



2021

Opinion of the
Accounts Chamber of the
Russian Federation on the
report of the
Government of the
Russian Federation
regarding the execution of the
federal budget and budgets of
extra-budgetary funds
in 2020

(key findings)

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Opinion of the Accounts Chamber of the Russian Federation on the report of the Government of the Russian Federation regarding the execution of the federal budget and budgets of extra-budgetary funds in 2020 (key findings)

Federal budget

1) Audit results

The Accounts Chamber submits an opinion about the report on the execution of the federal budget for 2020 prepared by the Government. Based on the results of the audit, it can be said that the Report outlines a true and reliable view of the financial situation as of January 1, 2021. The opinion was sent to the State Duma, the Federation Council, as well as to the Government of the Russian Federation.

As a result of audits of the federal budget law implementation, the Accounts Chamber found violations amounting to 338.6 billion rubles with regards to:

- incorrect representation in the accounting of the facts of economic life – 97.8 billion rubles;
- violations of federal laws, government resolutions concerning the use of federal budget funds, including services to the population – 84.8 billion rubles;
- the use of funds on R&D that did not provide the expected results, on the development of unclaimed submittals, on the acquisition of unused property objects – 24.2 billion rubles;
- public procurement violations – 9.8 billion rubles;
- other violations – 122 billion rubles.

Based on the results of the audit, the Accounts Chamber:

- sent 1 appeal to the FSS and 13 appeals to the Prosecutor General's Office, the prosecutor's office issued 16 submissions on the elimination of law violations, opened 7 administrative offense cases and issued warnings to two officials; and
- revealed 31 administrative offenses, and, in 23 cases, the judicial authorities imposed fines totaling 532 thousand rubles;

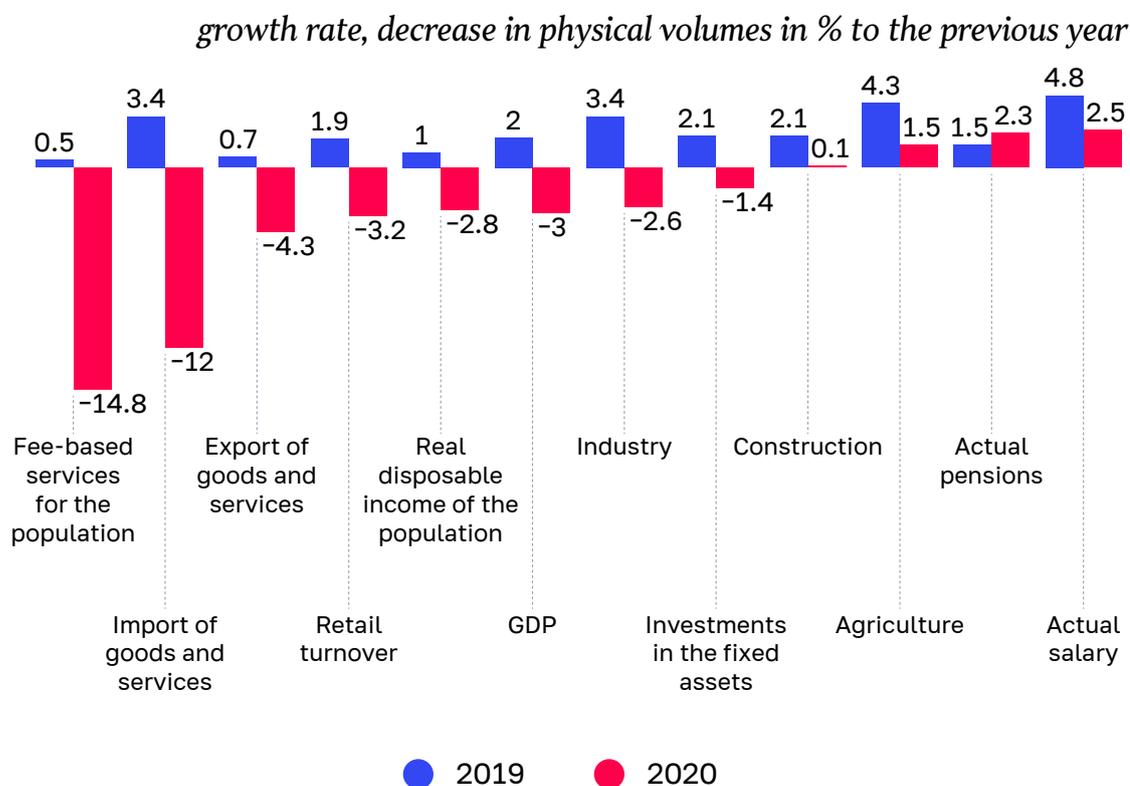
- made 91 submissions to senior managers of budgetary funds (SMBF) and their subordinate organizations; according to the data as of 21 September 2021, 26 of them have been completed, the deadline for 46 of them has not passed, the deadline for 19 of them has been extended. The Accounts Chamber will continue monitoring 65 submissions until they are fully implemented

2) Macroeconomic indicators

The crisis of 2020 led to a noticeable decline in almost all types of economic activity, a noticeable weakening of the ruble exchange rate as well as an accelerated annual inflation (up to 4.9%). However, under the conditions of the global crisis, the growth of consumer prices can be called moderate, since the 2014-2016 crisis was accompanied by inflation above 10% per year.

The introduction of a floating exchange rate of the national currency, the transition to an inflation targeting policy, as well as the effect of the budget rule provided some support to the exchange rate of the national currency.

Key indicators of the socio-economic development of the Russian Federation for 2019 and 2020



At the same time, poorer economic performance in Russia turned out to be less large-scale than the global average: Russia's GDP has declined by only 3%, while the global average is 3.3% (according to the IMF). Under the conditions of the pandemic, agriculture has shown its high stability and independence from quarantine restrictions, thereby supporting the Russian economy. In addition, the trends in investments in fixed assets, contrary to expectations, turned out to be quite favorable for a year that was so difficult from the economy's point of view.

In 2020, it was also possible to avoid higher levels of poverty. This is mainly due to large-scale social payments organized by the Government. Despite the difficult situation, the indicator increased by only 0.2 percentage points compared to 2019, that is, up to 12.1%.

3) Forecast for social and economic development (SED)

As the Accounts Chamber has repeatedly emphasized, in recent years, the medium-term forecast for social and economic development (SED) of the country does not usually assume a scenario of a sharply deteriorating external economic situation, and the conservative option does not take into account the risks of a possible deterioration in external economic conditions. At the same time, the Russian economy has repeatedly faced economic shocks, which were impossible to predict (sanctions in 2014 and the pandemic in 2020).

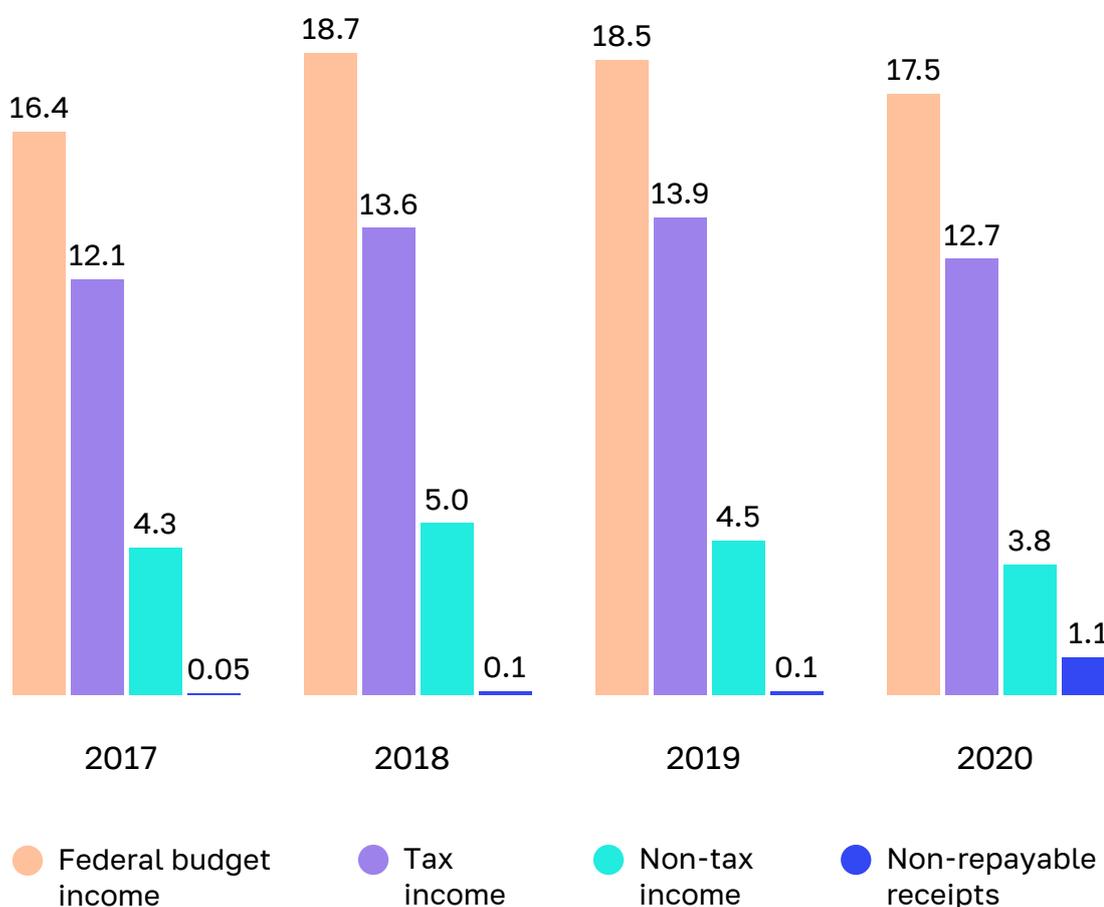
4) Income

The actual revenue flow decreased compared to the projected amount (by 9.1% to 18.719 trillion rubles), which indicates the need to improve the accuracy of forecasting the main macro indicators and the quality of forecasting budget revenues. Thus, in 2020, 249 types of income were received that were not taken into account in the forecast, and five were not received. At the same time, forecast indicators for 57 out of 85 senior revenue managers differed significantly from the actual performance.

In the past year, revenue also decreased compared to 2019 (by 7.3% or 1.47 trillion rubles). This was mainly due to a decrease in tax revenues (mineral extraction tax in the form of hydrocarbons).

Federal budget income, as % of GDP

%



When considering revenues in the context of oil and gas and non-oil and gas revenues, it can be concluded that the budget is highly dependent on external economic conditions, development in prices of Urals crude oil, natural gas and the US dollar against the ruble.

The Accounts Chamber also believes that in 2020 there were potential reserves of additional revenues to the budget. They could have been ensured with the help of more effective measures aimed to:

- repay existing debts on taxes, duties and fees;
- collect additional payments based on the results of control efforts;
- improve control over the reliable customs declaration of the customs commodity costs;
- reduction of inefficient tax benefits and exemptions.

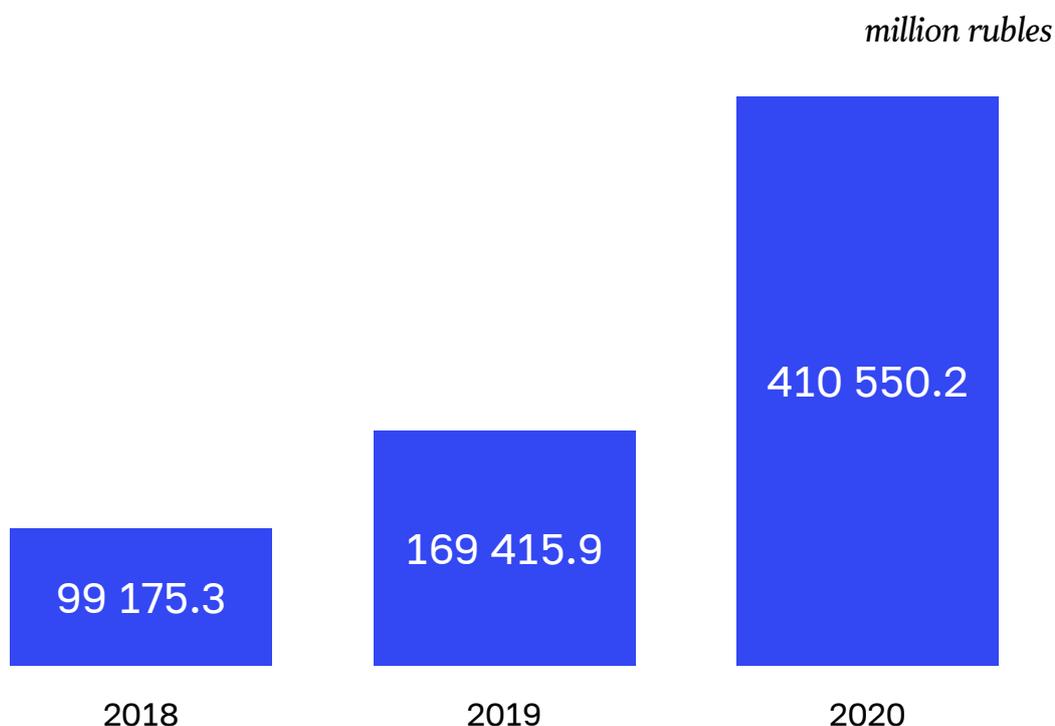
5) Expenditure

The volume of unfulfilled budget allocations amounted to 1.021 trillion rubles, which is comparable to 2019 (1.121 trillion rubles).

Among the reasons that had an impact on the poor execution of expenses, the Accounts Chamber highlighted:

- non-distribution of reserved funds – 421.9 billion rubles;
- violation of deadlines and other terms of contracts by contractors – 101.5 billion rubles;
- failure to submit billing documents regarding monetary obligations through inter-budget transfers – 86.2 billion rubles;
- time-consuming development of submittals for unfinished construction facilities, assessment of the technical maturity of toxic objects by the PC “Fund for the Protection of the Rights of Citizens Participating in Shared-Equity Construction” – 49.9 billion rubles;
- lack of demand for social benefits and compensations – 12.7 billion rubles;
- time-consuming tendering procedures – 12.5 billion rubles;
- lack of need for legal entities to receive individual subsidies – 21.9 billion rubles.

The volume of unallocated funds of the reserve fund of the Government of the Russian Federation for 2018–2020



Significant amounts of unexecuted expenses indicate the need to improve financial discipline.

Moreover, the execution of budget revenues and expenditures was negatively impacted by the coronavirus pandemic.

6) Government programmes

The State Programmes (SPs) planned for 2020 suffered from systemic shortcomings that indicated insufficient quality of planning:

- the indicators do not fully correspond to the indicators of the «May» Presidential Decrees;
- non-compliance with strategic planning documents (according to the assessment of the Accounts Chamber, 35 out of 43 SPs do not comply to different extents);
- lack of clear goals;
- inconsistency of goals and objectives;
- weak or understated changes in indicators;
- a high number of indicators (2,303 indicators, of which 198 do not have actual values, or have a preliminary estimates).

Shortcomings are also identified in the methodology approved by the Government for assessing the effectiveness of the implementation of the SPs. According to the Accounts Chamber, one of them is the use of the 0.7 coefficient when calculating the achievement of indicators with indicated preliminary values instead of the actual ones. As a result, this leads to an overestimation of the achievement of indicators and the final integral efficiency estimates.

Even the assessments themselves of the SP implementation efficiency by the Ministry of Economic Development and by the Accounts Chamber differ significantly. For example, the Ministry assigned the following values:

- «high implementation efficiency» – 14 state programs;
- «above average implementation efficiency» – 12 state programs;
- «below average implementation efficiency» – 14 state programs;
- «low efficiency» – 1 state program.

The Ministry of Economic Development of Russia excluded 2 state programs from the efficiency assessment: the Development of the Military and Industrial Complex and the Social and Economic Development of the Arctic zone.

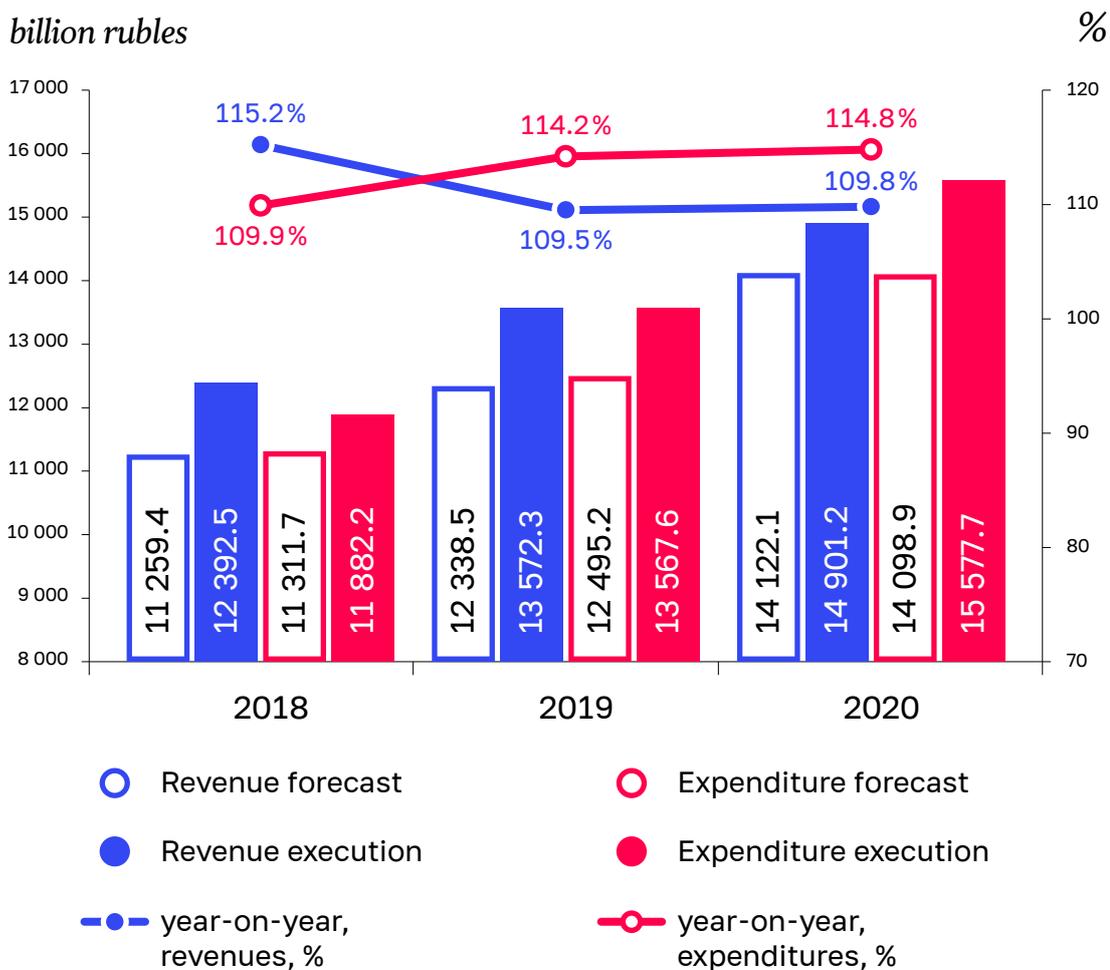
However, here is the Accounts Chamber's assessment:

- «average efficiency» – 18 state programs;
- «low efficiency» – 12 state programs;
- 13 state programs were not subject to efficiency assessment.

7) IBT

Every year, the expenditure forecast originally planned by the subjects of the Russian Federation differs significantly from the indicators of the updated consolidated list. Thus, in 2018–2020, the increase in expenses amounted to approximately 1–1.7 trillion rubles. At the same time, the annually increased expenditure indicators are not achieved.

Dynamics of income and expenses of the consolidated budgets of the regions



There remains a significant dependence of regional budgets on financial assistance from the federal budget. Thus, the revenues of 34 subjects of the Russian Federation are formed through non-repayable receipts from other budgets by more than 40% (60% in 13 of the regions).

8) Contracted expenses

Violations of the legislation on the contract system in the field of procurement and in procurement of certain types of legal entities are identified at all stages of the procurement cycle: from the organization of procurement activities to the execution of contracts (agreements).

By the end of 2020, 264 violations of legislation in this area were found, of which more than 70% are violations regarding:

- departmental procurement control in relation to subordinate customers;
- conditions for the implementation of contracts (agreements), including deadlines, timeliness of settlements under the contract (agreement);
- procurement norm setting;
- failure to apply contractual liability.

According to the results of audits, violations of deadlines for the execution of contracts, rationing, acceptance and payment for delivered goods, work performed and services rendered amounted to 5.9 billion rubles.

Social Insurance Fund (SIF)

1) Income

The SIF budget received 903.412 billion rubles, or 111.3% of the projected annual volume. Compared to 2019, revenues increased by 132.793 billion rubles or 17.2%. The excess of actual income over the projected values resulted from the funds received to support certain categories of citizens during the pandemic, which were not planned under the Budget Law.

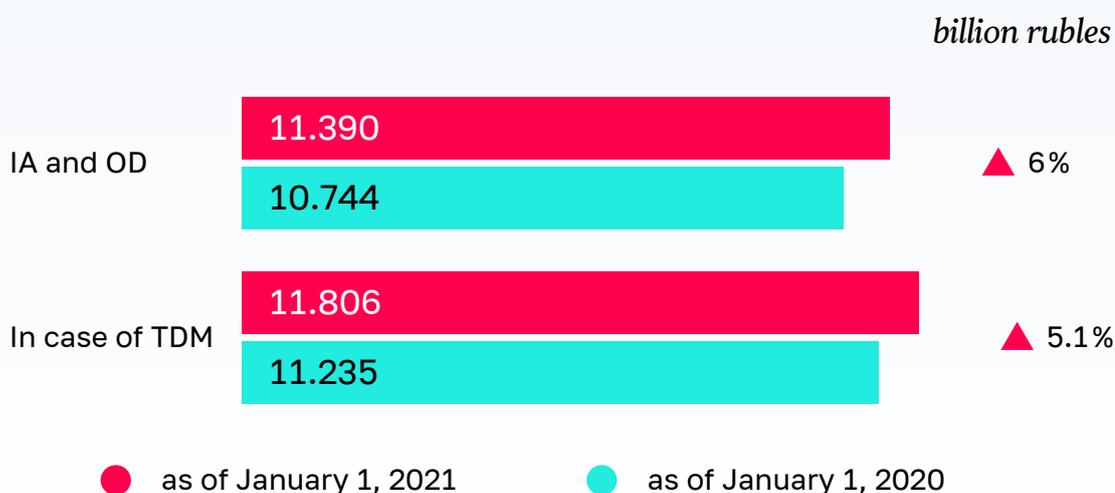
Insurance premiums on two types of compulsory social insurance in the amount of 693.613 billion rubles account for the main share of the SIF income (76.8%). This is 7.4% less than was planned for 2020.

As for insurance premiums on compulsory social insurance in case of temporary disability and in connection with maternity (TDM), receipts amounted to 91% of the forecast value or 559.558 billion rubles and decreased by 9.9 percentage points compared to 2019.

Moreover, in 2020, due to the introduction of tax benefits related to the support of organizations during the coronavirus pandemic, the SIF budget did not receive insurance premiums in the amount of 57.692 billion rubles. At the same time, from the federal budget the SIF was compensated for only 4.31 billion rubles: the loss of income due to the introduction of reduced rates of insurance premiums.

Insurance premiums for compulsory social insurance against industrial accidents and occupational diseases (CSIIAOD) were received in the amount of 134.055 billion rubles, which corresponds to 100.2% of the annual plan.

Consolidated arrears to the SIF on social insurance premiums



2) Expenditure

The SIF spent 1.039 trillion rubles, which corresponds to 113% of the indicator approved by Federal Law No. 384 and 94.3% of the indicator of the consolidated budget list (CBL). Compared to 2019, expenses increased by 40.7% or 300.669 billion rubles. In 2020, the CBL was amended 102 times, including 14 times due to budget savings. Unfulfilled assignments amounted to 63.09 billion rubles, of which 98.4% account for social security of the population.

The main share of budget expenditures, namely 85.6%, was spent on fulfilling public regulatory obligations. Thus, the Fund spent 1.013 trillion rubles on social policy, which is 42.1% (or 712.89 billion rubles) more than in 2019. Among these expenses, the costs of TDM compulsory social insurance accounted for the main share and amounted to 819.606 billion rubles.

Compared to 2019, this type of expenditure increased by 40.4% or 235.83 billion rubles. The payment of temporary disability benefits accounted for 62.3%, or 510.77 billion rubles of this amount.

The number of temporary disability benefit payments increased by 44.4% compared to 2019 (from 27.745 million to 40.052 million cases). This is primarily due to the payment of benefits to quarantined working citizens aged 65 and older, as well as to those returning from countries with unfavorable epidemiological conditions (and those living with such citizens).

3) Deficit

The SIF budget in 2020 was executed with a deficit of 135.361 billion rubles, with a surplus of 23.470 billion rubles established by the Budget Law. In 2020, the expenses were covered by TDM social insurance income by 68.3%, whereas in 2019 it was by 99.9%.

The expenses are covered by CSIAOD social insurance income in the amount of 133.4%. It is recorded to be below 100% in 18 territorial bodies of the SIF.

Pension Fund of Russia (PFR)

1) Income

The PFR budget received 10.303 billion rubles, or 115.3% of the projected annual volume. Revenues were executed by 17.3% more than in 2019, which is mainly due to an increase in the volume of inter-budget transfers (IBT).

The share of insurance premiums was 53% going down by 8.6 percentage points compared to 2019. This type of income receipts amounted to 5.46 trillion rubles, or 96.3% of the established value. The received insurance premiums covered the payment of the insurance pension by 73.7%. The PFR did not receive insurance premiums on this type of payment in the general amount of 206.556 billion rubles.

The largest increase in receipts compared to 2019 (by 2.2 times) and compared to the forecast (by 1.76 times) was due to the contributions from persons who voluntarily entered into legal relations under compulsory pension insurance (CPI), namely an increase was registered from 138.075 million rubles to 304.864 million rubles.

The largest decrease in revenues compared to 2019 (by 42.3%) and compared to the forecast (by 40.4%) was recorded in the case of contributions from organizations using labor of members of flight crews on civil aviation aircrafts, namely, it went from 8.957 billion rubles to 5.169 billion rubles.

The analysis by type of income also showed that the income from the use of the PFR property was executed by 19.1% less than was projected.

2) Expenditure

The PFR spent 9.728 trillion rubles, or 98.5% of the consolidated budget list. Unfulfilled assignments amounted to 148.193 billion rubles, with 78.6% under the section «Protection of motherhood and childhood.»

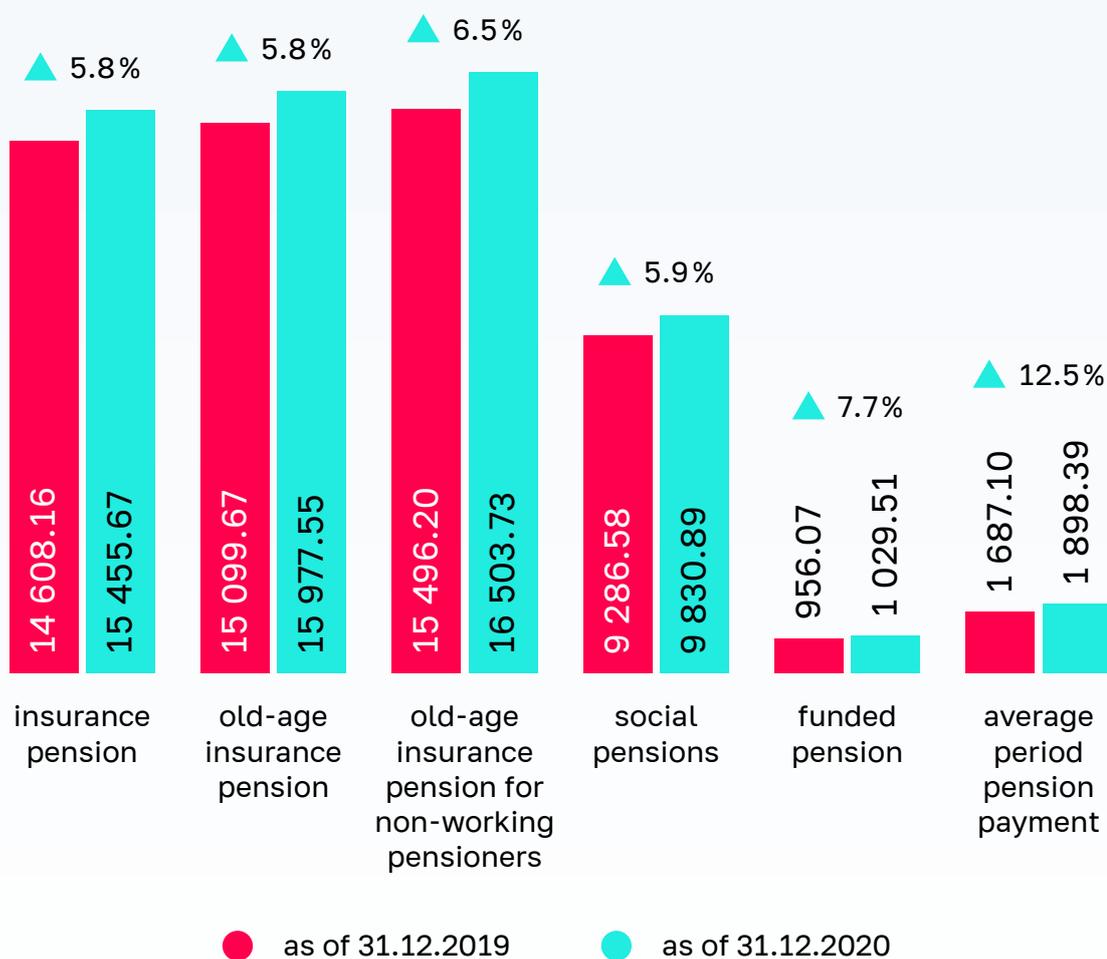
8.024 trillion rubles were allocated for pensions, of which 98.5% are payments of:

- insurance pension;
- state pension benefits.

Compared to 2019, the cost of paying an insurance pension increased by 5.1% due to an increase in the size of insurance pensions and the number of unemployed pensioners.

Trends in average pensions in 2019–2020

rubles



In 2020, the PFR appointed 1.197 million pensions, including 780.87 thousand old-age insurance pensions. At the same time, 678.98 thousand people (87%) received an insurance pension with a replacement rate of 40%, but 75% of these citizens had a salary before retirement of no more than 20 thousand rubles per month.

317.94 billion rubles, or 74.3% of the indicator approved by the Federal Law on the Budget of the PFR and the CBL, were spent on the implementation of the maternal family capital (MFC). Compared to 2019, expenses have increased by 9.1% due to the indexing of the MFC and its coverage extending to families with one child.

3) Surplus

The budget of the PFR was executed with a surplus of 575.642 billion rubles. The balance of budget funds for 2020 as a whole increased by 2.16 times and as of January 1, 2021 amounted to 1.079 trillion rubles.

A significant increase occurred due to an almost two-fold increase in CPI transfer.

Failing the additional transfer, there would be a deficit of 290 billion rubles (estimated).

In this case, it would be covered by the balance as of January 1, 2020.

Federal Compulsory Medical Insurance Fund (FCMIF)

1) Income

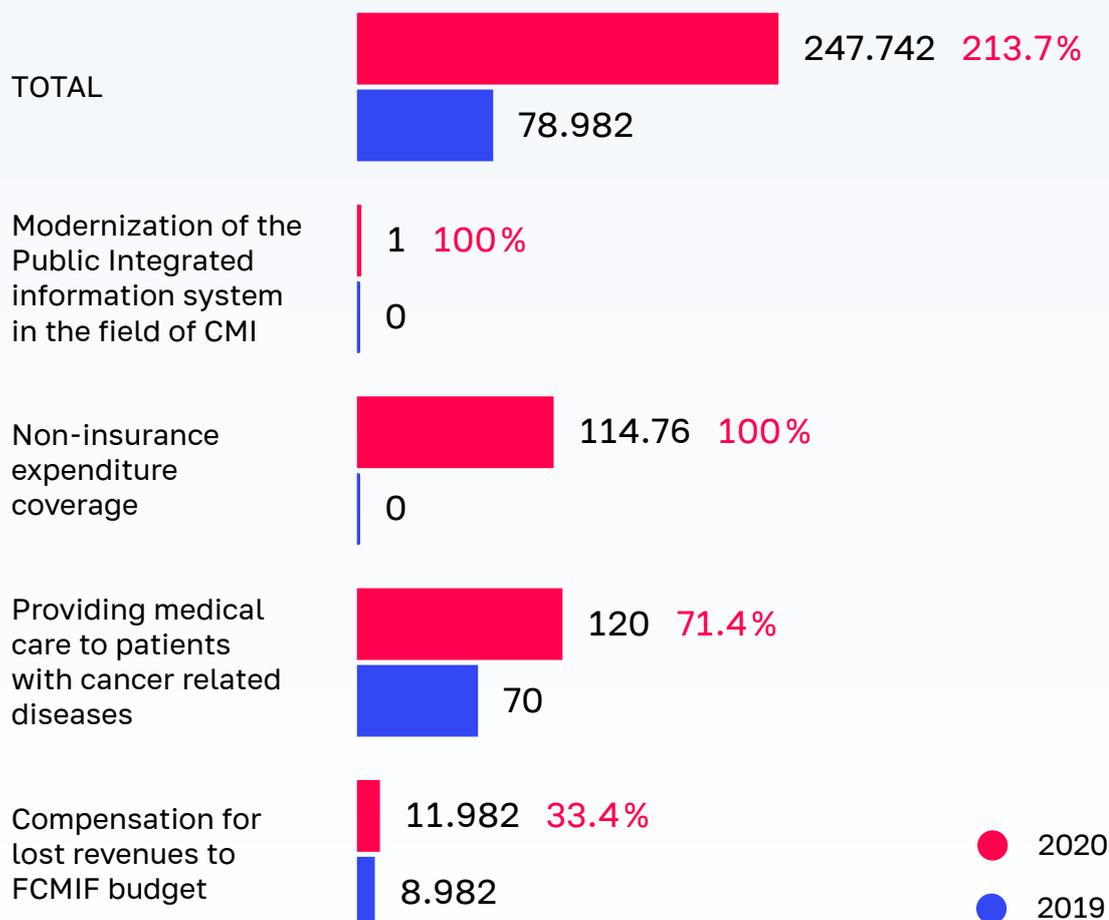
The FCMIF revenues were executed in the amount of 2.393 trillion rubles, or 101.1% of the established value. Compared to 2019, the indicator increased by 12.7% (or 268.705 billion rubles), and by 26.2% (or 496.8 billion rubles) compared to 2018.

Insurance premiums for compulsory medical insurance (2.133 trillion rubles) accounted for the largest share (89.1%) among different types of income, and the forecast plan for them was fulfilled by 100.6%.

The volume of inter-budget transfers (IBT) coming second in the total revenue structure (10.4%) amounted to 247.742 billion rubles, which is by 213.7% higher than in 2019.

Most positive IBT trend in 2019–2020

billion rubles



2) Expenditure

The cash execution of the FCMIF budget expenditures amounted to 2.361 trillion rubles, or 99.6% of the indicators of the Consolidated Budget List (or 99.7% of the allocations established by Federal Law No. 382) with unfulfilled budget assignments amounting to 44.530 million rubles. Compared to 2019, expenses increased by 7.9% (or 173.725 billion rubles). Expenditures aimed at improving medical care account for their main share (99.9%).

At the same time, 95% or 2.242 trillion rubles in the structure of expenditures are IBT to the territorial funds of the CMI (CMITF). Of these, 16.051 billion rubles are funds of the normalized insurance reserve.

Based on the results of their analysis, the Accounts Chamber brought into focus the trend of a decreasing number of employees in medical institutions, including primary care workers, against the background of a significant increase in the cost of transfers incurred by the regions to pay for the work of medical workers.

3) Surplus

With a projected deficit amounting to 1.772 billion rubles, the budget of the FCMIF was executed with a surplus of 32.230 billion rubles. It was formed due to:

- a significant increase in the volume of taxes on total income;
- more IBT from the federal budget;
- over-fulfillment regarding the inflows of insurance CMI premiums of the working population (by 12.8 billion rubles, or 0.9%);
- the return of the remnants of the IBT from the previous years to the CMITF.

In 2020, in order to replenish the balance on the account and prevent a temporary cash gap, the Fund attracted additional funds in the amount of 70 million rubles in the form of a budget loan (repaid on December 29, 2020).

In 2020, according to the approved rules, temporarily available funds were not placed. As of January 1, 2021, the unified FCMIF budget account balance amounted to 36.398 billion rubles.

