenue Collections	Treasury bank accounts; interview with government officials
	20.3 Revenue Accounts Reconciliation	The reconciliation reports provided by State Tax Service and Finance Department of the City Council

21. Predictability of In-Year Resource Allocation	21.1 Consolidation of Cash Balances	Daily summary cash/bank balances – balance on December 31, 2021
	21.2 Cash Forecasting and Monitoring	Annual cash flow plan (budget allocation plan) FY2020
	21.3 Information on Commitment Ceilings	MoF Order dated January 28, 2002, No. 57 “On approval of documents used in the process of budget execution”
	21.4 Significance of In-Year Budget Adjustments	Data on budget adjustments for FY2020; interview with Finance Department’s representatives of City Council
22. Expenditure Arrears	22.1 Stock of Expenditure Arrears	Treasury reports on expenditures arrears FY2018-2020
	22.2 Expenditure Arrears Monitoring	Monthly report on expenditure arrears
23. Payroll Controls	23.1 Integration of Payroll and Personnel Records	Interview with HR and payroll staff of sampled key spending units (Finance Department and Executive Committee of the Vinnytsia City Council); personnel and payroll records FY2020
	23.2 Management of Payroll Changes	Interview with HR and payroll staff of sampled key spending units (Finance Department and Executive Committee of the Vinnytsia City Council); personnel and payroll records FY2020
	23.3 Internal Control of Payroll	Interview with HR and payroll staff of sampled key spending units (Finance Department and Executive Committee of the Vinnytsia City Council); personnel and payroll records FY2020; payroll software
	23.4 Payroll Audit	Interview with payroll staff of Executive Committee of the Vinnytsia City Council
24. Procurement Management	24.1 Procurement Monitoring	Public Procurement Law No.922 dated December 25, 2015 (Article 2) Procurement data of Vinnytsia City Council for 2020 (verified by the procurement authority) Electronic system https://prozorro.gov.ua Website https://bi.prozorro.org
	24.2 Procurement Methods	Public Procurement Law No.922 dated December 25, 2015 (Article 2) Procurement data of Vinnytsia City Council for 2020 (verified by the procurement authority); consolidated data on methods of procurement FY2020 Electronic system https://prozorro.gov.ua Website https://bi.prozorro.org
	24.3 Public Access to Procurement Information	Public Procurement Law No.922 dated December 25, 2015 (Articles 2, 4, 7-1, 8, 9, 10) Electronic system https://prozorro.gov.ua Website https://bi.prozorro.org

	24.4 Procurement Complaints Management	Public Procurement Law No.922 dated December 25, 2015 (Article 18) Cabinet Decree dated 22 April 2020 No.292: https://zakon.rada.gov.ua/laws/show/292-2020-%D0%BF#Text
25. Internal Controls on Non salary Expenditure	25.1 Segregation of Duties	Law of Ukraine dated July 16, 1999, No.996 Interview with City Government officials
	25.2 Effectiveness of Expenditure Commitment Controls	MoF Order dated March 2, 2012, No. 309 BCU (Article 55)
	25.3 Compliance with Payment Controls	Interview with key spending units and Vinnytsia City Government officials
26. Internal Audit	26.1 Coverage of Internal Audit	Interview with key spending units and Vinnytsia City Government officials
	26.2 Nature of Audits and Standards Applied	Internal Audit Standards (MoF Order No.1247 dated October 4, 2011)
	26.3 Implementation of Internal Audits and Reporting	Interview with Vinnytsia City Government officials
	26.4 Response to Internal Audits	Interview with Vinnytsia City Government officials
VI. Accounting and reporting		
27. Financial Data Integrity	27.1 Bank Account Reconciliation	Treasury's Order No.122 as of June 26, 2002 "On the approval of the Regulation on the Single Treasury Account" Cabinet Decree No. 215 dated April 15, 2015 "On approval of the Regulation of the State Treasury Service of Ukraine" MoF Order No. 938 dated August 23, 2012 "On approval of Procedures of the Treasury Services for local budgets" MoF Order No. 758 dated June 22, 2012 "On approval of the Procedure for opening and closing accounts in national currency with the bodies of the State Treasury Service of Ukraine" Sampled data on bank reconciliation on selected bank accounts of the city government
	27.2 Suspense Accounts	MoF Order No. 1219 dated December 29, 2015 "On the approval of certain regulatory acts on accounting in the public sector" MoF Order No. 1203 dated December 31, 2013 "On Approving the Public Sector Accounting Chart of Accounts" Treasury's Order No. 1 dated May 17, 2000 "Chart of accounts for the implementation of state and local budgets"
	27.3 Advance Accounts	Cabinet Decree No. 117 dated April 23, 2014 "On the advance payment of goods, works and services purchased for budgetary funds" Data on advance accounts FY2020

	27.4 Financial Data Integrity Processes	Regulation on the Department (division) of the State Treasury of Ukraine in rayons, districts in cities, cities of oblast's and republican's significance, approved by MoF Order No. 1280 dated October 12, 2011 Information received in the meetings with the Finance Department and the City Treasury Office
28. In-Year Budget Reports	28.1 Coverage and Comparability of Reports	The Ministry of Finance Order dated 17 January 2018 No. 12 "On organizational issues related to preparation by the State Treasury Service of Ukraine budget reports local budget performance"
	28.2 Timing of In-Year Budget Reports	Treasury's letters about submission of the monthly reports in 2020
	28.3 Accuracy of In-Year Budget Reports	Interview with officials of the Finance Department of the City Council; triangulation with internal audit unit
29. Annual Financial Reports	29.1 Completeness of Annual Financial Reports	Annual financial statements FY2020 Approved city budget FY2020
	29.2 Submission of Reports for External Audit	Interview with the Finance Department
	29.3 Accounting Standards	BCU (Articles 43, 80) MoF Order dated 17 January 2018 No.12 "On organizational issues related to preparation by the State Treasury Service of Ukraine budget reports local budget performance" Treasury Order dated February 6, 2018, No.36 "On the organization of the work of the State Treasury Service of Ukraine on the preparation of budget reporting on the implementation of local budgets"
VII. External Scrutiny and Audit		
30. External Audit	30.1 Audit Coverage and Standards	Interview with officials of Accounting Chamber of Ukraine
	30.2 Submission of Audit Reports to the Legislature	Interview with officials of Accounting Chamber of Ukraine
	30.3 External Audit Follow-Up	Interview with officials of Accounting Chamber of Ukraine
	30.4 Supreme Audit Institution Independence	Law dated July 2, 2015, No.576 "On the Accounting Chamber" BCU
31. Legislative Scrutiny of Audit Reports	31.1 Timing of Audit Report Scrutiny	Law "On Local Self-Governance in Ukraine" No.280/97-BP as of 21 May 1997 Interview with City Council officials
	31.2 Hearings on Audit Findings	
	31.3 Recommendations on Audit by the Legislature	

	31.4 Transparency of Legislative Scrutiny of Audit Reports	
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Annex 3.2 List of persons interviewed

NO.	NAME	POSITION	INSTITUTION	TELEPHONE
1.	Tetiana Hrytsun	Head of Department	Interbudgetary Policy and Local Budgets Department, Ministry of Finance of Ukraine	(044) 277-54-53
2.	Olena Gogol	Head of Division	Interbudgetary Policy and Local Budgets Department, Ministry of Finance of Ukraine	(044) 277-54-59
3.	Oleksandr Chernyuk	Deputy Head of Division	Interbudgetary Policy and Local Budgets Department, Ministry of Finance of Ukraine	(044) 277-54-43
4.	Yuliia Guzyr	Senior Specialist	Interbudgetary Policy and Local Budgets Department, Ministry of Finance of Ukraine	(044) 277-54-44
5.	Volodymyr Yushchuk	Deputy Head of Department – Head of Division	Interbudgetary Policy and Local Budgets Department, Ministry of Finance of Ukraine	(044) 277-54-44
6.	Serhiy Yuriychuk	Senior Specialist	Interbudgetary Policy and Local Budgets Department, Ministry of Finance of Ukraine	(044) 277-54-61
7.	Oksana Bura	Head of Division	Debt Policy Department, Ministry of Finance of Ukraine	-
8.	Oksana Kaplenko	Deputy Head of Division	Debt Policy Department, Ministry of Finance of Ukraine	-
9.	Oksana Chorna	Head of Division	Department for Public Administration Control and Interbudgetary Relations, Accounting Chamber of Ukraine	(044) 298-74-49
10.	Yuliia Solianik	Deputy Chair	State Audit Service of Ukraine	(044) 425-80-20
11.	Nataliia Lutsenko	Head of Department	Finance Department, Vinnytsia City Council	(067) 992 77 56
12.	Antonina Les'	Deputy Head of Department	Finance Department, Vinnytsia City Council	(098) 439 69 66
13.	Iryna Larina	Deputy Head of Department	Finance Department, Vinnytsia City Council	(067) 271 24 51
14.	Viktoriiia Radishevskia	Head of Division	Finance Department, Vinnytsia City Council	(098) 354 65 87
15.	Iryna Yavdoshchak	Chief accountant	Finance Department, Vinnytsia City Council	(0432) 59 51 91
16.	Nataliia Mazur	Deputy Head of Department	Education Department, Vinnytsia City Council	(0432) 65 10 15
17.	Svitlana Melnyk	Chief Accountant	Centralised Accounting Office No.3, Education Department, Vinnytsia City Council	(0432) 61 21 61
18.	Maksym Mart'yanov	Head of Department	Economic Development and Investment Affairs Department, Vinnytsia City Council	(097) 722 28 52
19.	Alla Atamanenko	Head of Division	Economic Development and Investment Affairs Department, Vinnytsia City Council	(0432) 59 51 83
20.	Serhiy Zayets	Head of Division	Economic Development and Investment Affairs Department, Vinnytsia City Council	(0432) 59 51 34
21.	Ihor Otkydach	Head of Department	Capital Construction Department, Vinnytsia City Council	(0432) 67 03 69
22.	Andriy Petrov	Head of Department	Communal Property Department, Vinnytsia City Council	(0432) 50 90 28

23.	Andriy Kondratov	Head of Division	Communal Property Department, Vinnytsia City Council	(0432) 50 90 30
24.	Olena Krulytska	Deputy Head of Department	Land Affairs Department, Vinnytsia City Council	(0432) 67 05 60
25.	Serhiy Bohachuk	Deputy Head of Department	Land Affairs Department, Vinnytsia City Council	(0432) 53 12 07
26.	Pavlo Plakhotniuk	Head of Department, Chief Accountant	Accounting and Reporting Department, Vinnytsia City Council	(097) 363 99 93
27.	Nataliia Zayets	Senior Specialist	Accounting and Reporting Department, Vinnytsia City Council	(0432) 59 53 70
28.	Mykola Reulets	Head of Office	Vinnytsia City Office of the State Treasury Service of Ukraine	(0432) 61 25 07
29.	Tetiana Kononko	Deputy Head of Office	Vinnytsia City Office of the State Treasury Service of Ukraine	(0432) 61 25 07
30.	Ihor Bondar	Deputy Head of Regional Office	State Fiscal Service Regional Office in Vinnytsia Oblast	(0432) 59 23 01
31.	Roman Starynets	Deputy Head of Department	Tax Debt Department, State Fiscal Service Regional Office in Vinnytska Oblast	(0432) 59 23 01
32.	Valeriy Mudryk	Head of Division	Vinnytsia City Tax Division, State Fiscal Service Regional Office in Vinnytska Oblast	(0432) 59 23 01
33.	Olena Murashko	Senior Inspector	Organizational and Administrative Division, State Fiscal Service Regional Office in Vinnytska Oblast	(0432) 59 23 01
34.	Olena Vakhnovska	Head of Regional Office	Northern Office of State Audit Service in Vinnytska Oblast	(0432) 66 12 82
35.	Oleksandr Semeniuk	Deputy Head of Regional Office	Northern Office of State Audit Service in Vinnytska Oblast	(0432) 66 12 82
36.	Nataliia Klymchuk	Director	Municipal institution "Gymnasium No.24" of the Vinnytsia City Council	(0432) 50 47 31
37.	Galyna Roztorguieva	Director	Municipal institution "Secondary School No.22" of the Vinnytsia City Council	(0432) 61 29 50
38.	Nataliia Shutkevych	Director	Vinnytsia City Clinical Hospital No.3	(0432) 60 58 12
39.	Nataliia Roman	Director	Vinnytsia City Primary Health Care Centre No.5	(0432) 27 58 76

Annex 4. Calculation of budget outturns for HLG-1, PI-1, PI-2 and PI-3

Table 1: HLG-1 and HLG-2 calculations

Table 1.1: Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Million UAH

Table 1.2

	Data for year =		2018			
Transfer types	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Education subventions	389,84	400,08	333,7	66,4	66,4	19,9%
Medical subventions	479,91	486,32	410,8	75,5	75,5	18,4%
Socioeconomic development subvention	-	56,34	0,0	56,3	56,3	-
Utilities (electricity, gas, water, fuel, etc.) subvention	1 057,36	591,99	905,0	-313,0	313,0	34,6%
Family care subventions	446,03	396,10	381,8	14,3	14,3	3,8%
Housing subvention	-	19,88	0,0	19,9	19,9	-
Road maintenance subvention	-	25,98	0,0	26,0	26,0	-
Other subventions	1,68	56,02	1,4	54,6	54,6	
Total transfers	2 374,82	2 032,71	2 032,7	0,0	626,1	
Overall variance						85,6%
Composition variance						30,8%

Table 1.3

Data for year =		2019				
Transfer types	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Education subventions	464,81	484,60	371,1	113,5	113,5	30,6%
Medical subventions	527,25	299,04	421,0	-121,9	121,9	29,0%
Socioeconomic development subvention	-	44,44	0,0	44,4	44,4	
Utilities (electricity, gas, water, fuel, etc.) subvention	412,21	222,11	329,1	-107,0	107,0	32,5%
Family care subventions	483,49	411,65	386,0	25,6	25,6	6,6%
Housing subventions	-	10,25	0,0	10,2	10,2	-
Road maintenance subventions	-	-	0,0	0,0	0,0	-
Other subventions	41,97	68,62	33,5	35,1	35,1	-
Total transfers	<u>1 929,73</u>	<u>1 540,70</u>	1 540,7	0,0	457,8	
Overall variance						79,8%
Composition variance						29,7%

Table 1.4

Data for year =		2020				
Transfer types	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Education subvention	540,76	594,27	607,2	-13,0	13,0	2,1%
Medical subvention	283,39	295,05	318,2	-23,2	23,2	7,3%
Socioeconomic development subvention	-	-	0,0	0,0	0,0	-
Housing subvention	-	12,05	0,0	12,1	12,1	-
Road maintenance subventions	-	18,83	0,0	18,8	18,8	-
Election subvention	-	8,16	0,0	8,2	8,2	-
COVID subventions	-	3,30	0,0	3,3	3,3	-
Other subventions	22,57	19,15	25,3	-6,2	6,2	-
Total transfers	<u>846,72</u>	<u>950,81</u>	950,8	0,0	84,7	
Overall variance						112,3%
Composition variance						8,9%

Table 5 - Results Matrix

Year	Total transfer deviation	Composition variance
2018	85,6%	30,8%
2019	79,8%	29,7%
2020	112,3%	8,9%

Table 2: PI-1 and PI-2.1, PI-2.2, PI-2.3 calculations

Table 2.1 - Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Million UAH

Table 2.2

Data for year =		2018				
Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
General public services	233,1	249,3	230,5	18,8	18,8	8,1%
Economic affairs	796,1	950,5	787,1	163,5	163,5	20,8%
Health care	362,9	486,3	358,8	127,5	127,5	35,5%
Cultural and physical development	100,2	109,9	99,0	10,9	10,9	11,0%
Education	1 093,9	1 173,3	1 081,5	91,8	91,8	8,5%
Social protection and social security	1 575,8	1 081,8	1 557,9	-476,1	476,1	30,6%
Intergovernmental transfers	84,7	102,0	83,7	18,2	18,2	21,8%
(= sum of rest)	461,4	501,6	456,2	45,4	45,4	10,0%
Allocated expenditure	4 708,2	4 654,6	4 654,6	0,0	952,3	
Interests	0,0	0,0				
Contingency	14,9	0,0				
Total expenditure	4 723,1	4 654,6				
Aggregate outturn (PI-1)						98,6%
Composition (PI-2) variance						20,5%
Contingency share of budget						0,0%

Table 2.3

Data for year =		2019				
Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
General public services	294,3	314,6	302,8	11,8	11,8	3,9%
Economic affairs	1 099,7	1 014,4	1 131,5	-117,1	117,1	10,4%
Health care	327,5	402,3	336,9	65,3	65,3	19,4%

Cultural and physical development	124,9	157,2	128,5	28,6	28,6	22,2%
Education	1 235,6	1 371,3	1 271,4	99,9	99,9	7,9%
Social protection and social security	974,3	732,9	1 002,5	-269,6	269,6	26,9%
Intergovernmental transfers	127,6	162,7	131,3	31,4	31,4	23,9%
(= sum of rest)	646,7	815,1	665,4	149,7	149,7	22,5%
Allocated expenditure	4 830,5	4 970,5	4 970,5	0,0	773,5	
Interests	10,2	3,8				
Contingency	18,5	0,0				
Total expenditure	4 859,2	4 974,3				
Aggregate outturn (PI-1)						102,4%
Composition (PI-2) variance						15,6%
Contingency share of budget						0,0%

Table 2.4

Data for year =		2020				
	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Administrative or functional head						
General public services	336,8	278,1	317,2	-39,2	39,2	12,4%
Economic affairs	1 155,9	994,2	1 088,7	-94,5	94,5	8,7%
Health care	152,1	373,9	143,2	230,7	230,7	161,1%
Cultural and physical development	143,4	138,9	135,0	3,9	3,9	2,9%
Education	1 444,9	1 385,6	1 360,8	24,7	24,7	1,8%
Social protection and social security	92,3	109,9	87,0	22,9	22,9	26,4%
Intergovernmental transfers	187,9	223,0	177,0	46,0	46,0	26,0%
(= sum of rest)	888,7	642,4	837,0	-194,6	194,6	23,2%
Allocated expenditure	4 402,0	4 145,9	4 145,9	0,0	656,4	
Interests	36,2	25,2				
Contingency	24,4	0,0				
Total expenditure	4 462,7	4 171,1				
Aggregate outturn (PI-1)						93,5%
Composition (PI-2) variance						15,8%
Contingency share of budget						0,0%

**Table 2.5 - Results Matrix
(function classification)**

Year	For PI-1.1 total exp. Outturn	For PI-2.1 composition variance	For PI-2.3 contingency share
2018	98,6%	20,5%	
2019	102,4%	15,6%	0,0%
2020	93,5%	15,8%	

Table 2.6

Data for year = 2018						
Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Compensation of employees	1 080,7	1 081,3	1 065,0	16,3	16,3	1,5%
Use of goods and services	706,5	693,9	696,3	-2,4	2,4	0,3%
Consumption of fixed capital	757,7	801,8	746,7	55,1	55,1	7,4%
Interest	4,1	4,1	4,1	0,1	0,1	1,3%
Subsidies	487,3	880,1	480,2	399,9	399,9	83,3%
Grants	84,7	121,9	83,5	38,4	38,4	46,0%
Social benefits	1 578,0	1 062,3	1 555,1	-492,8	492,8	31,7%
Other expenses	24,2	9,2	23,8	-14,6	14,6	61,2%
Total expenditure	4 723,1	4 654,6	4 654,6	0,0	1 019,5	
Composition variance						21,9%

Table 2.7

Data for year = 2019						
Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Compensation of employees	1 264,9	1 280,1	1 294,9	-14,7	14,7	1,1%
Use of goods and services	384,8	454,7	393,9	60,8	60,8	15,4%
Consumption of fixed capital	1 101,9	997,4	1 128,1	-130,7	130,7	11,6%

Interest	13,5	7,2	13,9	-6,7	6,7	48,3%
Subsidies	962,6	1 327,2	985,4	341,8	341,8	34,7%
Grants	128,4	176,3	131,4	44,9	44,9	34,2%
Social benefits	974,9	722,0	998,0	-276,1	276,1	27,7%
Other expenses	28,1	9,5	28,8	-19,3	19,3	67,2%
Total expenditure	<u>4 859,2</u>	<u>4 974,3</u>	4 974,3	0,0	895,0	
Composition variance						18,0%

Table 2.8

Data for year = 2020						
Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Compensation of employees	1 473,4	1 380,9	1 377,1	3,9	3,9	0,3%
Use of goods and services	502,0	410,2	469,2	-59,0	59,0	12,6%
Consumption of fixed capital	1 142,0	688,9	1 067,4	-378,5	378,5	35,5%
Interest	38,8	27,7	36,3	-8,6	8,6	23,6%
Subsidies	1 003,9	1 325,4	938,3	387,0	387,0	41,2%
Grants	188,7	236,2	176,4	59,8	59,8	33,9%
Social benefits	79,9	91,3	74,7	16,6	16,6	22,3%
Other expenses	33,9	10,6	31,7	-21,2	21,2	66,7%
Total expenditure	<u>4 462,7</u>	<u>4 171,1</u>	4 171,1	0,0	934,6	
Composition variance						22,4%

**Table 2.9 - Results Matrix for PI-2.2
(economic types)**

Year	Composition variance
2018	21,9%
2019	18,0%
2020	22,4%

Table 3: PI-3 calculations

Table 3.1 - Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Table 3.2

Data for year =		2018				
Revenue types	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Tax revenues						
Taxes on income, profit and capital gains	343,6	391,5	396,0	-4,6	4,6	1,2%
Taxes on payroll and workforce	1 379,3	1 434,7	1 589,9	-155,2	155,2	9,8%
Taxes on property	255,5	296,9	294,5	2,4	2,4	0,0
Taxes on goods and services	202,9	212,7	233,8	-21,2	21,2	9,1%
Other taxes	0,9	1,2	1,0	0,2	0,2	17,7%
Grants						
Grants from other government units			0,0	0,0	0,0	
Other revenue						
Property income	51,0	107,4	58,8	48,7	48,7	82,8%
Sales of goods and services	102,6	240,7	118,2	122,5	122,5	103,6%
Fines, penalties and forfeits	2,3	2,1	2,6	-0,5	0,5	18,4%
Sum of rest	15,2	25,3	17,6	7,7	7,7	43,9%
Total revenue	2 353,2	2 712,5	2 712,5	0,0	362,9	
Overall variance						115,3%
Composition variance						13,4%

Table 3.3

Data for year = 2019						
Revenue types	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Tax revenues						
Taxes on income, profit and capital gains	436,3	485,7	511,1	-25,4	25,4	5,0%
Taxes on payroll and workforce	1 667,3	1 787,1	1 953,4	-166,3	166,3	8,5%
Taxes on property	294,3	317,3	344,8	-27,6	27,6	8,0%
Taxes on goods and services	219,8	209,7	257,6	-47,9	47,9	18,6%
Other taxes	1,2	1,3	1,4	-0,1	0,1	7,4%
Grants						
Grants from other government units			0,0	0,0	0,0	
Other revenue						
Property income	101,2	248,4	118,6	129,8	129,8	109,5%
Sales of goods and services	112,6	253,0	131,9	121,1	121,1	91,8%
Fines, penalties and forfeits	2,1	2,0	2,5	-0,5	0,5	18,4%
Sum of rest	16,0	35,6	18,7	16,9	16,9	90,3%
Total revenue	2 850,8	3 340,1	3 340,1	0,0	535,6	
Overall variance						117,2%
Composition variance						16,0%

Table 3.4

Data for year = 2020						
Revenue types	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Tax revenues						
Taxes on income, profit and capital gains	584,8	531,1	555,3	-24,2	24,2	4,4%
Taxes on payroll and workforce	2 136,5	1 953,9	2 028,9	-75,0	75,0	3,7%
Taxes on property	334,5	297,3	317,6	-20,3	20,3	6,4%
Taxes on goods and services	220,3	232,9	209,2	23,7	23,7	11,3%
Other taxes	1,4	1,3	1,3	0,0	0,0	2,7%
Grants						
Grants from other government units			0,0	0,0	0,0	
Other revenue						
Property income	113,1	119,4	107,4	12,0	12,0	11,1%
Sales of goods and services	120,6	129,1	114,5	14,6	14,6	12,8%
Fines, penalties and forfeits	2,2	6,4	2,1	4,4	4,4	213,3%
Sum of rest	11,7	75,9	11,1	64,8	64,8	584,3%
Total revenue	3 524,9	3 347,4	3 347,4	0,0	239,0	
Overall variance						95,0%
Composition variance						7,1%

Table 3.5 - Results Matrix

Year	Total revenue deviation	Composition variance
2018	115,3%	13,4%
2019	117,2%	16,0%
2020	95,0%	7,1%

Annex 5. Gender-responsive PFM Assessment

Annex 5.1. Introduction

Purpose

The purpose of the gender-responsive PFM (hereinafter – GRPFM) assessment is to gather information on the budgeting and reporting systems of the Vinnytsia City Council in order to assess the extent to which public financial management responds to the needs of gender (male and female) and other vulnerable groups in the city.

This is one of the first pilots of gender-responsive PFM assessment at the sub-national government level. By this pilot, the gender-responsive PFM assessment, together with the present PEFA assessment will not only provide a basis for aligning the Swiss SECO ELocFin project design with gender-responsive PFM mindset, but it also expected to offer additional insights, which may be used not only by SECO but also by other development partners and provide them with a better understanding of underlying concepts.

The assessment team used the Supplementary Framework for Assessing Gender-responsive Public Financial Management published by the PEFA Secretariat in January 2020.

The fieldwork was carried out at the same time the main PEFA assessment was conducted; in order to maximise the use of time and also reduce the level of interaction with government staff due to their busy schedule. Furthermore, some of the information gathered during the main PEFA assessment was used to assess the GRPFM; additional data were also gathered where necessary.

The Ministry of Finance is the lead central government in gender-responsive budgeting (GRB) introduction in the budget process. Other stakeholders at the national level are all line ministries including the Ministry of Social Policy, Ministry of Education, Ministry of Healthcare, and Ministry of Youth and Sports. Initiatives aimed at GRB implementation and gender equality strengthening in Ukraine are supported actively by Swiss SECO, UN Women, European Union, and the World Bank.

When it comes to the regional and local level sub-national governments and budget institutions, they provide public services that are beneficiaries and implementors of the GRB reform.

The GRPFM report (annexed to the main PEFA report) was subjected to the same PEFA Check requirements in terms of peer review and quality assurance.

Background

The central government of Ukraine is advanced in terms of the promulgation and development of gender equality laws, regulations, and procedures/processes. These laws and procedures are equally applicable at the local government level. That said, local governments including the City Government of Vinnytsia have not mainstreamed these procedures and processes into the entire budget cycle. Table A-5.1 below provides a list of legislative instruments and policies adopted by the central government, applicable at the sub-national levels but yet to be actualised. At the City Government level, it appears that there is less political will as well as inadequate technical capacity for gender-responsive budgeting and reporting.

Table A-5.1: Legal and policy framework for gender equality

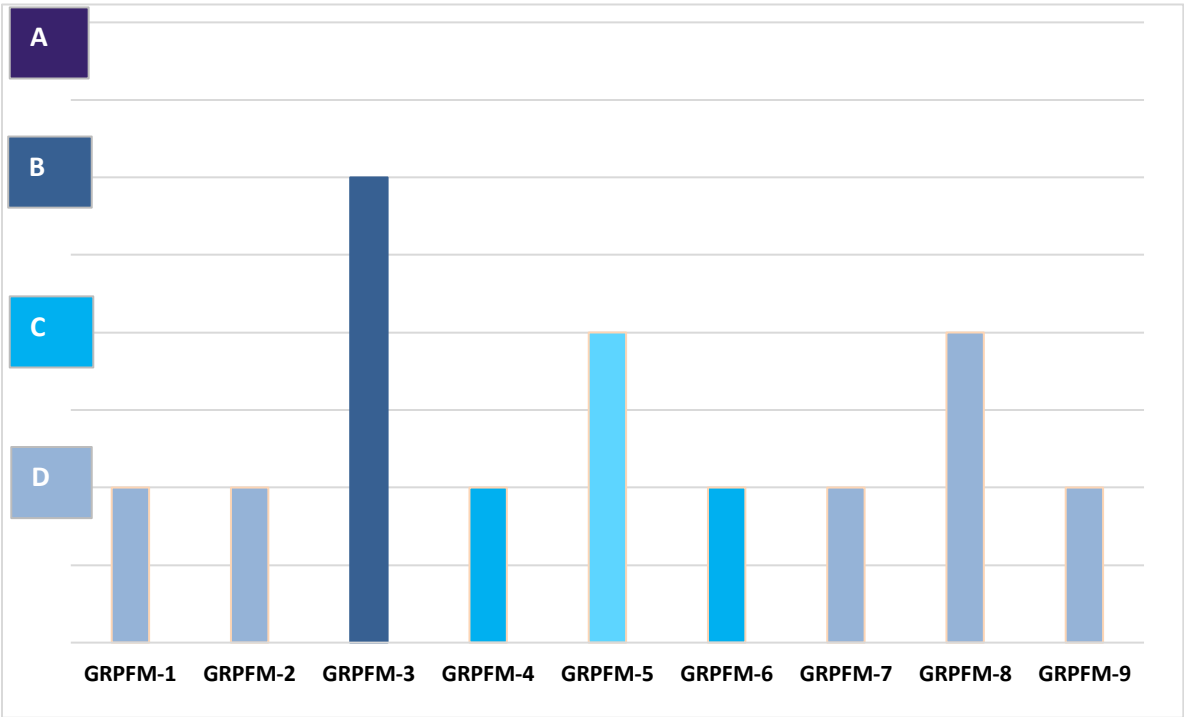
Legal and regulatory framework for promotion of gender equality
<ul style="list-style-type: none"> • Constitution of Ukraine • Law of Ukraine on Ensuring Equal Rights and Opportunities of Women and Men • Law of Ukraine on the Fundamentals of Prevention and Prevention of Discrimination in Ukraine • Law of Ukraine on the Prevention and Remediation of Home Violence • Law of Ukraine on the Prevention of Human Trafficking • International treaties of Ukraine that the Parliament of Ukraine agreed to be bound by, and resolutions of international conferences, international organization, and their bodies used in the gender legal expert examination according to the Procedure approved by the Cabinet of Ministers of Ukraine Resolution No.997 of November 28, 2018 • The Eighth Periodic Report of Ukraine Implementation of the Convention on the Elimination of All Forms of Discrimination Against Women • National Review of Implementation of the Beijing Declaration and Platform for Action (1995) and the outcomes of the 23rd Special Session of the UN General Assembly (2000) in the context of the 20th anniversary of the Fourth World Conference on Women and the adoption of the Beijing Declaration and Platform for Action (2015) • Strategy for the Public Finance Management System Reform for 2017-2020, approved by the Cabinet of Ministers of Ukraine Order No.142-p of February 8, 2017 • Draft Strategy for the Public Finance Management System Reform for 2021-2025 (not approved yet) • Basic Directions of the Budget Policy for 2018-2020, approved by the Cabinet of Ministers of Ukraine Order No.411-p of June 14, 2017 • Methodological Recommendations on Implementing and Using the Gender-responsive Approach in the Budget Process, approved by the Ministry of Finance of Ukraine Order No.1 of January 2, 2019 • MoF Order No.130 of March 29, 2019, "On approval of the Methodological Recommendations on preparation of local budgets for a medium-term period in 2019" • MoF Order No.145 of April 8, 2019, "On approval of the Amendments to the General Requirements to definition of performance indicators of budget programs" • Ministry of Finance of Ukraine instruction letter on the preparation of budget requests for 2022-2024, No.04110-08-2/23829 of July 29, 2021 • Order of the Ministry of Finance of Ukraine of October 23, 2019, No.446 "On State Budget Expenditure Reviews" published on August 1, 2020, at https://www.mof.gov.ua/uk/decrees_2020-412)
Policies and plans for the implementation of gender equality programmes

<ul style="list-style-type: none"> • State Social Program on Ensuring Equal Rights and Opportunities of Women and Men for the period until 2021, approved by the Cabinet of Ministers of Ukraine Order No.273 of April 11, 2018 • National Action Plan to implement UN SC Resolution No.1325 “Women, Peace and Security” through 2020, adopted by the Cabinet of Ministries of Ukraine on February 24, 2016, No.113, revised on September 5, 2018, No.637-p) • National Action Plan to implement recommendations of CEDAW to The Eighth Periodic Report of Ukraine Implementation of the Convention on the Elimination of All Forms of Discrimination Against Women
<p>Local legal acts of Vinnytsia City Council</p>
<ul style="list-style-type: none"> • Decree of Vinnytsia City Council dated 22 February 2019 No.1567 “On approval of the “Equal Municipality” Programme to ensure equal rights and opportunities for women and men through 2023” • Decree of Executive Committee of Vinnytsia City Council dated 27 August 2020 No.1712 “On approval of the Instruction on gender-responsive approach implementation in local budget planning, execution and reporting in Vinnytsia City Territorial Community”

Annex 5.2. Overview of assessment findings

Chart 1 below summarises graphically GRPFM performance. Annex 5.3 below also summarises the narrative performance of GRPFM performance.

Chart 1: Summary of GRPFM Scores



At this stage, the City Government does not analyse proposed changes in expenditure and revenue policies with information on gender impacts (GRPFM-1 rated 'D'); this does compare with the rating of the main PEFA assessment with regards to the analysis of the fiscal impact of policy proposals (PI-14.2 rated 'D').

The City Government's public investment management system has no gender-responsive analysis to determine its impact (GRPFM-2 rated 'D'), even though economic analysis of investment projects is to some extent conducted prior to selection and funding (PI-11.1 rated 'C').

The City Government's budget circular issued by the City Finance Department contains information on gender; it requires KSUs to consider gender during budget formulation and preparation and develop gender-responsive (sex-disaggregated) performance indicators of the budget programs (GRPFM-3 rated 'B'); however, KSUs are yet to actualise this requirement. The main PEFA score related to GRPFM-3 is PI-17 which has an overall score of 'D+.'

Budget proposal documentation submitted to the City Council contains no specific policy priorities that promote gender equality (GRPFM-4 rated 'D'); the absence of this information means that the public has no crucial data on measures to ensure gender equality. There is, however, good dissemination (publication on the website) of key fiscal information to the public (PI-9 rated 'A'); therefore, policy proposals and priorities on gender equality, if available, are likely to be published due to the transparency and accountability framework already in existence.

Assessment affirmed availability of sex-disaggregated performance information on service delivery in both planned and achieved outputs (GRPFM-5 is rated 'C'). This compares relatively well with the main PEFA indicator PI-8 'performance evaluation on service delivery' which was rated 'B.'

The absence of gender-responsive budget proposal documentation implies that tracking of expenditure for gender equality is almost non-existent; this was the assessment finding (GRPFM-6 rated 'D'). The absence of expenditure tracking for gender equality also led to non-reporting based on gender (GRPFM-7 rated 'D').

The Social Policy Department, the Education Department, and the Physical Training and Sports Committee evaluated the efficiency and effectiveness of service delivery according to the gender approach. The evaluation provides information on the performance of their programmes (GRPFM-8 rated 'C'). This relatively compares with the main PEFA score of PI-8.4, rated 'B.'

The City Council's scrutiny of the budget is limited to information contained in the budget documentation; therefore, if there is no information on gender-responsive budgeting, gender equality, sex-disaggregated data, just to mention a few, the Council could only review what it receives. Currently, the City Council does not review the gender impact of budget proposals (GRPFM-9 rated 'D'). The rating for PI-18 is 'B+,' considerably higher than the gender score because of the absence of gender information in the budget proposal documentation.

Vinnytsia City Government considers cooperation with the Ministry of Finance as a prerequisite for going forward to strengthening GRPFM – to make sure that introducing GRB in the budget process becomes legally binding. It requires amendments to the Budget Code of Ukraine.

Furthermore, the Finance Department in cooperation with sectoral policy departments intends to identify gender-sensitive budget programs, since it would be wasteful and inappropriate to establish gender dimension in all of them.

From the City Council's side, all the instructions and directives developed at the national level are considered in the budget process.

Annex 5.3. Detailed assessment of gender-responsive budgeting

There are nine (9) PEFA gender-responsive PFM indicators in the Supplementary Framework for Assessing Gender-responsive Public Financial Management. These nine indicators were designed to assess the processes and systems across the government’s budget cycle for the promotion and empowerment of women’s rights. Table A-5.2 below summarises the performance of GRPFM at the Vinnytsia City Council, with a more detailed analysis and explanations of scores in the following sections.

Table A-5.2: GRPFM Scores 2021

GRPFM Indicators		Scoring Method	Dimension Score		Overall Score
			i	ii	
GRPFM-1	Gender Impact Analysis of Budget Policy Proposals	M1	D	D	D
GRPFM-2	Gender-responsive Public Investment Management		D		D
GRPFM-3	Gender-responsive Budget Circular		B		B
GRPFM-4	Gender-responsive Budget Proposal Documentation		D		D
GRPFM-5	Sex-Disaggregated Performance Information for Service Delivery	M2	C	C	C
GRPFM-6	Tracking Budget Expenditure for Gender Equality		D		D
GRPFM-7	Gender-responsive Reporting		D		D
GRPFM-8	Evaluation of Gender Impacts of Service Delivery		C		C
GRPFM-9	Legislative Scrutiny of Gender Impacts of the Budget	M2	D	NA	D

GRPFM-1: Gender impact analysis of budget policy proposals

Summary of scores

GRPFM-1 (M1)	Indicator/Dimension	Score 2021	Justification for 2021 score
	Gender impact analysis of budget policy proposals	D	
	1.1 Gender impact analysis of expenditure policy proposals	D	The Government of Vinnytsia City does not analyse proposed changes to expenditure policies with information that affects both male and female.
	1.2 Gender impact analysis of revenue policy proposals	D	The government of Vinnytsia City does not analyse proposed changes of revenue policies with information that has an impact on gender.

Guiding question

Does the government’s analysis of proposed changes in expenditure and revenue policies include information on gender impacts?

Description

This indicator assesses the extent to which the Government prepares an assessment of the gender impacts of proposed changes in government expenditure and revenue policy. It contains two dimensions (sub-indicators) and uses the M1 (weakest link) method for aggregating dimension scores.

Related PEFA indicator or dimension

PI-15 Fiscal strategy

PI-15.1 Fiscal impact of policy proposals

Coverage

Sub-national government

Time period

Last completed fiscal year

GRPFM-1.1. Gender impact analysis of expenditure policy proposals

The government of Vinnytsia City does not analyse proposed changes to expenditure policies with information that has an impact on males and females. GRPFM, at the sub-national level, is a new concept which is yet to be considered and mainstreamed into the entire budget cycle.

The score for this dimension is D.

GRPFM-1.2. Gender impact analysis of revenue policy proposals

Changes to revenue policy proposals affect the budget implementation according to plan, much more so if the changes have a consequential effect on gender, either male or female. For instance, if a local government whose population has less female than male but changes to revenue policies are likely to negatively affect the revenue generation stream of the female population, then the government ought to critically analyse the effect of these changes and how they would impact budget implementation. Presently, the government of Vinnytsia does not analyse proposed changes of revenue policies with information that has an impact on gender.

The score for this dimension is D.

GRPFM-2: Gender-responsive public investment management

Summary of scores

GRPFM-2	Indicator/Dimension	Score 2021	Justification for 2021 score
	Gender-responsive public investment management	D	
	2.1 Gender-responsive public investment management	D	Currently, the local government of Vinnytsia does not analyse the impact of major public investment projects on gender as part of the economic analyses of investment proposals.

Guiding question

Does the government analyse the impacts of major public investment projects on gender as part of the economic analysis of investment proposals?

Description

This indicator assesses the extent to which robust appraisal methods, based on economic analysis, of feasibility or prefeasibility studies for major investment projects include analysis of the impacts on gender. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI-11 Public investment management
PI-11.1 Economic analysis of investment proposals

Coverage

Sub-national government

Time period

Last completed fiscal year

GRPFM-2.1. Gender-responsive public investment management

In 2017, the Ministry of Economy of Ukraine issued Methodological Guidelines (Order No. 1865 dated 22nd December 2017) on the Development and Assessment of Public Investment Projects. These guidelines were aimed at assisting all key spending units at the national and sub-national levels, to plan their public investment projects (PIPs) properly and effectively to be gender sensitive. Currently, the local government of Vinnytsia does not analyse the impact of major public investment projects on gender as part of the economic analyses of investment proposals.

The score for this dimension is D.

GRPFM-3: Gender-responsive Budget Circular

Summary of scores

GRPFM-3	Indicator/Dimension	Score 2021	Justification for 2021 score
Gender-responsive budget circular		B	
3.1	Gender-responsive budget circular	B	The annual budget circular issued by the Finance Department of the Vinnytsia City Council for FY2020 required each KSU to provide information on the gender impact of their budget policies and expenditure proposals, as well as develop gender-responsive (sex-disaggregated) performance indicators of their budget programs.

Guiding question

Does the budget circular(s) require budgetary units to include information on the gender-related impacts of their spending proposals?

Description

This indicator measures the extent to which the government’s budget circular(s) is gender-responsive. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI-17 Budget preparation process
PI-17.2 Guidance on budget preparation

Coverage

Budgetary sub-national government

Time period

Last budget submitted to the legislature

GRFM-3.1. Gender-responsive budget circular

The budget circular issued by the Finance Department of the Vinnytsia City Council for FY2021 required each budget institution to provide information on the gender impact of their budget policies and expenditure proposals, as well as to develop gender-responsive (sex-disaggregated) performance indicators of their budget programs.

Based on information received from KSUs of the Vinnytsia city budget they have budget programs with sex-disaggregated performance indicators, however not a lot of total amounts. As an example, the following three KSUs were interviewed: Social Policy Department – 4 out of 19 programs have sex-disaggregated performance indicators; Education Department – 5 out of 16 programs; and Physical Training and Sports Committee – 4 out of 9 programs have sex-disaggregated performance indicators.

To increase level of GRB implementation in the budget process, the Executive Committee of Vinnytsia City Council approved the Instruction on gender-responsive approach implementation in local budget planning, execution and reporting in Vinnytsia City Territorial Community (Decree dated 27.08.2020 No. 1712).

The score for this dimension is B.

GRPFM-4: Gender-responsive budget proposal documentation

Summary of scores

GRPFM-4	Indicator/Dimension	Score 2021	Justification for 2021 score
Gender-responsive budget proposal documentation		D	
4.1 Gender-responsive budget proposal documentation		D	The City Government’s annual budget documentation as well as medium-term strategic documents do not specifically mention or provide an overview of its policy priorities for improving gender equality. Furthermore, there are no details of budget measures aimed at strengthening gender equality, nor an assessment of the impacts of budget policies on gender equality.

Guiding question

Does the Government's budget proposal documentation include information on gender priorities and budget measures aimed at strengthening gender equality?

Description

This indicator assesses the extent to which the Government's budget proposal documentation includes additional information on gender priorities and budget measures aimed at strengthening gender equality. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI-5 Budget documentation

PI-9 Public access to fiscal information (Basic element 1)

Coverage

Budgetary sub-national government

Time period

Last budget submitted to the legislature

GRPFM-4.1. Gender-responsive budget proposal documentation

The City Government's medium-term strategic documents as well as annual budget documentation do not specifically mention or provide an overview of its policy priorities for improving gender equality. Furthermore, there are no details of budget measures aimed at strengthening gender equality, nor an assessment of the impacts of budget policies on gender equality. Government officials, however, indicated that the local budget policy is geared towards ensuring gender equality even though no specific mention is made.

The score for this dimension is D.

GRPFM-5: Sex-disaggregated performance information for service delivery

Summary of scores

GRPFM-5	Indicator/Dimension	Score 2021	Justification for 2021 score
	Sex-disaggregated performance information for service delivery	C	
	5.1 Sex disaggregated performance plans for service delivery	C	Currently, the Social Policy Department, the Education Department, and the Physical Training and Sports Committee with a cumulative percentage budget of about 35% of total city budget provide and publish sex-disaggregated information on planned outputs of service delivery; information for FY2020 and FY2021 are published on their respective websites as well as Vinnytsia City Council website.

5.2 Sex-disaggregated performance achieved for service delivery	C	All three KSUs mentioned above (constituting about 35% of total city budget) prepare and publish sex-disaggregated information on actual performance achieved for service delivery. Relevant information for FY2020 is published on KSUs' website and Vinnytsia City Council website.
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Guiding question

Do the executive's budget proposal or supporting documentation and in-year or end-year reports include sex-disaggregated information on performance for service delivery programs?

Description

This indicator measures the extent to which the executive's budget proposal or supporting documentation and in-year or end-year reports include sex-disaggregated information on performance for service delivery programs. It contains two dimensions (sub-indicators) and uses the M2 (averaging) method for aggregating dimension scores.

Related PEFA indicator or dimension

PI-8 Performance information for service delivery

PI-8.1 Performance plans for service delivery (for GRPFM-5.1)

PI-8.2 Performance achieved for service delivery (for GRPFM-5.2)

Coverage

Sub-national government. Services managed and financed by other tiers of government should be included if the sub-national government significantly finances such services through reimbursements or earmarked grants or uses other tiers of government as implementing agents.

Time period

For GRPFM-5.1, next fiscal year

For GRPFM-5.2, last completed fiscal year

GRPFM-5.1. Sex disaggregated performance plans for service delivery

The provision of efficient and effective public service has become central and local governments' topmost priority, as it has become the main objective of public financial management. Citizens would like to know the kind of public services that are available, at what cost, and at which timelines. The disaggregation of public service, more so with a gender focus, facilitates citizens' quest to effectively track governments' promises towards efficient and effective service delivery.

Currently, the Social Policy Department, the Education Department and the Physical Training and Sports Committee, with a cumulative percentage budget of about 35% of the total city budget, which provides and publish sex-disaggregated information on planned outputs of service delivery; information for FY2020 and FY2021 are published on their respective websites as well as Vinnytsia City Council website:

<https://www.vmr.gov.ua/Branches/Lists/Education/ShowContent.aspx?ID=202>,

<https://www.vmr.gov.ua/Branches/Lists/Finances/ShowContent.aspx?ID=101>.

For example, under the budget program implemented by the Social Policy Department and aimed at providing social services to citizens who are unable to self-care due to age, illness, and disability, there are the following performance indicators: number of staff (men and women) providing such services and number of citizens (again sex-disaggregated) in need of them.

The budget program on secondary education implemented by the Education Department includes such disaggregated indicators as an average number of students disaggregated by sex (girls and boys).

The score for this dimension is C.

GRPFM–5.2. Sex-disaggregated performance achieved for service delivery

Just as the Social Policy Department, the Education Department, and the Physical Training and Sports Committee prepare and publish sex-disaggregated information on planned outputs for the forthcoming year, they also prepare and publish sex-disaggregated information on actual performance achieved for service delivery for the previous year; FY2020 information is published on KSUs’ website and Vinnysia City Council website:

<https://www.vmr.gov.ua/Branches/Lists/Education/ShowContent.aspx?ID=202>,

<https://www.vmr.gov.ua/Branches/Lists/Finances/ShowContent.aspx?ID=101>.

The score for this dimension is C.

GRPFM–6: Tracking budget expenditure for gender equality

Summary of scores

GRPFM-6	Indicator/Dimension	Score 2021	Justification for 2021 score
	Tracking budget expenditure for gender equality	D	
	6.1 Tracking budget expenditure for gender equality	D	There is currently no tracking of budget expenditure for gender equality. The budget proposals of key spending units do not include expenditure allocations according to gender, nor specific budget policies that would allow traceability of expenditure for gender equality.

Guiding question

Does the government have the capacity to track gender equality-related expenditure?

Description

This indicator measures the government’s capacity to track expenditure for gender equality throughout the budget formulation, execution, and reporting processes. There is one dimension for this indicator.

Related PEFA indicators or dimensions

PI-4 Budget classification

Coverage

Budgetary sub-national government

Time period

Last completed fiscal year

GRPFM–6.1. Tracking budget expenditure for gender equality

The Chart of Accounts (CoA) has the capacity to track expenditure based on economic, administrative, functional, and program classifications. This functionality of budget tracking provides a framework for tracking budget expenditure for gender equality as well; however, there is currently no tracking of budget expenditure for gender equality. The budget proposals of key spending units do not include expenditure allocations according to gender, nor specific budget policies that would allow traceability of expenditure for gender equality.

The score for this dimension is D.

GRPFM–7: Gender-responsive reporting**Summary of scores**

GRPFM-7	Indicator/Dimension	Score 2021	Justification for 2021 score
	Gender-responsive reporting	D	
	7.1 Gender-responsive government annual reports	D	The City Government of Vinnytsia prepares and publishes annual financial reports each year, but the reports do not include specific gender-related expenditure. The reports also do not include the impact of budget policies on gender equality.

Guiding question

Do the Government’s published annual reports include information on gender-related expenditure and the impact of budget policies on gender equality?

Description

This indicator measures the extent to which the Government prepares and publishes annual reports that include information on gender-related expenditure and the impact of budget policies on gender equality. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI–9 Public access to fiscal information

PI–28 In-year budget reports

PI–29 Annual financial reports.

Coverage

Budgetary sub-national government

Time period

Last completed fiscal year

GRPFM–7.1. Gender-responsive government annual reports

The City Government of Vinnytsia prepares and publishes annual financial reports every year, but the reports do not include specific gender-related expenditure. The reports also do not include the impact of budget policies on gender equality. A gender-responsive reporting would benefit from four important budget information, namely: (i) an analysis of gender equality outcomes, (ii) information regarding gender-related expenditure, (iii) a critical assessment of the implementation of budget policies and how they impact on gender, and finally (iv) sex-disaggregated employment data.

The score for this dimension is D.

GRPFM–8: Evaluation of gender impacts of service delivery

Summary of scores

GRPFM-8	Indicator/Dimension	Score 2021	Justification for 2021 score
	Evaluation of gender impacts of service delivery	C	
	8.1 Evaluation of gender impacts of service delivery	C	The Social Policy Department, the Education Department, and the Physical Training and Sports Committee of Vinnytsia City Council conducted gender analysis and evaluation of their budget programs indicated before under GRPFM-5. In FY2020, these three KSUs constituted about 35% of total city budget.

Guiding question

Does the Government include an assessment of gender impacts as part of evaluations of efficiency and effectiveness of service delivery?

Description

This indicator measures the extent to which independent evaluations of the efficiency and effectiveness of public services include an assessment of gender impacts. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI-8.4 Performance evaluation for service delivery

Coverage

Sub-national government

Time period

Last three completed fiscal years

GRPFM–8.1. Evaluation of gender impacts of service delivery

The Social Policy Department, the Education Department, and the Physical Training and Sports Committee of Vinnytsia City Council conducted gender analysis and evaluation of their budget programs (indicated before under GRPFM-5). In FY2020, these three KSUs constituted about 35% of total city budget.

The score for this dimension is C.

GRPFM–9: Legislative scrutiny of gender impacts of the budget

Summary of scores

GRPFM-9	Indicator/Dimension	Score 2021	Justification for 2021 score
	Legislative scrutiny of gender impacts of the budget	D	
	9.1 Gender-responsive legislative scrutiny of budgets	D	Since the budget proposals submitted by the Executive Committee to the City Council have no specific gender-related expenditure policies and proposals, the budget scrutiny is thus limited to the policies, programmes and expenditure proposals submitted by the City Government. There is no review of gender impacts of service delivery programmes.
	9.2 Gender-responsive legislative scrutiny of audit reports	NA	This dimension is not applicable since external audit of local budget execution reports is not required by the legislature. Consequently, audited reports are not submitted to the City Council.

Guiding question

Does the legislature’s budget and audit scrutiny include the examination of the gender impacts of the budget?

Description

This indicator measures the extent to which the legislature’s budget and audit scrutiny include a review of the Government’s policies to understand whether policies equally benefit men and women by ensuring the allocation of sufficient funds. It contains two dimensions (sub-indicators) and uses the M2 (averaging) method for aggregating dimension scores.

Related PEFA indicator or dimension

PI–18 Legislative scrutiny of budgets (for GRPFM–9.1)

PI–31 Legislative scrutiny of audit reports (for GRPFM–9.2)

Coverage

Budgetary sub-national government

Time period

For GRPFM–9.1, last completed fiscal year

For GRPFM–9.2, last three completed fiscal years

GRPFM–9.1. Gender-responsive legislative scrutiny of budgets

The Vinnytsia City Council (legislature) has seven committees in various budget areas. Some of the committees include but not limited to: (i) finance and budget committee, (ii) education, cultural development, youth and sports committee, (iii) urban planning, land and environment protection committee. There is no specific committee on gender budgeting or gender equality.

Since the budget proposals submitted by the Executive Committee to the City Council have no specific gender-related expenditure policies and proposals, the budget scrutiny is limited to the policies, programmes, and expenditure proposals submitted by the City Government. There is no review of gender impacts of service delivery programmes.

The score for this dimension is D.

GRPFM–9.2. Gender-responsive legislative scrutiny of audit reports

This dimension is not applicable since external audit of local budget execution reports is not required by the legislature. Consequently, audited reports are not submitted to the City Council.

The score for this dimension is NA.

Annex 5.4. Summary of performance indicators for the GRPFM assessment

No.	Indicator/Dimension	Score 2021	Justification/Description of requirement met
GRPFM-1	Gender impact analysis of budget policy proposals	D	
1.1	Gender impact analysis of expenditure policy proposals	D	The government of Vinnytsia City does not analyse proposed changes to expenditure policies with information that affects both male and female.
1.2	Gender impact analysis of revenue policy proposals	D	The government of Vinnytsia City does not analyse proposed changes of revenue policies with information that has an impact on gender.
GRPFM-2	Gender-responsive public investment management	D	
2.1	Gender-responsive public investment management	D	Currently, the local government of Vinnytsia does not analyse the impact of major public investment projects on gender as part of the economic analyses of investment proposals.
GRPFM-3	Gender-responsive budget circular	B	
3.1	Gender-responsive budget circular	B	The annual budget circular issued by the Finance Department of the Vinnytsia City Council for FY2020 required each KSU to provide information on the gender impact of their budget policies and expenditure proposals as well as develop gender-responsive (sex-disaggregated) performance indicators of their budget programs.
GRPFM-4	Gender-responsive budget proposal documentation	D	
4.1	Gender-responsive budget proposal documentation	D	The City Government’s annual budget documentation as well as medium-term

			strategic documents do not specifically mention or provide an overview of its policy priorities for improving gender equality. Furthermore, there are no details of budget measures aimed at strengthening gender equality, nor an assessment of the impacts of budget policies on gender equality.
GRPFM-5	Sex-disaggregated performance information for service delivery	C	
5.1	Sex-disaggregated performance plans for service delivery	C	Currently, the Social Policy Department, the Education Department, and the Physical Training and Sports Committee, with a cumulative percentage budget of about 35% of total city budget, provide and publish sex-disaggregated information on planned outputs of service delivery; information for FY2020 and FY2021 are published on their respective websites as well as Vinnytsia City Council website.
5.2	Sex-disaggregated performance achieved for service delivery	C	All three KSUs mentioned above (constituting about 35% of total city budget) prepare and publish sex-disaggregated information on actual performance achieved for service delivery. Relevant information for FY2020 is published on KSUs' website and Vinnytsia City Council website.
GRPFM-6	Tracking budget expenditure for gender equality	D	
6.1	Tracking budget expenditure for gender equality	D	There is currently no tracking of budget expenditure for gender equality. The budget proposals of key spending units do not include expenditure allocations according to gender, nor specific budget policies that would allow traceability of expenditure for gender equality.
GRPFM-7	Gender-responsive reporting	D	
7.1	Gender informative annual financial reports	D	The City Government of Vinnytsia prepares and publishes annual financial reports each year, but the reports do not include specific gender-related expenditure. The reports also do not include the impact of budget policies on gender equality.
GRPFM-8	Evaluation of impacts of service delivery on gender equality	C	
8.1	Evaluation of impacts of service delivery on gender equality	C	The Social Policy Department, the Education Department, and the Physical Training and Sports Committee of Vinnytsia City Council conducted gender analysis and evaluation of

			their budget programs indicated before under GRPFM-5. In FY2020, these three KSUs constituted about 35% of total city budget.
GRPFM-9	Legislative scrutiny of gender impacts of the budget	D	
9.1	Gender-responsive legislative scrutiny of budgets	D	Since the budget proposals submitted by the Executive Committee to the City Council have no specific gender-related expenditure policies and proposals, the budget scrutiny is thus limited to the policies, programmes, and expenditure proposals submitted by the City Government. There is no review of gender impacts of service delivery programmes.
9.2	Gender-responsive legislative scrutiny of audit reports	NA	This dimension is not applicable since external audit of local budget execution reports is not required by the legislature. Consequently, audited reports are not submitted to the City Council.

Annex 5.5. Data source

No.	Indicator/Dimension	Data source
GRPFM-1	Gender impact analysis of budget policy proposals	Interview with city government officials; budget documentation for FY2020
GRPFM-2	Gender-responsive public investment management	Interview with city government officials; budget documentation for FY2020; documentation on public investment project implementation in FY2020
GRPFM-3	Gender-responsive budget circular	Interview with city government officials; budget circular and Instruction on budget request preparation for FY2020 and FY2021
GRPFM-4	Gender-responsive budget proposal documentation	Interview with city government officials; budget proposal documentation for FY2020
GRPFM-5	Sex-disaggregated performance information for service delivery	Interview with city government officials; budget passports and performance evaluation reports for the Social Policy Department, the Education Department, and the Physical Training and Sports Committee of Vinnytsia City Council
GRPFM-6	Tracking budget expenditure for gender equality	Interview with city government officials; Chart of Accounts; Treasury reports on Vinnytsia city budget performance in FY2020
GRPFM-7	Gender sensitive reporting	Interview with city government officials; Chart of Accounts; City Treasury reports on Vinnytsia city budget performance; Annual Financial Statements for FY2020
GRPFM-8	Evaluation of impacts of service delivery on gender equality	Interview with city government officials; performance evaluation reports for the Social Policy Department, the

		Education Department, and the Physical Training and Sports Committee of Vinnytsia City Council
GRPFM-9	Gender-responsive legislative scrutiny	Interview with City Council's representatives and legislators; budget documentation FY2020

Annex 5.6. Comparison of SNG PEFA Scores with GRPFM Scores

No.	PEFA Indicator/Dimension	Score 2021	No.	GRPFM Indicator/Dimension	Score 2021
SNG Pillar: Intergovernmental fiscal relations					
HLG-1	Transfer from higher levels of government	D+			
1.1	Outturn of transfers from higher levels of government	D			
1.2	Transfers composition outturn	D			
1.3	Timeliness of transfers from higher levels of government	A			
1.4	Predictability of transfers	D			
HLG-2	Fiscal rules and monitoring of fiscal position	A			
2.1	Fiscal rules for sub-national governments	A			
2.2	Debt rules for sub-national governments	A			
2.3	Monitoring of sub-national governments	A			
Pillar I: Budget reliability					
PI-1	Aggregate expenditure outturn	A			
PI-2	Expenditure composition outturn	D+			
2.1	Expenditure composition by function	D			
2.2	Expenditure composition by economic type	D			
2.3	Expenditure from contingency	A			
PI-3	Revenue outturn	C			
3.1	Aggregate revenue outturn	C			
3.2	Revenue composition variance	C			
Pillar II: Transparency of public finances					
PI-4	Budget classification	D	GRPFM-6	Tracking Budget Expenditure for Gender Equality	D

No.	PEFA Indicator/Dimension	Score 2021	No.	GRPFM Indicator/Dimension	Score 2021
PI-5	Budget documentation	B	GRPFM-4	Gender-responsive Budget Documentation	D
PI-6	Central government operations outside the budget	B			
6.1	Expenditure outside financial reports	C			
6.2	Revenue outside financial reports	C			
6.3	Financial reports of extra-budgetary units	A			
PI-7	Transfers to sub-national government	NA		Not Applicable	
7.1	System for allocating transfers	NA		Not Applicable	
7.2	Timeliness of information on transfers	NA		Not Applicable	
PI-8	Performance information for service delivery	A	GRPFM-5	Sex-disaggregated Data	C
8.1	Performance plans for service delivery	A	5.1	Sex-disaggregated performance plans for service delivery	C
8.2	Performance achieved for service delivery	A	5.2	Sex-disaggregated performance achieved for service delivery	C
8.3	Resources received by service delivery units	A			
8.4	Performance evaluation for service delivery	B	GRPFM-8	Evaluation of impacts of service delivery on gender equality	C
PI-9	Public access to fiscal information	A	GRPFM-4	Gender-responsive Budget Documentation	D
			GRPFM-7	7. Gender-responsive reporting	D
PI-9bis	Public consultation	B			
9bis.1	Public consultation in budget preparation	A			
9bis.2	Public consultation in the design of service delivery programs	C			
9bis.3	Public consultation in investment planning	C			
Pillar III: Management of assets and liabilities					

No.	PEFA Indicator/Dimension	Score 2021	No.	GRPFM Indicator/Dimension	Score 2021
PI-10	Fiscal risk reporting	C			
10.1	Monitoring of public corporations	C			
10.2	Monitoring of sub-national governments	NA			
10.3	Contingent liabilities and other fiscal risks	NA			
PI-11	Public investment management	B	GRPFM-2	Gender Impact Analysis of Investment Projects	D
11.1	Economic analysis of investment proposals	C	GRPFM-2	Gender Impact Analysis of Investment Projects	D
11.2	Investment project selection	A			
11.3	Investment project costing	C			
11.4	Investment project monitoring	A			
PI-12	Public asset management	B			
12.1	Financial asset monitoring	C			
12.2	Non-financial asset monitoring	C			
12.3	Transparency of asset disposal	A			
PI-13	Debt management	B			
13.1	Recording and reporting of debts and guarantees	A			
13.2	Approval of debts and guarantees	A			
13.3	Debt management strategy	D			
Pillar IV: Policy based fiscal strategy and budgeting					
PI-14	Medium-term budget strategy	C+			
14.1	Underlying forecasts for medium-term budget	A			
14.2	Fiscal impact of policy proposals	D	GRPFM-1	Gender Impact Analysis of Budget Policy Proposals	D
14.3	Medium-term expenditure and revenue estimates	B			
14.4	Consistency of budget with previous year's estimates	D			
PI-17	Budget preparation process	D+			
17.1	Budget calendar	C			

No.	PEFA Indicator/Dimension	Score 2021	No.	GRPFM Indicator/Dimension	Score 2021
17.2	Guidance on budget preparation	C	GRPFM-3	Gender-responsive Budget Circular	B
17.3	Budget submission to the legislature	D			
PI-18	Legislative scrutiny of budgets	B+	GRPFM-9.1	Gender-responsive legislative scrutiny of budgets	D
18.1	Scope of budget scrutiny	A			
18.2	Legislature procedures budget scrutiny	A			
18.3	Timing of budget approval	A			
18.4	Rules for budget adjustment by the executive	B			
Pillar V: Predictability and control in budget execution					
PI-19	Tax administration	NA			
19.1	Rights and obligation for tax measures	NA			
19.2	Property tax register and valuation	NA			
19.3	Tax risk management, audit and investigation	NA			
19.4	Tax arrears monitoring	NA			
PI-20	Accounting for revenues	A			
20.1	Information on revenue collections	A			
20.2	Transfer of revenue collections	A			
20.3	Tax account reconciliation	NA			
PI-21	Predictability of in-year resource allocation	B+			
21.1	Consolidation of cash balances	A			
21.2	Cash forecasting and monitoring	A			
21.3	Information on commitment ceilings	A			
21.4	Significance of in-year budget adjustments	C			
PI-22	Expenditure arrears	A			
22.1	Stock of expenditure arrears	A			
22.2	Expenditure arrears monitoring	A			
PI-23	Payroll controls	C+			

No.	PEFA Indicator/Dimension	Score 2021	No.	GRPFM Indicator/Dimension	Score 2021
23.1	Integration of payroll and personnel records	B			
23.2	Management of payroll changes	A			
23.3	Internal controls of payroll	A			
23.4	Payroll audits	C			
PI-24	Procurement	B+			
24.1	Procurement monitoring	A			
24.2	Procurement methods	C			
24.3	Public access to procurement information	A			
24.4	Procurement complaints management	B			
PI-25	Internal controls on non-salary expenditure	B			
25.1	Segregation of duties	A			
25.2	Effectiveness of expenditure commitment controls	C			
25.3	Compliance with payment controls	B			
PI-26	Internal audit	D			
26.1	Coverage of the internal audit	D			
26.2	Nature of audits and standards applied	NA			
26.3	Implementation of internal audits and reporting	NA			
26.4	Response to internal audits	NA			
Pillar VI: Accounting and reporting					
PI-27	Financial data integrity	A			
27.1	Bank account reconciliation	A			
27.2	Suspense accounts	NA			
27.3	Advance accounts	A			
27.4	Financial data integrity process	B			
PI-28	In-year budget reports	D+	GRPFM-7	Gender-responsive reporting	D

No.	PEFA Indicator/Dimension	Score 2021	No.	GRPFM Indicator/Dimension	Score 2021
28.1	Coverage and comparability of reports	D			
28.2	Timing of in-year reports	A			
28.3	Accuracy of in-year budget reports	C			
PI-29	Annual financial reports	D+	GRPFM-7	Gender-responsive reporting	D
29.1	Completeness of annual financial reports	D			
29.2	Submission of reports for external audit	D			
29.3	Accounting standards	B			
Pillar VII: External scrutiny and audit					
PI-30	External audit	D			
30.1	Audit coverage and standards	D			
30.2	Submission of audit reports to the legislature	D			
30.3	Extent of follow up	NA			
30.4	Supreme Audit Institution independence	D			
PI-31	Legislative scrutiny of audit reports	D	GRPFM-9.2	Gender-responsive legislative scrutiny of audit reports	NA
31.1	Timing of audit scrutiny	D			
31.2	Hearing on audit findings	NA			
31.3	Recommendations on audit by the sub-national council	NA			
31.4	Transparency of the legislative scrutiny of audit reports	NA			

Annex 6: Service Delivery Assessment

Background

The central government decentralisation agenda has led to the transfer of some critical public service from the state government to sub-national government, not only to make these services easily assessable to the public but also to improve efficiency, build local government capacity in terms of additional responsibilities, as well as an increase in both revenues and expenditures. Therefore, as part of this main PEFA assessment, Swiss SECO, the state government and the City Government of Vinnytsia agreed to conduct a service delivery assessment to ascertain the level of impact of PFM on primary service delivery. The result of the service delivery assessment will form the basis of aligning SECO’s ELocFin project to the needs of the public through improved PFM systems and processes.

The assessment team used the “Guidance for SNG PEFA Assessment: Service Delivery Module” dated October 2020. The fieldwork was conducted concurrently with the main PEFA assessment. Data/information gathered during the main PEFA assessment was used. As required by the Service Delivery Module, additional information was gathered through the interviews with two KSUs (the Education Department and the Healthcare Department) and respective four SD units, which are subordinated to selected KSUs in terms of supervising their operations and activity. These SD units are municipal institutions owned by Vinnytsia City Council, namely: gymnasium No.24 and secondary school No.22, Vinnytsia city clinical hospital No.3 and Vinnytsia City primary healthcare centre No.5. Names and positions of persons interviewed in each of the institution mentioned are indicated in Annex 3.2 above.

Supplementary questions included in the Service Delivery Module were used for conducting the interviews. However, the module does not provide scores for the performance of SD expenditures or SD units of the SNG being assessed.

Specific documents collected from the interviewees are: budget requests and justification of budget indicators calculation; budget program passports and reports; budget programs evaluation results; explanatory/instructive letters from KSUs to SD units on changes in sectoral policy foreseen; annual performance reports of the head teachers of the educational institutions and chief medical officers of the healthcare institutions interviewed.

The Table below provides the results/findings of the Service Delivery Assessment.

Table A-6.1: Service Delivery Assessment’s findings

Indicator/dimension	Brief explanation
SUB-NATIONAL PILLAR: INTERGOVERNMENTAL FISCAL RELATIONS	
HLG-1. Transfer from higher levels of government	Vinnytsia City Council received numerous earmarked grants from the state budget and oblast. They are: education earmarked grants, health care earmarked grants, subvention for socio-economic development of territories, social security grants, families and children subvention, subvention for housing for ATO fighters, and road infrastructure subvention.

Indicator/dimension	Brief explanation
	<p>To cope with unpredictable effects and implications of the COVID-19 pandemic the Government established a special fund within the state budget that allowed the city budget to receive respective subvention in an amount of UAH 3.3 million.</p> <p>The City Government reported high dependency on educational grants from the state budget, which is an essential resource to provide salaries for teachers. However, that did not negatively affect the timeliness of relevant expenditure, since in each of the years under assessment (2018, 2019, and 2020), more than 93% of all budget grants were transferred timely to the city budget within the timelines prescribed by the law.</p> <p>Before the start of the next budget period, the Finance Department prepares an annual budget allocation plan (cash flow forecast), which establishes the schedule of transferring grants from the state budget to local budgets.</p>
HLG-2. Fiscal rules and monitoring of fiscal position	No direct impact on service delivery.
PILLAR I: BUDGET RELIABILITY	
PI-1. Aggregate expenditure outturn	<p>The variance of total actual expenditures from the original budget (PI-1 is rated 'A') was not significant (within 5% in in two of the last three years under assessment), that allowed budget funding to arrive to service delivery (SD) institutions on time and in the estimated amounts. There were not any delays in the distribution of budget resources to SD institutions, which could impact on service delivery.</p>
PI-2. Expenditure composition outturn	
PI-2.1. Expenditure composition outturn by function	<p>The variance of expenditure composition outturn from the originally approved composition was more than 15% in each of the three years under assessment, which means score 'D' for the first dimensions (by function categories). This can be explained by the fact that during the year, additional/new intergovernmental transfers were allocated from the state/oblast budget to the city budget.</p> <p>Healthcare and social security expenditure deviations were the highest: in FY2018 – 35.5% and 30.6% respectively; in FY2019 – 19.4% and 26.9 %; in FY2020 – 161% and 26.4% respectively. However, it does not affect the ensuring of primary services because relevant budget institutions received more money than it was estimated in the original budget. If the CG had provided to the City Government less revenue than anticipated, the city institutions would then have expenditure arrears, and healthcare institution might have resorted to overdraft.</p>

Indicator/dimension	Brief explanation
PI-2.2. Expenditure composition outturn by economic type	<p>When it comes to expenditure composition outturn by economic type it also was more than 15% in all three years: 21.9%, 18% and 22.4% in 2018, 2019, and 2020 respectively. This is why this dimension was also rated as ‘D.’</p> <p>Analysis of the expenditure composition by economic type affirmed the highest deviations in subsidies and grants, although, according to the SNG words, this did not make any negative impact on the volume and completeness of expenditure as well as quality of service delivery. Furthermore, the analysis of the budget program passports and reports on its implementation (in part of budget programs have been implemented by SD units in healthcare and education) confirmed the following:</p> <ul style="list-style-type: none"> - There were no negative (rather surplus) deviations in healthcare budget programs funding (that means SD units have spent more funds than it was planned); - Negative deviation in financing of the secondary education budget program in 2020 was due to the COVID-19 pandemic (since actual days of attendance of schools and average costs of one student maintenance respectively were less than planned).
PI-2.3. Expenditure from contingency reserves	Expenditures from contingency reserves originally approved by the City Council were not realized over 2018-2020, which means that the SNG managed to cover all the required needs with resources initially allocated by the budget programs.
PI-3. Revenue outturn	
PI-3.1. Aggregate revenue outturn	<p>Budgetary institutions forecast their revenues from services provided to citizens, parental fees, sponsorship fees, etc. (which constitute own revenues of budget institutions). Such funds make up a scanty amount – about 10% of total revenues of budget institutions (an average for both educational and healthcare institutions sampled). The rest of funds required to cover budgetary institutions’ expenditure are derived from the national taxes and fees, budget transfers and other revenues of local budgets, which are forecasted by the Finance Department of Vinnytsia City Council.</p> <p>The forecast of revenues from state and city budgets for both educational and healthcare institutions was close to their needs. The planned services were fully provided.</p>
PI-3.2. Revenue composition outturn	
PILLAR II: TRANSPARENCY OF PUBLIC FINANCES	
PI-4. The budget classification	<p>Existing budget classification enables expenditure to be tracked at the sector, economic, and administrative level for budgeting, monitoring and reporting purposes.</p> <p>All budget institutions prepare a plan for using budget funds (budget allocation plan) and reports on its performance based on administrative, program, function, and economic</p>

Indicator/dimension	Brief explanation
	<p>classifications. Information on resources received by SD units is disaggregated by the source of funds. SD units submit plans and reports to the relevant KSUs (Healthcare Department, Education Department, Finance Department of the Vinnytsia City Council) and to the Treasury. At the same time, consolidated budget reports prepared by the Treasury do not contain data by aggregate administrative codes (in other words, by KSUs). Only the budget documentation approved by the local council includes data on budget expenditure allocated by both budget programs (functions and sub-functions) and KSUs.</p>
PI-5. The budget documentation	<p>The explanatory note to the annual budget and medium-term budget forecast does not include implications of changes in revenues, expenditure, and intergovernmental fiscal relation policies.</p> <p>These implications could be a ground for KSUs to provide SD budget institutions with full and timely information on changes in the policy expected in the next budget period and midterm perspective.</p>
PI-6. Sub-national government operations outside financial reports	
PI-6.1. Expenditure outside financial reports	<p>The ratio of extra-budgetary expenditure of healthcare institutions to total City Government expenditures was 5.93% in FY2020 and extra-budgetary revenue – 5.85% of total City Government revenue for FY2020. These funds are not included in the budget and financial reports of the City Government.</p> <p>Educational institutions do not have operations outside financial reports. When they receive revenues in-kind, those revenues are reported in the Vinnytsia City financial reports.</p>
PI-6.2. Revenue outside financial reports	
PI-6.3. Financial reports of extrabudgetary units	<p>The preparation of financial statements of educational institutions is in accordance with the requirements of National Public Sector Accounting 101 "Submission of financial statements" and the Cabinet Decree dated 28.02.2000 No.419. Separate sections of the Statement of Financial Performance reflect the income received and expenses incurred by educational institutions as well as assets and liabilities.</p> <p>As healthcare institutions, which are non-profit communal enterprises, submit financial statements in accordance with National Public Sector Accounting BU 1 "General requirements for financial reporting" and the Cabinet Decree dated 28.02.2000 No. 419 to the Healthcare and Education Department of the Vinnytsia City Council, as well as to offices of the State Statistics Service and the State Tax services of Ukraine. The financial statements reflect all income and expenditure, assets and liabilities. These reports are submitted on time.</p>
PI-7. Transfers to sub-national governments	

Indicator/dimension	Brief explanation
PI-7.1. Transfer distribution system	This dimension is not applicable, as there is no lower-tier government.
PI-7.2. Timeliness of transfer information	This dimension is not applicable, as there is no lower-tier government.
PI-8. Performance information for service delivery	
PI-8.1. Performance plans for service delivery	<p>Budget passport is a document which should be developed for each budget program (except for several cases prescribed by the law) after budget approval and contain performance indicators that can be divided into program output and program outcome.</p> <p>If we are talking about a budget program in secondary education, it includes the following outputs: the average annual number of students, the cost per student, the number of schools; whereas a share of students involved in secondary education is set as a budget outcome.</p> <p>Similar performance indicators serve as output for medical institutions in Vinnytsia City. They are: the number of patients treated, the average cost of the primary/specialized medical service, the number of doctors; outcomes are defined as a reduction in mortality and increasing the level of disease detection in the early stages.</p> <p>Performance plans tied to HLG sectoral strategies developed by the Education Department and the Healthcare Department and approved by the Vinnytsia City Council.</p>
PI-8.2. Performance achieved for service delivery	<p>All KSUs prepare and submit reports on budget passport implementation to the Finance Department of Vinnytsia City Council. The reports are also published on the official websites of KSUs and the City Council.</p> <p>Based on information included in respective budget passports and reports on its implementation, there were no underperformed indicators in 2018-2020, except for several indicators of secondary education budget program for 2020 (such as number of days of attendance of school, average costs of one student maintenance) due to the COVID-19 pandemic.</p>
PI-8.3. Resources received by service delivery units	<p>Information on resources (cash and in-kind) received by SD units is included in their financial reports to be submitted to respective KSUs, who consolidate reports of all SD units accountable and submit the consolidated report to the Treasury.</p> <p>SD units report information on resources received is disaggregated by the source of funds and presented by the budget programs tasks with a clear link to performance indicators developed for each separate task. This means that it is possible to match outputs with resources received.</p>
PI-8.4. Performance evaluation for service delivery	Performance evaluation for service delivery is done on a basis of information retrieved from performance indicators analysis, budget requests, budget passports, and reports on their implementation, and other relevant budget documentation.

Indicator/dimension	Brief explanation
	<p>Although there has been no independent evaluation of the effectiveness of local budget programs, KSUs are recommended to provide such evaluation at all stages of the budget process. According to the words of heads of the Education Department and the Healthcare Department, they consider evaluation results when decide on the budget allocation for the next budget period(s). However, information presented in budget passport reports and budget program evaluation results for FY2020 does not allow to corroborate or disprove the words of the officials since the number of budget programs for FY2021 is the same for both Education and Healthcare Departments, as well as budget program funding level did not changed significantly against FY2020.</p> <p>Furthermore, all passports, reports, evaluation materials (both consolidated within KSU and disaggregated by the budget programs) are published on the Vinnytsia City Council website⁴⁸ and discussed under the public consultations according to a schedule approved by the City Council.</p> <p>The evaluation results can be used, in particular, to: identify reasons for deviation in actual indicators outturn; compare various service delivery programs based on their efficiency level; develop proposals on how to increase budget program efficiency and transparency.</p> <p>An example of the most effective budget programs' implementation aimed at providing good-quality public services are energy-saving programs that are inherent for both medical and educational SD units and resulted in providing comfortable stay in the respective institutions. Besides, inclusive education budget programs are customer-oriented to account interests and special needs of students with disabilities. 31 out of 33 secondary schools in Vinnytsia City have inclusive classes equipped with media libraries, special individual programs for development, furniture and studying materials to provide respective students with all necessary facilities, and conditions for an inclusive education process. In addition, special subvention for inclusive education is among other transfers from the state budget to local budgets.</p> <p>Analysis and evaluation of the medical budget programs, particularly with reference to primary healthcare institutions and clinics, showed that expenditures on buildings renovation and purchasing new medical equipment have been increasing constantly since 2018. It means that the Vinnytsia City Government provides a customer-oriented service delivery policy aimed at the improvement of quality and accessibility of public services. On the other hand, increasing</p>

⁴⁸ <https://www.vmr.gov.ua/Branches/Lists/Finances/ShowContent.aspx?ID=101>.

Indicator/dimension	Brief explanation
	cost for healthcare investment was due to the Government healthcare reform implementation at the local level and providing relevant funds from the state budget (transfers) for local healthcare infrastructure improvement and renovation.
PI-9. Public access to fiscal information	The summary budget proposal (Element 8) contains detailed information regarding service delivery (allocated budget, changes compared to the previous years). Any decision which affects service delivery must be approved by the local council. According to the Law dated 13 January 2011 No.2939 “On the access to public information,” local council made available its draft decision to the public. Such draft decisions are published on the website of the Vinnytsia City Council.
PI-9bis. Public consultation	
PI-9bis.1. Public consultation in budget preparation	Public consultation in budget preparation is held before the city budget is approved by the Vinnytsia City Council. The proposals, which are included in the consultation minute and can be referred to SD budget programs, are considered by the mayor, executive governments, service delivery units, and other city government representatives according to the responsibility allocation.
PI-9bis.2. Public consultation in the design of service delivery programs	Based on evidence available on the Vinnytsia City Council website, service delivery programs were discussed in 2018 and 2020. Consultation took place prior to the city budget approval; however, the consultation did not cover all of the service delivery budget programs (in 2018 – 25.2% of total city budget expenditure for FY2018). Citizens participate in designing SD budget programs through submitting their proposals through the following online portals: Citizens Budget; Petition and Appeals, Transparent City. Over 2018-2020, public consultations in the design of two budget programs were carried out by the Vinnytsia City Government: in 2018 it covered the program on education development in Vinnytsia City, and in 2020 – the program on municipal urban planning in Vinnytsia City Territorial Community. Based on citizens’ proposals raised in the process of the public consultation the Vinnytsia City Government: (1) established online informational portal for students/children with disabilities and their parents on the basis of Vinnytsia city council website; (2) developed the methodology for assessing dynamics in students’ development and their educational achievements.
PI-9bis.3. Public consultation in investment planning	Public consultation on investment projects was conducted within the framework of the Capital Construction Program, which includes <i>all investment projects</i> implemented in Vinnytsia City by

Indicator/dimension	Brief explanation
	means of budget funds. However, the consultation documents did not include a summary of the key results of the economic analysis.
PILLAR III: MANAGEMENT OF ASSETS AND LIABILITIES	
PI-10. Fiscal risk reporting	
PI-10.1. Monitoring of public corporations	Public corporations are not engaged in delivering public services.
PI-10.2. Monitoring of sub-national governments	Not applicable.
PI-10.3. Contingent liabilities and other fiscal risks	Not applicable.
Public investment management	
PI-11.1. Economic analysis of investment proposals	<p>Within the public investment projects, implemented in Vinnytsia City in 2020, the following expenditure aimed at improvement of SD were conducted: capital refurbishment of toilets and school canteens, renovation of meeting halls, instalment of the equipment used for pre-military training for young men, and the fire alarm system instalment in several school education.</p> <p>The investment projects in healthcare area were mainly focused on reconstruction of Vinnytsia Regional Clinical Medical and Diagnostic Centre, including reconstruction of its water supply and sewerage networks, fire water supply networks, and heating system.</p>
PI-11.2. Investment project selection	<p>According to the Procedures for the development of the Capital Construction Program, there are several criteria for prioritizing public investment projects:</p> <ul style="list-style-type: none"> - compliance with the goals and priorities determined in the Development Strategy "Vinnytsia - 2020" and the Concept of Integrated Development of Vinnytsia City through 2030; - availability of design and evaluation documentation for construction projects, which passed through economic expertise and are approved by the Council; - continuation of the project implementation with a high level of construction readiness (70% or more) that was launched in a previous period; - co-financing of investment projects within the Capital Construction Program – for those previously selected and agreed for being implemented by means of SRDF, transfers from the state budget, programs of international technical assistance. <p>When preparing and prioritizing investment proposals for inclusion in the Capital Construction Program, key spending units are obliged to consider the criteria mentioned above.</p>
PI-11.3. Investment project costing	No direct impact foreseen.

Indicator/dimension	Brief explanation
PI-11.4. Investment project monitoring	The implementation report on financial and physical progress provides information to analyse the impact of investment project progress on service delivery, since it presents information on compliance of progress with technical and economic documentation.
PI-12. Public asset management	
PI-12.1. Financial asset monitoring	No direct impact foreseen.
PI-12.2. Nonfinancial asset monitoring	<p>The process of public asset management is mainly decentralised. SD units maintain full and up-to-date records of their fixed assets, with cards of individual assets and an inventory of all assets on their balance sheets, indicating the date of purchase, status, the responsible person, and the location of the asset. An inventory of fixed assets is conducted annually, and the availability and movement of fixed assets are reflected in the notes to the annual financial statements.</p> <p>Accounting for non-financial assets of schools is conducted partially by the centralised Accounting Department within the Education Department of Vinnytsia City Council. At the same, time, there are schools with decentralised accounting departments. The land register is not the responsibility of the primary service provider but of the City Government.</p>
PI-12.3. Transparency of asset disposal	No asset disposal has been done during the time of assessment in the healthcare and educational SD units interviewed. That is, the assets disposed in 2020 and analysed under PI-12.3 refer to the City Government in general but not to the healthcare and educational institution.
PI-13. Debt management	
PI-13.1. Recording and reporting of debt and guarantees	Schools are not allowed to borrow. Healthcare institutions can secure short-term bank overdrafts for operational purposes but with the approval of the City Government. In case of lack of cash, the overdrafts help to ensure stable and smooth operation and increase the cost of public services at the same time. The interviewed healthcare institutions did not use this financial instrument in 2020.
PI-13.2. Approval of debt and guarantees	
PI-13.3. Debt management strategy	
PILLAR IV: POLICY-BASED FISCAL STRATEGY AND BUDGETING	
PI-14. Medium-term budget strategy	
PI-14.1. Underlying forecasts for medium-term budget	In accordance with the BCU, the Finance Department of Vinnytsia City Council prepares annually a local budget forecast for the medium-term perspective (next budget year and two following fiscal years).
PI-14.2. Fiscal impact of policy proposals	

Indicator/dimension	Brief explanation
PI-14.3. Medium-term expenditure and revenue estimates	Indicators of the local budget forecast are determined considering the regulations and indicators prescribed in the Budget Declaration.
PI-14.4. Consistency of budget with previous annual estimates	As mentioned above, a medium-term budget forecast does not contain the justification for the impact of changes in revenues, expenditure and implications of novelties in SD budget programs.
PI-17. The budget preparation process	
PI-17.1. The budget calendar	Based on the measures and timelines defined in the budget calendar, KSUs prepare budget requests to be submitted to the Finance Department. However, the budget process is decentralised from KSUs to SD units. This means that each SD unit develops and submits to relevant KSU detailed estimates, which are a basis for budget request finalization. After the city budget is adopted by the Council, KSUs provide SD units with expenditure ceilings and budget allocation plan. Based on this, SD units develop their individual operational plans, that are a balance of their annual revenue and expenditure.
PI-17.2. Guidance on budget preparation	
PI-17.3. Submission of the budget to the legislature	
PI-18. Legislative scrutiny of budget	
PI-18.1. Scope of budget scrutiny	Usually, as the result of the scrutiny of the draft budget in the local council, city budget expenditure related to specific SD programs tend to increase. However, comparison of the approved budget with the draft budget submitted by the Executive Committee to the City Council did not confirm the mentioned increases.
PI-18.2. Legislative procedure for budget scrutiny	No direct impact foreseen.
PI-18.3. Timing of budget approvals	During the assessment period (2018-2020), the Vinnytsia City budget has always been approved by the City Council on time (in December) before the start of the new fiscal year. SD units receive information on their allocations in the second part of December or in January, which is within a month after the previous year.
PI-18.4. Rules for budget adjustments	The Executive has made budget adjustments to expenditures targeted to SD programs within increasing of the transfers from the central government. Performance plans have been regularly reviewed and adjusted accordingly, thus providing SD at the planned level.
PILLAR V: PREDICTABILITY AND CONTROL IN BUDGET EXECUTION	
PI-19. Tax administration	
PI-19.1. Right and obligation for tax measures	The main SD unit's own revenue streams are payments for provided services. They are paid directly on the relevant institution's bank account and enough to provide service at the

Indicator/dimension	Brief explanation
PI-19.2. Property tax register and value assessment	declared level. SD institutions determine tariffs for the service delivery themselves based on the legislation.
PI-19.3. Tax risk management, audit and investigation	
PI-19.4. Tax arrears monitoring	
PI-20. Accounting for revenue	
PI-20.1. Information on revenue collections	Educational institutions prepare monthly reports, which include their own revenues and submit them to the Treasury. The Treasury then consolidates all revenues, including the revenues of educational institutions. The Budget Code of Ukraine allows SD units to open their own bank accounts at the state-owned banks. These bank accounts are used for collecting own revenues of budget institution and add up to the Treasury bank accounts through which budget funds are transferred. The State Audit Service conducts audits of its own revenues and expenditures during its routine audits. It helps improving service delivery thanks to the implementation of issued recommendations.
PI-20.2. Transfer of revenue collections	
PI-20.3. Tax accounts reconciliations	
PI-21. Predictability of in-year resource allocation	
PI-21.1. Consolidation of cash balances	An integral part of the budget management framework is the monthly cash allocation plan, which serves as a basis for financing educational and healthcare institutions. As a rule, financial management adheres to the allocated volumes of financing. However, if there is a lack of funds in the budget, then the Finance Department (based on the relevant KSU request) may resort to such an instrument for budget financing as TSA's funds (according to the Procedure for Treasury servicing of local budgets approved by the Minfin Order dated 23.08.2012 No.938). SD units prepare annual cash flow plans based on estimates issued by KSUs. Daily analysis of cash inflows and outflows helps to ensure that cash is properly managed and allocated to the needs of SD units. There were, however, no cases of critical underfunding or cash shortages.
PI-21.2. Cash forecasting and monitoring	
PI-21.3. Information on commitment ceilings	
PI-21.4. Significance of in-year budget adjustments	
PI-22. Expenditure arrears	
PI-22.1. Stock of expenditure arrears	As of January 1, 2021, there are no arrears of expenditures of budget institutions of Vinnytsia City Council. In the financial statements of health care facilities, there is only current debt (short-term overdraft), which is repaid within one month after the end of the reporting period. Accounting for liabilities of educational institutions is carried out by territorial bodies of the State Treasury Service of Ukraine in accordance with Order No.309 of the Ministry of Finance of Ukraine dated 2 nd of March 2012 "Procedure for registration and accounting of budgetary
PI-22.2. Expenditure arrears monitoring	

Indicator/dimension	Brief explanation
	obligations.” Debt control of health care institutions is carried out by the head of the institution in order to effectively manage the resources of the enterprise. SD units submit monthly financial reports to their supervisory budget units; the reports contain information on arrears – balances are zero.
PI-23. Payroll controls	
PI-23.1. Integration of payroll and personnel records	The City Mayor appoints only the heads of SD units, which are permitted to hire other staff without the approval of the local council.
PI-23.2. Management of payroll changes	Newly appointed staff receive salary and other payments by schedule with existing staff. The difference is that newly appointed staff might receive a lower amount because they were appointed after the month began. Staff payment structure includes salary, overtime, allowances, and bonuses. It helps incentive staff performance, since it tends to work increasingly productive. Only authorized persons (accountants) enter payroll data (new positions, changes, variable benefits, and deductions) into the payroll system. Changes are properly authorized and approved by the head of the SD unit. Accountant might work directly for the SD unit, full time or part-time, otherwise the Education Department might provide accounting services for SD units. The Head of the SD unit has access to review the payroll data. In 2018-2020, there were 52 payroll audits that were conducted, including 47 audits provided by Social Security Funds and 5 audits by the Pension Fund Department in Vinnytsia Oblast. Any payroll audit covering all entities of the Vinnytsia City Council has not been conducted over the last three completed fiscal years (2018-2020). The SAS, the Pension Fund, and social security funds are empowered to conduct payroll audit
PI-23.3. Internal control of payroll	
PI-23.4. Payroll audit	
PI-24. Procurement	
PI-24.1. Procurement monitoring	Healthcare and educational institutions are responsible for all procurements within revenues they receive from budgets and own revenues (when they have their own bookkeeping). Each institution prepares and publishes a detailed procurement plan on the public procurement database “Prozorro.” The information available on the “Prozorro” includes the procurement purpose, subject, conditions, value, and winner(s) of the contract. All KSUs and SD units have full access to the “Prozorro,” which allows recording all the procurement transactions within the system. This grants a comprehensive oversight of the procurement activity.

Indicator/dimension	Brief explanation
PI-24.2. Procurement methods	With regards to the value of procurement operations of the municipal education sector, only 60.1% of procurement operations have followed competitive methods in FY2020. The low percentage is explained by the large number of procurements by negotiations procedure due to procurement of services for heat supply, water supply, electricity, suppliers of which, as a rule, are monopolists.
PI-24.3. Public access to procurement information	No direct impact on service delivery foreseen.
PI-24.4. Procurement complaints management	<p>The total volume of contracts under the complaint procedure for educational and healthcare SDUs in 2020 is as follows:</p> <ul style="list-style-type: none"> - education – 22 procurement contracts of UAH 7.7 million; 2 procurement contracts of UAH 2.0 million were canceled based on Antimonopoly Committee decision; - healthcare – 9 procurement contracts of UAH 25.8 million; 3 procurement contracts of UAH 3.5 million were canceled based on Antimonopoly Committee decision. <p>All the decisions of the Committee were issued within ten business days from the date of acceptance of the complaint for consideration that is consistent with the Procurement Law’s requirement.</p>
PI-25. Internal control on non-salary expenditures	
PI-25.1. Segregation of duties	In line with the documented internal procedures and under the supervision of the internal control measures, KSUs provide control to make sure that commitments are kept only within the scope of budgets and monthly budget allocations. The Treasury Information System is applied to public administration bodies at all levels; it includes a module that provides for the registration of all budget commitments, and this approach ensures that commitments are effectively limited within the budget allocations of the relevant KSU.
PI-25.2. Effectiveness of expenditure commitment control	
PI-25.3. Compliance with payment rules and procedures	
PI-26. Internal audit	
PI-26.1. Coverage of internal audit	There is no structural unit (division, department) or individual person (official) responsible for internal control in the Vinnytsia City Council.
PI-26.2. Nature of audits and standards applied	
PI-26.3. Implementation of internal audits and reporting	
PI-26.4. response to internal audit	
PILLAR VI: ACCOUNTING AND REPORTING	

Indicator/dimension	Brief explanation
PI-27. Financial data integrity	
PI-27.1. Bank account reconciliation	There are no suspense accounts related to SD units.
PI-27.2. Suspense accounts	
PI-27.3. Advance accounts	
PI-27.4. Financial data integrity processes	
PI-28. In-year budget reports	
PI-28.1. Coverage and comparability of reports	The in-year budget reports issued by the Treasury include information on budget execution by each service delivery program. Service delivery programs present the types of services, such as clinics, hospitals, schools, orphanages, theatres, etc.
PI-28.2. Timing of in-year budget reports	
PI-28.3. Accuracy of in-year budget reports	Report on budget passport performance includes the following information: budget program goal and tasks; budget resource allocation among budget program activities; actual performance indicators (output and outcome). All this information is prepared and consolidated by KSUs based on details provided by SD units. Each SD unit provides information for in-year budget execution reports to the Treasury. The Treasury prepares consolidated reports and submits them to the respective departments of the Vinnytsia City Council.
PI-29. Annual financial reports	
PI-29.1. Completeness of annual financial reports	SD units provide information for in-year budget execution reports to the Treasury. The Treasury prepares a consolidated report and submits it to the respective departments of the Vinnytsia City Council.
PI-29.2. Submission of reports for external audit	
PI-29.3. Accounting standards	Annual financial reports issued by the Treasury include information on budget execution by each service delivery program.
PILLAR VII: EXTERNAL SCRUTINY AND AUDIT	
PI-30. External audit	
PI-30.1. Audit coverage	Over the last three completed fiscal years (2018-2020), the supreme audit institution known as the Accounting Chamber of Ukraine has not conducted any external audit of the financial reports and operation activities of the Vinnytsia City Council and its executive governments.
PI-30.2. Submission of audit reports to the sub-national council	
PI-30.3. External audit follow-up	
PI-30.4. Independence of the public audit institution in charge of sub-national government	

Indicator/dimension	Brief explanation
PI-31. Legislative scrutiny of audit reports	
PI-31.1. Timing of audit report scrutiny	The Accounting Chamber of Ukraine have not conducted any audits in Vinnytsia City Council during the period under the assessment.
PI-31.2. Hearing on audit findings	
PI-31.3. Recommendations on audit by the legislature	
PI-31.4. Transparency of scrutiny of audit reports	