

**Top Story:**  
Reform of the  
sergeant corps

p. 6

Ukrainian  
Army Reform:  
Outlook for 2017

p. 10

Interview: John Chesshire  
on internal audit  
in Ukraine's MOD

p. 14



## OVERVIEW OF DEFENCE REFORMS IN UKRAINE

February 2017



[defense-reforms.in.ua](http://defense-reforms.in.ua)



[reformsmod.ukr](https://www.facebook.com/reformsmod.ukr)



[reformsmod\\_ukr](https://twitter.com/reformsmod_ukr)



## NATIONAL GUARD CREATES 44 MILITARY CHAPLAIN POSTS

Starting on February 20, clergy of various religions will be able to work in the National Guard and serve with military units in the rear or in the frontline zone.

The denomination of the cleric attached to a unit will be determined based on a survey of the religious affiliation of its personnel. Clergy working with the National Guard will undergo special training that will include courses in tactical medicine. They will also be taught how to work with soldiers before and after battles, and how to treat those suffering from psychological trauma. The courses will be conducted by the MOD, General Staff, and psychologists from the Bogomolets Institute.

It is expected that the first wave of chaplains hired will be current National Guard volunteers with combat experience.

## LITPOLUKRBRIG HOLDS BRAVE BAND EXERCISE

The Lithuanian-Polish-Ukrainian Brigade (LITPOLUKRBRIG) Command began a new cycle of the Brave Band multinational battle staff training in late February.

Over the course of five days, the multinational staff tested and improved capabilities for leading units through operations, rotating battalions, and troop withdrawal.

According to Lithuanian-Polish-Ukrainian Brigade Commander Colonel Zenon Brzusko, this Battle Staff training will set a pace for the

activities within Full Operational Capabilities. "We are 'combat ready' and ready to execute tasks. The staff officers from Poland, Lithuania and Ukraine should use this time to improve their professional skills, interoperability and be ready to be deployed at short notice," Col. Brzusko added.

## AFU MEDICAL BUDGET FOR 2017 TO EXCEED UAH 350 MILLION

Nearly UAH 353 million is to be allocated to the Armed Forces of Ukraine for medical support this year, a one-third increase over 2016, MOD Spokesperson Oksana Havryliuk announced during a briefing.



UAH 205 million will be spent on purchasing medicines and 93 million on medical equipment. The AFU continues to expand its medical transport fleet. The MOD has signed a contract for the procurement of 60 medical vehicles that have been tested and passed inspection in the anti-terrorist operation zone. A contract for an additional 100 vehicles will be concluded soon.

## GOVERNMENT APPROVES STATE DEFENCE ORDERS FOR THE NEXT THREE YEARS

The Cabinet of Ministers of Ukraine has approved the State Defence Orders for 2017–2019.

This is the first time a medium-term state defence order has been approved, and aims to ensure predictability of budget expenditures, create conditions for uniform distribution of workload at defence industry enterprises and sustainable development of production capacity. The state defence order for 2017–2019 is a classified document and in the interest of national security its content cannot be released.



## UAH 250 MLN ALLOCATED FOR ARMY TRAINING CENTRES



This year's budget includes nearly UAH 250 million for improvements at the training centres of the Armed Forces of Ukraine.

Defence Minister Stepan Poltorak announced that 132.5 million will go towards renovations at the training centre in Starychi (Lviv oblast), approximately 100 million will be used to build barracks at the Shyroky Lan training ground (Mykolayiv oblast), and another 13 million will fund improvements at the 169th Training Centre of the Ukrainian Ground Forces in Desna (Chernihiv oblast).

## 15 UKRAINIAN SAPPERS RECEIVE NATO CERTIFICATES

The ceremony took place at the Demining Centre of the Main Directorate for Operational Support of the AFU in Kamianets-Podilsky, ending the six-week explosive ordnance disposal (EOD) training course.

Canadian experts have trained more than 160 Ukrainian service members since 2015.

During the ceremony, commander for the Canadian Forces Joint Operational Support Group Maj. David Amundsen recognized the high level of motivation among the Ukrainian soldiers during the training. He also presented a commemorative medal to the best trainee in the group Private First Class Serhiy Alennik, who rotated to the ATO zone that day.

## PREPARATIONS KICK OFF IN LVIV FOR RAPID TRIDENT 2017



The initial planning conference for the U.S.–Ukraine 2017 Rapid Trident regional command post and field training exercise took place at the International Peacekeeping and Security Centre of the National Army Academy in Lviv.



Representatives of the Armed Forces of Ukraine, U.S. Army, military personnel from Canada, Georgia, Azerbaijan, Poland, Lithuania, Romania, Moldova, Bulgaria, and Great Britain have gathered to begin planning the exercise.

“The exercise Rapid Trident 2017 will focus on training an internationally staffed battalion of the land and assault brigade, and one battalion of the detached mechanized brigade. These units will take part in the com-

mand post phase, and will hone their skills in the field training phase. This will help build the capacity of allied and partner nations. It will also help enhance interoperability, as officers from different countries will be involved in the management of the international brigade”, said U.S. Army Capt. Milton Maddox, Exercise Plans Officer. Rapid Trident 2017 will be held at the International Peacekeeping and Security Centre on September 8–23.



## “WE’LL HAVE TOP DEVELOPERS WORKING ON MILITARY HOUSING”: PROJECT MANAGER PAVLO KAYUK ON HOUSING REFORM IN THE DEFENCE MINISTRY

A fast-track military housing construction project will be launched in Mykolayiv this May. "Narodna Armiya" (eng. People's Army) correspondent spoke with project consultant and certified professional project manager Pavlo Kayuk (IPMA (B), PMP) about the new approach to the military housing problem and the initial results of the work of the Ministry of Defence Reforms Project Office.



How did you end up at the defence ministry?

I think every job should be done by professionals. To be honest, I don't know how to fight, but I'm sure my experience and skills can be of use to the defence ministry in these difficult times for our country.

As soon as I heard about the Reforms Project Office at the Ministry of Defence, I offered them my help. The response was: "you can start immediately".

What problems did you first encounter? Obviously, it's one thing to restructure or

start a new business, it's another to reform a government agency.

Society wants reforms now, but you need to recognize it's a long process.

For example, in business you're not faced with 60% of the problems you have in the army. One of them is Soviet-style overregulation by the central authorities. Most legislation was simply translated into Ukrainian without any significant changes or amendments. The roots of this problem are so deep that they impede reforms and progress.

Are there any results so far in your area of responsibility of military housing reform?

My response will be music to the ears of thousands of military families who do not have housing – important advances have been made.

Such as?

First, we studied the current system and tried to apply the experience of Western countries. We submitted to the MOD a series of proposals of how to fix the housing problem. We began by improving ministerial orders and are working with military lawyers on implementation mechanisms.

The MOD is experimenting with a new approach to planning the construction of several buildings under program KPKV 2101190. Today none of the leading construction companies is working with the defence ministry under the terms of existing contracts.

We proposed that major changes be made to the relationship between the construction department and potential contractors. We designed new tender documentation to bring on board the country's leading developers.

Housing is a serious problem for the army: approximately 45 thousand military families are in need of housing, whether private or military. This translates into several million square meters of construction – that's a lot of work. What's important for the developers is guaranteed demand for apartments.

We wrote out clear rules of the game that apply to everyone and are similar to how the private construction market works. If we successfully implement all these changes, by next year the MOD will become an attractive investor in the construction market.

Tell us about the fast-track construction project in Mykolayiv? At what stage is it?



The idea for fast-track construction in Mykolayiv originated last year when President of Ukraine Petro Poroshenko came to congratulate our sailors on Navy Day and saw the horrible living conditions of the Crimean families that remained loyal to their oath and moved to mainland Ukraine.

The Government instructed the Minister of Defence to resolve this problem asap. A working group from Kyiv travelled to the southern region in search of appropriate construction sites.

We analysed the needs of the region and chose Mykolayiv – the 72nd military garrison seemed most suitable for this pilot project.

Military planners have already surveyed the land. A firm gave us the rights to architectural designs that were handed over to the Southern Department of Capital Construction.

The Odesa Design Institute is adapting the design specifications and estimates. A project team and manager have been selected.

How much will this project cost and how many families will get keys to new apartments?

We plan to construct three buildings with 72 apartments in each. The buildings are four stories, with modern finishes, and energy-saving technologies. An unprecedented, in my opinion, amount has been allocated for this project: UAH 85 million. The construction of more than 200 military apartments in Mykolayiv is equal to 20% of this year's construction plans for all garrisons across the country.

I want to emphasize that this will be a fast-track process: we plan to hand over the keys to these apartments at the end of 2017.

This project is a unique experimental platform: new contract with the developer, new tender documentation, new construction management structure.

Global project management standards will be applied, including resource schedules optimized for time, weekly progress reports, and many other things that the defence ministry never used but have long been standard practice in the private construction industry.

Obviously, one hundred percent plan fulfilment is rare, and life makes its adjustments. But today with very high probability we can already make positive forecasts. Even working on mistakes during the fast-track construction project in Mykolayiv will be an important learning experience for future military housing construction projects at other garrisons.



Ministry of Defence of Ukraine  
Reforms Project Office

TOWARDS **NEW**  
ARMED FORCES  
OF UKRAINE

**WWW.DEFENSE-REFORMS.IN.UA**



## NATO TO GAIN ACCESS TO UKRAINIAN MILITARY SUPPLY DATA

All military equipment components and parts will be catalogued using NATO stock numbers, Frederic Peugeot, the manager of the NATO Trust Fund logistics and standardisation project said during his visit to Ukraine.



He handed over the rights to the equipment and NATO codification software to the Directorate of Standardisation, Codification and Cataloguing of the Ministry of Defence of Ukraine.

Peugeot said the codification system will have the most immediate impact on military logistics experts in

the Armed Forces. Supply items will reach the army quicker, with strict compliance to order specifications, location, and time. He also added that 63 NATO member and partner states using the NATO Codification System will gain access to data on Ukraine's military production.

Christina Martsynkovska, the direc-

tor of the standardisation and codification project of the NATO Support and Procurement Agency (NSPA) Office in Ukraine, explained that the system will be developed with financing from the Logistics and Standardisation NATO Trust Fund.

**Approximately EUR 120 thousand in services has been financed so far. The Trust Fund will also finance system support for the next three years.**

“The rollout of the NATO Codification System began in September 2015 with the installation in the Ukrainian Ministry of Defence of special BUL-COD software developed by the Bulgarian TechnoLogica software company,” said Martsynkovska.

“The system interface and documentation were translated into Ukrainian. The NATO Trust Fund project also purchased servers, 20 computers, and network equipment. As required by Ukrainian law on data protection, a comprehensive data security system was developed and tested.

NSPA signed a contract with the Ukrainian Institute of Information Technologies company for the development of the system. Staff of the MOD Directorate of Standardisation, Codification and Cataloguing were trained in using the system.

The codification system has been tested, MOD codification data has been moved to the new system, and the first successful transactions were conducted.”

According to the director of the MOD Directorate of Standardisation, Codification and Cataloguing Col. Oleksandr Kumeda, they are finalizing the last bilateral cooperation agreement with Italy, after which Ukraine can apply for Tier 2 participation in the NATO Codification System, thus allowing it to exchange data on military supply items with more than 60 participating countries (NATO members and partner states).

**» THIS SYSTEM WILL ALLOW UKRAINE TO ALIGN WITH THE NATO CODIFICATION SYSTEM, MEANING THERE WILL BE A TWO-WAY EXCHANGE OF DATA ON MILITARY PRODUCTION**

*Frederic Peugeot,  
NATO Trust Fund Project Manager*





## MILITARY UNIFORMS TO FOLLOW NEW ACCEPTANCE PROCEDURES

The new multi-stage quality control process for military uniforms and gear will include testing of material samples and final inspection before reaching the warehouses of the Armed Forces.

**During** a working meeting with manufacturers and suppliers of military uniforms and gear, Lt. Col. Dmytro Marchenko, the head of the Centre for Development and Monitoring of Material Support of the Armed Forces of Ukraine, reported that the Ministry of Defence of Ukraine has developed a draft order “On approving the Procedure of quality control for material assets procurement in the Armed Forces of Ukraine”.

Lt. Col. Marchenko elaborated that the document is the result of three months of work by Centre’s personnel, many of whom are officers with combat experience from the early days of the ATO.

The order provides that quality control be carried out in stages, including inspections of the manufacturing process, testing of samples, and acceptance control of supplied items.

**Under the draft order, suppliers are required to provide the customer with 10-day written notice of the start date and location of manufacturing, and provide the customer’s representative with unrestricted access to the premises where the items are made, and component parts and materials are stored.**

The inspection process will also include so-called input control, production control, and acceptance control measures.

### INPUT CONTROL

During the input control stage, a representative of the military, accompanied by a representative of the supplier, will select samples from

each product batch, seal them, and draw up an act. The supplier will then have two working days for the samples to be tested at a laboratory, at the supplier’s expense. The results of the tests must be provided to the customer within three working days of receipt. If the materials are found to not meet technical specifications, the supplier will be required to replace them. If the supplier disagrees with the results of the laboratory testing, new samples can be selected and tested at a minimum of three other laboratories.

### PRODUCTION CONTROL

The order stipulates that military quality controllers will have the right to inspect items being manufactured for compliance with linear measurements, appearance, usage of materials, and labelling. The new inspection process includes testing so-called working samples from each batch. Working samples will be inspected for compliance with pre-production samples and technical specifications.

### ACCEPTANCE CONTROL

Before reaching military warehouses and depots, representatives of the Centre for Development and Monitoring of Material Support of the Armed Forces of Ukraine will perform acceptance control.

Authorized officers of the Centre along with a representative of the supplier will select samples from the batch, seal them, draw up an act, and the supplier will then have them tested at an independent laboratory at his own expense. If the goods are found to not meet technical specifications, the supplier has the right to fix the defects during the acceptance control stage. If this is not possible, the goods will not be accepted.

### REFORM RESULTS

The new quality control algorithm outlined in the draft order will not only streamline the old “military uniform issue” process, but also create a customer-supplier relationship that eliminates the possibility of administrative influence and corruption risks. This, most importantly, means that Ukraine’s soldiers will be guaranteed quality uniforms and gear.



## DEVELOPMENT OF PROFESSIONAL SERGEANT CORPS

The revamping of the sergeant corps of the Armed Forces of Ukraine continues. The aim of the reform is the professionalization of sergeants capable of administering the education and combat training of subordinate personnel, and leading units in executing tasks in peacetime and in times of crisis.

The institution of a professional sergeant corps has been developed based on a hierarchy of ranks from division commander to chief sergeant of the Armed Forces of Ukraine.

Functional duties assigned to the new posts within the sergeant

corps were revised based on sergeant duties performed in the Anti-Terrorist Operation and international experience.

Work continues on amending the list of military ranks in the sergeant corps based on the current list of posts and equivalent military ranks

in NATO member forces. To ensure that sergeants are provided high quality education, knowledge and skills, the AFU operates eight training centres, four military colleges for sergeants, and the 197th NCO Training Centre. Institutions of higher military education offer English language courses and a correspondence bachelor's degree programme for sergeants. The current focus is on enhancing the professional training system for sergeants.

A priority objective is to introduce a three-month basic combat training course similar to those in the armed forces of NATO member states.

The course is scheduled to be launched in 2018. The curriculum is being developed and instructors are being trained.

This course will be mandatory for all conscripts in the Armed Forces of Ukraine and will be uniform across all branches of the military, regardless of future military specialization.

The course objective is to ensure that all recruits are physically and mentally fit. Soldiers will be provided the basic military knowledge and skills needed to execute missions and protect their health and lives on the battlefield. Work is

### KEY DIRECTIONS IDENTIFIED IN THE CONCEPT ON THE DEVELOPMENT OF PROFESSIONAL SERGEANTS CORPS OF THE UKRAINIAN ARMED FORCES:

Improving the structure of the sergeant corps and bringing the list of military ranks in line with equivalent ranks in NATO member forces.

Redistributing responsibilities between officers and sergeants, expanding the rights and duties of the sergeants corps.

Developing a professional training program for privates and sergeants that meets NATO standards and applies the experience of the Anti-Terrorist Operation.

Improving personnel management, developing transparent performance evaluation procedures and a rating system for appointing sergeants.

Improving social standards of military service for sergeants – increasing pay, providing housing, etc.

also underway on enhancing the multi-level system of training for the sergeant corps to comply with training requirements for professional sergeants in NATO member states.

The main goal is to design four effective short-term courses at the basic, intermediate, advanced, and senior levels.

Every level will include two phases – training sergeants to be commanders and leaders, and training sergeants based on their military branch and specialization.

Leadership courses will be conducted at sergeant training centres analogous to the NCO Schools and Academies of NATO member forces.

**The AFU 197th NCO Training Centre provides basic and intermediate level leadership courses. Leadership courses at the advanced and senior level will be launched in 2018. Similar centres are being created for the Ukrainian Air Force and Navy.**

Sergeants will receive professional training at training centres and institutions of higher military education after successful completion of leadership courses.

The professional training programme will include tactics for subordinate units in different combat scenarios, use of weapons, commanding subordinate personnel in different combat scenarios, and other practical knowledge and skills based on specialization.

Additionally, to study the experience of NATO members forces and improve the quality of professional training of the sergeant corps of the AFU, Ukrainian sergeants



**EVERY SOLDIER IS A POTENTIAL SERGEANT, AND THEIR PROFESSIONAL DEVELOPMENT AS A LEADER BEGINS WHILE SERVING AS PRIVATES. HENCE, OUR PRIORITY NOW IS IMPROVING THE QUALITY OF INDIVIDUAL ENTRY-LEVEL TRAINING, BECAUSE THE EDUCATION, KNOWLEDGE AND SKILLS SOLDIERS GAIN ARE BASIC, AND CAN BE LATER IMPROVED AND SUPPLEMENTED.**



**Oleksandr Kosynky,**

*Chief Warrant Officer  
of the Ukrainian Armed Forces*

will visit training centres and military schools abroad, including the NATO SCHOOL Oberammergau, Swiss Armed Forces Professional NCO School, NCO Schools of the

Armed Forces of Lithuania, Latvia, and Poland, United States Navy Senior Enlisted Academy, and the United States Army Sergeants Major Academy



## **INSTRUCTORS**

The institution of instructors in the Armed Forces of Ukraine has no analogue in any of the other defence and law enforcement agencies of Ukraine. Posts include instructors for training centre departments and platoons, and sergeant instructors for training battalions. The development of the institution of instructors and creation of an effective training system is a key area of reform of the military training system in Ukraine. A concept on the development of the institution of instructors of the AFU has been developed and given to NATO experts for review. The training program for instructors will soon include three levels - basic, advanced, and academic, similar to the programs in NATO member forces. The 197th NCO Training Centre will provide instructor training. Last year it graduated 458 sergeants, and by the end of 2017 the Centre will graduate more than one thousand sergeants. Approximately 600 will complete courses for instructors.



## UKRAINIAN ARMY REFORM: OUTLOOK FOR 2017

Over the past two and a half years, the Ministry of Defence and General Staff laid a strong foundation for the planned reform of the Armed Forces. The Ukrainian army ushered in 2017 with a State Program on the Development of the Armed Forces through 2020, which will soon be approved by a presidential decree. Thus, this year will be the first year of the planned reform and development of the Ukrainian Armed Forces.

**This** year the defence ministry will undertake comprehensive legislative work to support the reform of the Armed Forces. The defence planning process will be overhauled into a capabilities-based system, which Allied forces have been using for a long time and has proven to be effective.

The reorganization of the General Staff of the Ukrainian Armed Forces that began in 2016 will continue, to bring it in line with the J-structure used by NATO member states. Approximately half of the structural divisions are to be reorganized by the end of the 2017. Equally important is the development of the separate Special Operations Command establishment last year. The Ukrainian military is working closely with foreign partners in this sphere. It is expected that by the end of the year the Special Operations Forces will

have the capabilities to execute all the specific tasks assigned to them.

**After the Law of Ukraine “On the military police of Ukraine” is enacted, thus legally reforming the Ukrainian Military Law Enforcement Service into the Military Police, new management bodies and military police units will be formed.**

With regard to improvements to the logistics and military medicine systems, the lion’s share of these reforms will be implemented in 2017, including developing management bodies for these systems.

With the adoption of the relevant law, in 2017 the Single State Register of Reservists will be developed to prevent registration problems in the

future and to ensure that the Armed Forces and other military formations have sufficient personnel in peacetime and in times of crisis.

There are plans to reduce the proportion of service members with the rank of “colonel” by increasing the proportion of lower ranks, sergeants, and civilians. This will bring the ratio of different service categories in line with generally accepted norms in NATO member forces. Legislation will be amended and measures taken to make military service more attractive. The army is counting on the Government’s support to optimize the structure of military salaries by increasing the share of base pay to 60-70% of total financial compensation, and next year salaries for different military ranks will be set based on the minimum wage in the country.

The defence budget for 2017 is UAH 64 billion, which will allow the Armed Forces to expand and modernize its equipment fleet. This will boost the combat capabilities of existing military units, and allow new units to be formed.

Plans for this year also include a series of tactical and strategic trainings to improve the effectiveness of the Ukrainian Armed Forces. Numerous international military cooperation programs will also serve to enhance capabilities. Several dozen international exercises are planned for 2017, including three large-scale exercises in Ukraine.



## TECHNICAL SUPPORT

**The** central focus in 2017 will be on upgrading the existing fleet of weapons and military equipment, procuring new weapons and military equipment, and completing short-term research and development projects. This year the AFU plan to approve approximately 11 new types of weapons and military equipment, and supply troops with more than 65 types of modernized weapons and military equipment, including helicopters, planes, armoured personnel carriers, and radars. Approximately 2,100 types of new weapons and military equipment are planned to be procured, including drones, anti-tank missile systems, armoured personnel carriers, and others.



## INTERNATIONAL COOPERATION

**In** 2017 AFU units will participate in 19 multinational military exercises, three of which will be held in Ukraine. The largest include the annual Sea Breeze and Rapid Trident exercises, conducted jointly by the United States and Ukraine. NATO and EU member states are also invited to participate. The multinational training mission will also continue providing training to Ukrainian tactical battalion groups.

Ukraine will also participate in Saber Guardian 2017, the largest U.S. Ground Forces exercise in Europe. In total, approximately 14,000 Ukrainian military personnel, up to 30 aircraft, approximately 25 ships, and 400 pieces of military equipment will be involved in these international exercises.



## MILITARY TRAINING

**By** 2017 Ukraine managed to strengthen its military and build an effective army with extensive combat experience. The Anti-Terrorist Operation has changed the format and content of military training; practical exercises now account for 25% of all training program activities. The Armed Forces of Ukraine are now following the “teach troops skills needed in war” approach to individual and collective training.

The tactical scenarios used in training are similar to combat experiences in the ATO. When preparing units to leave the ATO zone, combat-readiness is restored using approved algorithms and methods. Combat in the ATO affects the whole training process. Personnel of all categories will also undergo psychological training that will include “test running” tanks, simulation tools, and other exercises to strengthen moral and psychological resilience.

One of the innovations in the training of battalions and brigades is the use of the Joint Combat and Tactical Simulation (JCATS) tool.



## AFU RESERVISTS

**Last** autumn, the General Staff of the Ukrainian Armed Forces involved 10,000 reservists in exercises with 10 brigades. Immediately after the exercises, more than 200 of these reservists signed contracts to serve with the combat units they trained with. In 2017, more than 20,000 reservists of the first and second operational reserves will complete training.

Changes were made to Ukrainian legislation to allow for the use of the full potential of citizens with military training and combat experience. The law of Ukraine “On military duty and military service” adopted in March 2015 outlines the procedure for calling up members of the first operational reserve. Currently, there are some 100,000 former service members in the operational reserve, assigned to the units where they served prior to discharge.



## NATO EVALUATED ANTICORRUPTION REFORM RESULTS IN UKRAINE



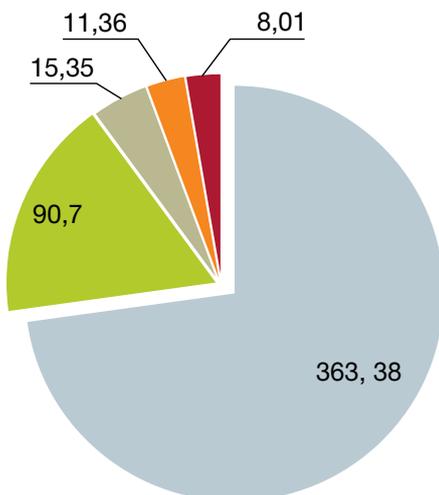
In the course of the meeting of the NATO-Ukraine Commission on February 8, 2017, the participants discussed the status of implementation of the Strategy of Ukraine for Combatting Corruption for 2015-2017, the efforts of the Prosecutor General's Office, NABU and NAPC in combatting corruption, as well as anticorruption reforms in the defence sector.

Inter alia, the participants of the meeting discussed the results of the latest self-evaluation conducted by Ukraine under the framework of the NATO Integrity Building Program in order to detect corruption risks. NATO's representative welcomed the efforts of Ukraine in preventing and countering corruption in the national security and defence sector, and assured the participants that NATO will remain Ukraine's reliable partner in this area. "Cooperation between the NAPC and NATO under the framework of the program for integrity-building and reduction of corruption risks in defence institutions may facilitate the provision of efficient tools and expert assistance aimed at reducing the level of corruption in Ukraine, especially in the defence sector," said NAPC Head Nataliya Korchak.

## KEY PERFORMANCE INDICATORS OF THE INTERNAL AUDIT OF THE MINISTRY OF DEFENCE OF UKRAINE

- In 2016, the main stage of reform of the system of internal control and risk management of the MOD has been completed.
- In 2016, the operational audit processed 8 thousand packages of documents with UAH 70.9 billion as the total value of operations. The implementation of audit recommendations prevented overspending and provided additional revenues in the amount of UAH 488.8 million.
- Due to risk-oriented planning, the share of unscheduled audits and other control activities has been reduced (from 78.6% in 2014 to 53.3% in 2016).
- The implementation of recommendations given based on the findings of on-site audits resulted in savings of UAH 57.1 million.
- The level of compensation of losses and damages has grown by 17.5% compared to 2012.
- In the course of 2015-2016 (from the moment of the implementation of the "hot line") over 1,200 citizen's applications have been considered.
- The work of the managers of all levels has improved in terms of bringing persons guilty of offences to legal responsibility — in 2016, 1,825 persons were brought to disciplinary and material responsibility.
- Law enforcement bodies have been informed of the results of over 200 audits and other control activities.

### IN 2016, THE INPUT OF OPERATIONAL AUDIT IN BUILDING THE CAPACITY OF THE AFU AMOUNTED TO UAH 488.8 MILLION



- reduced the groundlessly high cost of production and repairs of armaments and military hardware — UAH 363.38 million.
- prevented superfluous expenses for the construction and procurement of housing, capital renovation and reconstruction of buildings and constructions — UAH 90.7 million.
- reduced the unjustified cost of procurement of commodities, works and services — UAH 15.35 million.
- provided additional revenues as a result of increasing the groundlessly reduced prices of property and scrap material prepared for sale — UAH 11.36 million.
- prevented unjustified payment of additional remuneration to military personnel in the ATO zone — UAH 8.01 million.



## MILITARY AUDITORS OF THE MINISTRY OF DEFENCE RECEIVE TRAINING ACCORDING TO EU AND NATO STANDARDS

A two-day training “Risk Management Audit”, which is given by Chartered Auditor John Chesshire from the UK, was conducted at the I. Cherniakhovskiy National Defence University.



**A**t the opening of the training, Director of the Department for Internal Audit Maryna Barynina noted, that starting from January 1, 2017, the Standards for Internal Control in the MOD and the AFU approved by Defence Minister Army General Stepan Poltorak have taken effect.

“Now, in each governance body, each military unit, enterprise, institution and organization, a system of internal controls and risk management will be established, identical to those used in EU and NATO member states,” Maryna Barynina said.

UK expert John Chesshire stressed that the MOD efficiently implements the systems of internal control in accordance with international standards.

“The process of risk management helps reduce any types of risks, including corruption, fraud and embezzlement risks. Special attention is paid to the implementation of the new Standards for Internal Control. We share with our Ukrainian colleagues our experience on how to perform such activities, and as

such – we build the capacity of the risk management system in the defence sector in general. For this reason, this two-day training is not theoretical but practical in nature, based on real-life examples from my professional activity,” said John Chesshire.

Director of the Department for Internal Audit Maryna Barynina also informed about the Department’s three main objectives for 2017:

- Improvement of the normative and regulatory base of the Ministry in order to clearly separate the functions of internal audit from the processes of payment, accounting and internal control.
- Implementation of the recommendations of experts from the UK based on the results of the independent external evaluation of the work of the Department, which was completed in February.
- Improvement of the audit activities of the MOD is impossible without raising the qualifications of each specialist.

## UKRAINIAN MILITARY PERSONNEL TRAINED TO COUNTER CORRUPTION

Increasing the efficiency of countering corruption is one of the priority activities of the MOD, the AFU and the bodies of military governance of all levels.

**O**ne of the key elements of anticorruption policy is raising the awareness and legal knowledge of military and civilian personnel of the defence institutions. Under the framework of the implementation of the Anticorruption Program of the MOD for 2015-2017, the Scientific Center for Prevention of Corruption in the Security and Defence Sector conducted a training course on integrity building and corruption risk reduction.



**The** participants got acquainted with the legislative and regulatory base in the field of preventing and countering corruption, the anticorruption system of Ukraine in general, as well as the activities of international organizations working in the field of countering corruption. Significant attention was paid to the issues related to the identification of the main corruption risks and the possible ways of their mitigation.

In the course of the training, experienced trainers made special emphasis on developing participant’s practical skills regarding the forms of manifestation of corruption offences, the tools available to counter corruption, the legal basis for prevention of corruption, as well as the types of liability of military personnel for corruption crimes in the military. Participants learned what a conflict of interest is, as well as how to settle and prevent such conflicts.



## “OUR RECOMMENDATIONS ARE AIMED AT IMPROVEMENT RATHER THAN CRITICISM”: BRITISH EXPERT ON INTERNAL AUDIT IN THE UKRAINIAN DEFENCE MINISTRY

Interview with John Chesshire CFIIA QIAL CIA Head of Assurance within the UK Central Government and an external reviewer for the Chartered Institute of Internal Auditors.

### Tell us about the outcomes of your visit to Ukraine and results of the audit in Ukraine’s MOD.

As part of the UK’s ongoing support to defence reform and good governance an external quality assessment (EQA) of the Internal Audit Department (the Department) of the Ministry of Defence (the Ministry) was conducted recently. The assessment has recently concluded and we believe that the Ministry, Department and the Director of the Internal Audit Department (the Director) are leading advocates of internal audit practice in the Ukrainian central government sector. Stakeholder interviews have informed this. The actual request to undertake

this EQA against the International Professional Practices Framework) is just one example of how the Director, and the broader Department, is keen to learn from international good practice and thereby improve service delivery and value to the Ministry. We support this approach and the Defence Minister’s willingness to open the Department to review.

We believe that the Ministry of Defence is performing particularly well in a number of areas. We were most impressed by:

- The leadership, energy, vision and drive of the Director of Internal Audit Department in delivering a professional service to the Ministry. We believe the Director should be congratulated.

- The commitment of the Ministry to transform the Department based on the Institute of Internal Auditors International Professional Practices Framework, good practice and consistent with the direction outlined in the Strategic Defence Bulletin.
- The introduction and planned piloting of new types of internal audit engagements more focused on a risk based approach, the Ministry’s Internal Control Standard (developed by the Department of Internal Audit) and Anti-Corruption Programmes later in 2017.
- The diligence of the internal audit practices at an engagement level for planned work. These are thorough, with individual internal auditors and internal audit engagements following working practices that would be recognisable to UK MOD.
- The establishment of a small Information Technology audit team. This is an expanding area for all internal audit teams across the world and its importance will only increase over time.
- The focus on training, education and personal development. This aims to equip the Department’s internal auditors with the necessary knowledge, skills and experience to deliver an effective and professional service to the Ministry based on international standards. The Director has also invited colleagues from related bodies, such as the Accounting Chamber, Ministry of Finance, State Audit Service etc., to attend events.

### What kind of changes the MOD might implement following your audit inspection?

In total, we assessed the Department against relevant areas within the International Professional Practices Framework. We are pleased to report that the Department generally conforms to 30 of these and partial-



ly conforms to a further 20. This is an impressive result, considering that the Department has existed for a short period of time and there is no current requirement across central government to conform to the International Professional Practices Framework.

We believe that further progress is required in a number of areas, including:

- Developing more effective prioritisation and communication mechanisms within the six monthly Department planning processes, to ensure that the impacts of unplanned work are fully understood, recognised and agreed by senior stakeholders. Excessive unplanned work risks diversion of Departmental resources away from higher risk, strategic internal audits.
- Moving away from legacy types of internal audit, such as revision work, to newer, risk-based methods, based on international good practice and the International Professional Practices Framework. We recognise that this evolution has clearly commenced, and that the Ministry is ahead of other parts of central government in doing this. We commend this, but note that further embedding is needed.
- Institutionalising western standards across the wider Ministry. We observed that many in senior leadership positions still have a limited understanding of the true value of effective internal audit. Too many senior stakeholders still perceive internal audit's main role to be one of enforcement or of operating controls. Manage-

ment – not internal audit – must be accountable for implementing and operating controls, and for the internal control system.

In general, we recommend a move to a more future-focused, risk based approach to internal auditing that examines the key, strategic issues facing the Ministry. It will take time to achieve this, but we believe the results will deliver further value to the Minister, the Ministry and its key stakeholders, as well as improving the capability and effectiveness of its operations.

### What is the difference between the British and Ukrainian internal audit system in the defence sector?

We believe that the Ukrainian Ministry of Defence's Internal Audit Department is on a journey. The Department is nearly five years old and the current Director of the Department was only formally appointed to her current role in March 2015. There have been structural and workforce changes to the Department during this five year period.

In the UK, the MOD internal audit function has existed for a much longer period. It has evolved during this period, as has internal audit in general across the UK central government sector. Nowadays we do not just focus on financial, fraud or compliance work. We consider key, strategic risks and how well these are being addressed by management. Our recommendations are aimed at improvement rather than criticism. We don't just look at 'back office' activity – our work can look at oper-

ational matters and improve military capability and effectiveness.

Internal audit should be seen as a trusted adviser, a critical friend and a value adding activity. It undertakes both assurance and consulting work. It should be appreciated, and often requested, rather than feared. Fundamentally, internal audit can contribute directly to the delivery of effective military capability by identifying and mitigating poor or corrupt practice, improving the efficiency of business processes and ensuring that defence resources are used effectively.

### What are next steps of the MOD in terms of implementing recommendations of the British counterparts?

This assessment provides a good evidence base to shape future UK assistance to the Ministry of Defence in supporting defence reform and good governance. We make recommendations in our report. Some are quick wins and others will take more work to adopt and implement. Working with the UK Special Defence Advisor and UK based experts, the Director of Internal Audit Department is currently developing an action plan to implement these recommendations, with appropriate actions and target dates.

UK will support the Ministry of Defence with implementation through further advice, mentoring, and knowledge sharing. Furthermore, UK will follow up progress at regular intervals, as well as undertaking a short, formal reassessment in November 2017.

## OVERVIEW OF DEFENCE REFORMS OF UKRAINE / February 2017

MINISTRY OF DEFENCE OF UKRAINE, MEDIA DEPARTMENT: +38 (044) 271-34-78, +38 (044) 245-44-01, psmodu@mil.gov.ua  
 DEPARTMENT OF COMMUNICATIONS OF THE ARMED FORCES OF UKRAINE: +38 (044) 454-42-55, pressa@mil.gov.ua  
 PRESS SERVICE OF THE REFORM PROJECT OFFICE: +38 (097) 559 09 91, +38 (067) 447-41-05, n.churikova@stratcomua.org





# ARMY

## REBIRTH

### **VOLUNTEER**

Photo by Cleopatra Anferova

First place winner in 'Together' category  
Ukrainian Military Photo Contest  
by the Ministry of Defence of Ukraine

[newarmy.in.ua](http://newarmy.in.ua)