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Audit Finds Abuses by Tymoshenko Cabinet

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KIEV — An international audit ordered by Ukraine's government said Thursday that the former government of Yulia Tymoshenko misappropriated millions of dollars, but her aides dismissed it as a "politically motivated" exercise.

Publication of the document by the Finance Ministry came two weeks before local elections that will be the first real test of President Viktor Yanukovych's popularity since he defeated Tymoshenko in a February runoff for president.

Opinion polls Thursday showed that the ratings of Yanukovych and his Party of the Regions have dropped significantly in the past months as his government has pushed ahead with unpopular economic reforms such as raising the price of gas.

The 178-page audit, led by Washington law firm Trout Cacheris, said it had uncovered evidence of large-scale money laundering and fraud by the Tymoshenko government from 2008 to the beginning of 2010.

The use of offshore "shell" companies, sham contracts and other money-laundering techniques had resulted "in the waste and misuse of government assets and the enrichment of private parties," it said.

The largest single instance of misconduct had been "the unlawful misapplication" of 2.3 billion hryvnas ($290 million) from the sale of carbon emission rights under the Kyoto agreement, it said.

In 2009, Ukraine sold 30 million carbon emission rights to Japan for $375 million and said then that it hoped to earn $2 billion or more from the sale of the right-to-pollute carbon credits that it did not use.

The audit alleged that the cash obtained by the Tymoshenko government had been used by high-ranking officials to conceal holes in the national pension fund.

Malpractice had also been uncovered in schemes relating to the purchase of vaccines, foreign vehicles and sugar, the audit said. Government funds had also been spent by the Tymoshenko government on setting up a program enabling her to make gifts of land to voters during her campaign for the presidency.

Hryhoriy Nemyria, who served as Tymoshenko's deputy prime minister, immediately hit back.

The audit amounted to "politically motivated steps aimed at discrediting the opposition on the eve of the Oct. 31 elections," he said.

"We consider this a continuation of the practice of pressure on opponents of Yanukovych's regime. It just goes to show that the king is in fact naked," Nemyria told a news conference.

The move was intended to intimidate Tymoshenko, divert attention from economic problems and cover up the corrupt practices of a political clique close to Yanukovych, he said.

Nemyria also charged that Akin Gump, a U.S.-based law firm that also took part in the audit, should not have been allowed to conduct the audit because it had represented financial backers of Yanukovych's party in the past.

Mark MacDougall, a partner at Akin Gump, denied that there was any conflict of interest, but would not comment on the claim that his firm had represented specific businessmen tied to Yanukovych.

The firms declined to say how much they were paid for the audit. Plato Cacheris of Trout Cacheris said only that the companies received "much less than was stolen."

A senior Ukrainian government official speaking on condition of anonymity said the audit cost the state budget $2 million. The official was not authorized to discuss the issue with the media.

The firms said the Ukrainian government has already filed two lawsuits based on the results of the audit — one in the United States and one in Britain — against companies they say helped launder money. Yanukovych's government says it intends to use the audit's findings to

get back the money that was misspent.

Tymoshenko, 49, a mercurial firebrand and impassioned speaker, lost narrowly to Yanukovych in February in a bitter campaign in which she alleged vote rigging by his camp.

Since Yanukovych took over, the authorities have questioned both her and her top aides as witnesses in connection with alleged corrupt practices while she was in office. But no formal prosecution has been launched against her.

(Reuters, AP)

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