

European Cooperative Audits

International Co-ordinated Audit of the Chernobyl Shelter Fund

VI EUROSAI WGEA Meeting
October 7-9, 2008
Kyiv, Ukraine

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Director of Audit Department



Chernobyl man-caused disaster



CNPP after the disaster



Over the ruins

In September 2005 the Task Force Meeting attended by eleven Supreme Audit Institutions was held in Kyiv, Ukraine

Chernobyl man-caused disaster

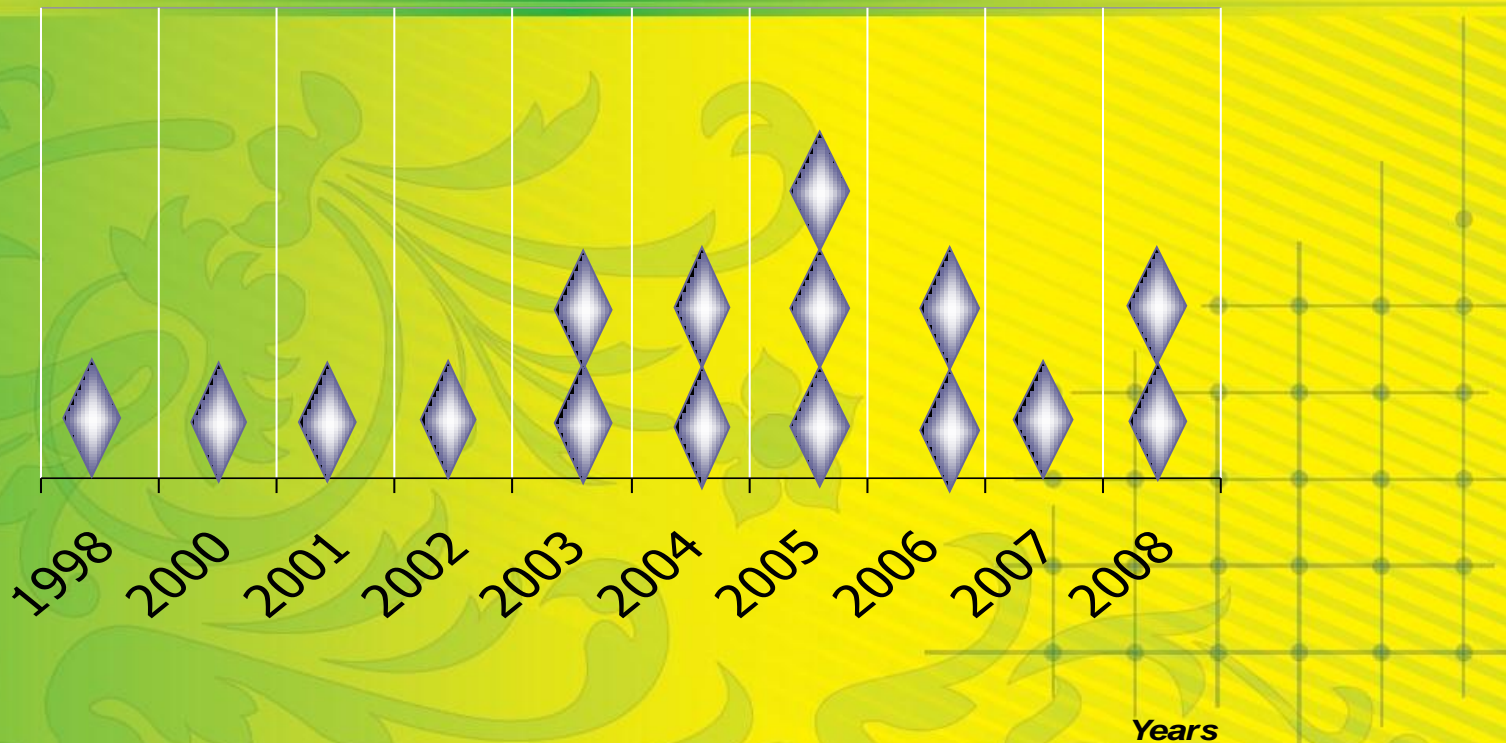
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Though more than 20 years have past since the Chernobyl disaster, it still remains a challenge with uncertainties around

Number of Chernobyl-related audit cases examined by the Board of the Accounting Chamber

Number





In November 2006 in Luxembourg at the IV EUROSAI WGEA Meeting a Special Subgroup on the Audit of Natural, Man-caused Disasters Consequences and Radioactive Wastes Elimination was established within the structure of the Working group. Accounting Chamber of Ukraine was elected it Chair.

Interested SAIs decided to initiate the Subgroup's activities in connection with a major, ongoing International Coordinated Audit of the Chernobyl Shelter Fund.

6 SAI Subgroup's members **3** interested SAIs collaborated in this Chernobyl project.

Audit Working Meetings

Meeting description	Date and place	Participants	Major arrangements
I Meeting	March 16, 2007, Kyiv, Ukraine	10 SAIs	- Approval of Common Audit Issues for International Co-ordinated Audit of Chernobyl Shelter Fund
II Meeting	December 4-5, 2007, Kyiv, Ukraine	9 SAIs	- Approval of Chernobyl Joint Report's structure - Discussion of the procedure for signing and presenting Joint Report at the VII EUROSAI Congress in Krakow
III Meeting	May 12-14, 2008, Kyiv, Ukraine	9 SAIs	- Approval of the final Chernobyl Joint Report - Approval of the procedure for signing and presenting Joint Report at the VII EUROSAI Congress in Krakow




The Joint Report was officially signed and presented on June 5, 2008 during the VII EUROSAI Congress in Krakow, Poland

Joint Report includes the audit findings and information provided by

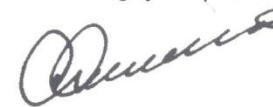
1. Accounting Chamber of Ukraine (Audit Co-ordinator)
2. European Court of Auditors
3. German Federal Court of Audit
4. Netherlands Court of Audit
5. Supreme Chamber of Control of Poland
6. Supreme Audit Office of the Slovak Republic
7. Accounts Chamber of the Russian Federation
8. Swiss Federal Audit Office
9. U. S. Government Accountability Office



President of the
European
Court of Auditors
Mr. Vítor Manuel da Silva Caldeira



Chairman of the
Accounts Chamber of the
Russian Federation
Dr. Sergey Stepashin



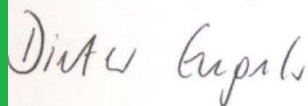
Chairman of the
Accounting Chamber of
Ukraine
Dr. Valentyn Symonenko



President of the
Supreme Audit Office of the
Slovak Republic
Dr. Ján Jasovský



President of the
Supreme Audit Institution of
Germany
Prof. Dr. Dieter Engels



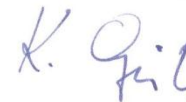
President of the Supreme
Chamber of Control of
Poland
Mr. Jacek Jezierski



EIDGENÖSSISCHE FINANZKONTROLLE
CONTRÔLE FÉDÉRAL DES FINANCES
CONTROLLO FEDERALE DELLE FINANZE
SWISS FEDERAL AUDIT OFFICE



Swiss Federal
Audit Office
Mr. Kurt Grüter



Joint Conclusions

1. SAs participating in the audit positively assess the state of intergovernmental cooperation regarding establishment of the Chernobyl Shelter Fund (CSF), its replenishment by relevant financial contributions and Ukraine's activities towards shutdown of the last operating Unit 3 on December 15, 2000 and Chernobyl Nuclear Power Plant (ChNPP) decommissioning.

Joint Conclusions

2. Participating SAIs concluded that the fulfilment of Shelter Implementation Plan (SIP) has fallen more than 7 years behind schedule. Following Project Management Unit (PMU) estimates, the current SIP costs, including the completion of NSC, exceed USD 1.2 billion or are 58 percent higher than the initial cost estimates and are likely to increase.

Construction of infrastructure facilities at ChNPP in the Exclusion Zone and Zone of Mandatory Resettlement

Accounting Chamber of Ukraine • Accounting Chamber of Ukraine • Accounting Chamber of Ukraine • Accounting Chamber of Ukraine

New Safe Confinement (NSC)

Executor — NAVARKA

Date of the Project approval — 17.09.2007

Financing source — Chernobyl Shelter Fund

Initial construction costs — \$ 258.6 ml

Project progress — 2005/2012

Period of delay — 7 years

Project costs as of 2007 — \$ 505 ml

Amount of increased costs — \$ 246.4 ml

Joint Conclusions

3. There occurred - due to a variety of reasons - significant delays in the realization of the projects financed by EBRD from both CSF and NSA, as well as TACIS funds provided by the European Commission. As of June 2007 significant progress had been made on the ongoing measures under CSF. However, there was provided no visible progress in the execution of the number important project.

Construction of infrastructure facilities at ChNPP in the Exclusion Zone and Zone of Mandatory Resettlement

Accounting Chamber of Ukraine • Accounting Chamber of Ukraine • Accounting Chamber of Ukraine • Accounting Chamber of Ukraine

Liquid Radioactive Waste Treatment Plant

Executor — Belgian-French-Italian Consortium

Date of the Project approval — 22.03.2001

Financing source — Nuclear Safety Account (NSA)

Initial construction costs — € 17,4 ml

Project progress — 31.12.2001/14.10.2006/March 2009

Period of delay — 7.5 years

Project costs at the moment — € 40.2 ml

Amount of increased costs — € 22.8 ml

Payments made under the Project — € 31.4 ml

Funds repaid to NSA — € 2.7 ml

Construction of infrastructure facilities at ChNPP in the Exclusion Zone and Zone of Mandatory Resettlement

Accounting Chamber of Ukraine • Accounting Chamber of Ukraine • Accounting Chamber of Ukraine • Accounting Chamber of Ukraine

Interim Spent Fuel Storage Facility

Executor — FRAMATOME

Date of the Project approval — 11.07.2001

Financing source — Nuclear Safety Account (NSA)

Initial construction costs — € 54.4 ml + \$18.5 ml

Project progress — 15.03.2003/31.08.2005/January
2012

Period of delay — 9 years

Project costs at the moment — € 295.0 ml

Amount of increased costs — € 240.6 ml + \$18.5 ml

Payments made under the Project — € 67.6 ml + \$12.8 ml

Funds repaid to NSA — € 45 ml

Construction of infrastructure facilities at ChNPP in the Exclusion Zone and Zone of Mandatory Resettlement

Accounting Chamber of Ukraine • Accounting Chamber of Ukraine • Accounting Chamber of Ukraine • Accounting Chamber of Ukraine

Industrial Complex for Solid Radioactive Waste Management

Executor — NUKEM

Date of the Project approval — 26.12.2003

Financing source — TACIS funds

Initial construction costs — € 33.3 ml

Project progress — 01.03.2004/25.07.2006/June
2008/31.07.2008

Period of delay — 4.5 years

Project costs as of 2007 — € 47.7 ml

Amount of increased costs — € 14.4 ml

Payments made under the Project — € 24.7 ml

Joint Conclusions

4. Participating SAIs state about insufficient management of international technical assistance funds allocated through EBRD to the measures on ChNPP decommissioning and transforming destroyed Unit 4 into an environmentally safe system.



Joint Conclusions

5. Assembly's control is much formal in its nature since the majority of its members do not possess complete information as to the CSF activities and use of resources. All SAIs participating in the International Coordinated Audit state about delayed and incomplete provision of such data to the Assembly of Contributors.

Joint Conclusions

6. Project organisational setting is rather complex. Particularly challenged issues in the Project organization remain the frequent changes of the persons involved in the Project on the part of the Ukrainian Government and ChNPP.

The most crucial organization interface is the cooperation of the Project Management Unit with ChNPP.

Joint Conclusions

7. Participating SAIs hold that audits of the principal Project management activities need to be conducted during the planning and construction stages of NSC in order to avoid the problems around its construction.

Joint Conclusions

8. In order to fulfil their obligations under CSF the Contributors need the already requested Integrated SIP Implementation Report (ISIPR) as the basis for effective cost and risk management, since the information that EBRD provided to date does not give a full accounting of the status of the project, including potential cost increases and delays.

Joint Recommendations

Assembly of Contributors should:

- establish specific performance benchmarks for the project that need to be met before additional pledges of funds are made in the future;
- facilitate accountability and transparency while financing the Project by EBRD.

Joint Recommendations

Assembly of Contributors should:

- require the consultants report on the critical shortage between 2003 estimation and current costs of NSC;
- validate the major cost estimate revisions in order to increase the transparency of these estimates and Contributors' confidence in them;

Joint Recommendations

Assembly of Contributors should:

- without questioning the expertise of the analyses done so far to the EBRD's order, enlist the support of another organization (independent audit institution) - outside the Chernobyl management structure - to undertake an independent review;

Joint Recommendations

Assembly of Contributors should:

- given the similarity of the problems around the projects financed in Ukraine by CSF and NSA, consider the optimization of these funds' management, which could produce financial benefits since it would be possible to reduce administrative costs.

Joint Recommendations

Assembly of Contributors should:

bind EBRD to

- provide the Assembly of Contributors twice a year with a comprehensive integrated report containing a detailed cost estimate and a schedule for project completion;
- to enhance the cooperation and coordination between the parties involved into the projects of the construction funded from NSA.

Joint Recommendations

Assembly of Contributors should:

bind EBRD to

- provide a strict project management and adjust the organisational PMU structure to take into account the management audit's proposals;
- provide a gradual transfer of the Western consultants' functions and responsibilities to Ukrainian experts;

Joint Recommendations

Assembly of Contributors should:

bind EBRD to

- present an independent validation of cost estimates for the construction stage when the detailed Shelter design is completed;
- audit the project implementation and the procedures of PMU concurrently in the stage of construction in order to be able to respond to arising problems at an early stage.

Joint Recommendations

Government of Ukraine should:

- assure the stable leadership and continuity among key Ukrainian institutions responsible for all major decisions for the Project.

Joint Recommendations

CSF Contributors should:

- request the Assembly of Contributors and EBRD to provide ISIPR as the basis for effective cost and risk management in order to fulfil their obligations on the CSF's replenishment.