

PROGRESS REPORT
OF THE ACCOUNTS CHAMBER
OF THE RUSSIAN FEDERATION
IN 2018

Dear friends!



2018 was the year of the great changes for the Accounts Chamber of the Russian Federation. A new Chairman and four auditors came to the Chamber, that is one third of the audit team. The Accounts Chamber Development Strategy for 2018-2024 was adopted. A major transformation of the Chamber has begun.

These fundamental changes are primarily caused by new global challenges in public administration. All over the world, public administration is not keeping pace with the speed of social change, the explosive development of digital technologies, the emergence of new areas of activity and the fundamental transformation of the existing ones. It is not surprising that in professional language the term “transformation” is often preceded by the alarming “disrupting”.

In this context, the approaches of the supreme audit institutions to their activities are beginning to change. While over the centuries they have been mainly engaged in financial control and compliance auditing, the issues of performance audit and coordination of established goals and allocated funds with outcomes are now becoming the focus. This is a transition to strategic audit where supreme audit institutions become advisers and strategic partners of the authorities, advising on how to spend public funds more effectively for everyone’s benefit.

This groundbreaking topic, “the role of supreme audit institutions in achieving national priorities and goals”, was considered by the Accounts Chamber of the Russian Federation as one of the major topics of the Congress of International Organization of Supreme Audit Institutions (INTOSAI), which will be held in Moscow in September 2019 and where our Accounts Chamber is being appointed as Chairman of this organization for three years.

The transformation of the Accounts Chamber is designed to contribute more effectively to the achievement of the goals and objectives set in Decree of the President of the Russian Federation No. 204 “On the National Goals and Strategic Objectives of the Development of the Russian Federation for the period up to 2024”. In this regard, the Chamber has already planned a set of measures, and once they are taken, we will present our recommendations on achieving the national goals. This is why we are improving the mechanisms of interaction with the civil society and citizens of the Russian Federation as well as with the chambers of the Federal Assembly, audited entities, law enforcement bodies.

In general, the essence of the transformation is reflected in the mission of the Accounts Chamber, which is to promote fair and responsible governance as a prerequisite for the sustainable development of the Russian society and a decent life for the Russian citizens.

Best Regards,
Chairman of the Accounts Chamber
Aleksei Kudrin

Dear friends!



Federal Law “On the Accounts Chamber of the Russian Federation” provides us with a unique opportunity to participate in lawmaking, to examine federal laws, other regulations, and state programs of the Russian Federation. This allows us to successfully fulfill the core mission of the Accounts Chamber, to become an effective champion of justice through the implementation of the principles of transparency, publicity and rule of law.

The Accounts Chamber of the Russian Federation, which is a standing supreme institution of external public audit, reporting to the Federal Assembly of the Russian Federation, engages actively in parliamentary control. We already consider it possible to express our position on issues that currently may not involve expenditure obligations, but at the same time has gained wide publicity.

Participation in the *Government Hours* of the chambers of the Federal Assembly of the Russian Federation is one of the forms of parliamentary control. At the end of 2017, the State Duma Regula-

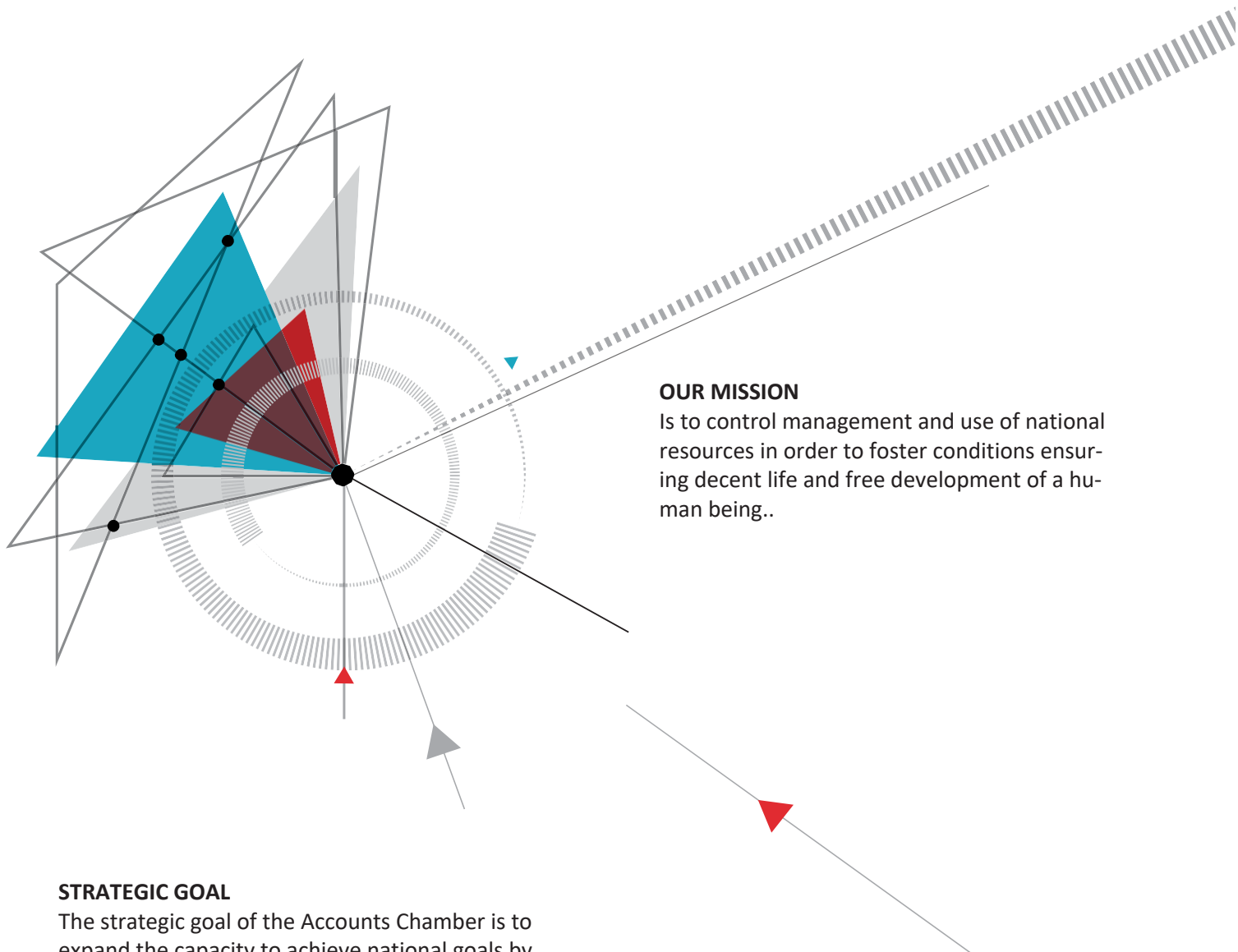
tions were amended so that federal ministers’ reports during *Government Hours* addressed the outcome of the review of the Accounts Chamber’s recommendations on “federal budget allocation audit in the relevant area” .

We focus in particular on digitalization. We make every effort to create a sustainable and secure digital infrastructure in government bodies, and achievements in digitalization in the Accounts Chamber help considerably to conduct public audits.

The Accounts Chamber contributes to developing an environment of good faith and improving measures to fight corruption and legalization of criminally obtained proceeds, it closely monitors the number of violations of anti-corruption legislation.

When it comes to those activities that cannot be open to the public, we act as a strategic partner of the authorities and a driver of advanced solutions for using resources allocated by the state for defense, law enforcement and security in an efficient manner, and stimulating development of the defence industry complex, ensuring its financial and economic sustainability, diversification of production with a view to increase the share of civil and dual use high-tech products, while upgrading weapons and military equipment at the same pace and implementing the task set by the President of the Russian Federation to bring the share of high-tech weaponry to 70 percent.

Best Regards,
Deputy Chairman of the Accounts Chamber
Vera Chistova



1.2. Main Development Areas and Objectives

Challenge 1. To assist in forming a strategic vision for public authority and state agency leaders by presenting a comprehensive long-term picture of national development trends and risks

1. Methodological development of strategic audit based on the analytical function.
2. Development of our own analytical competencies and tools employing modern approaches to social and economic development modeling, applied methods for evaluating projects and programs, predictive audit methods, and big data.
3. Independent monitoring of national targets.
4. Creation of an expert engagement space within the Accounts Chamber involving national and international research institutes, analytical agencies, and public organizations.

“In six years we will cover all basic strategic documents of the state, possibly together with the regions. That will help to form a complete picture of the implementation of all strategic objectives, e.g. analysing the reasons why some objectives have not been achieved and why this is difficult to achieve them.”

Aleksei Kudrin, Chairman of the Accounts Chamber

Challenge 2. To assist in enhancing the efficiency of public resource management by matching national goals, agency objectives, and strategic goal-setting documents with their resource support, improving the methods for developing, managing the implementation of state programs and evaluating their efficiency through transition to a comprehensive state audit

1. Risk-oriented approach in planning the Accounts Chamber activities providing for indicators that show potentially high level of violations and ineffective management, and identify “cross-cutting” topics to monitor systemic challenges in public administration.
2. To Systematically apply comprehensive audit approaches in expert and analytical activities to provide a broad picture to show how executive bodies function and reduce the number of coordination and interagency cooperation problems.
3. To develop and integrate the evaluation of strategic management system efficiency exclusively on the basis of an evidence-based approach and a modern analytical apparatus. To support methodological approaches with the impact of the auditee’s activities on the outcome as well as with a systematic efficiency and long-term outcome evaluation. To develop and integrate program and project evaluation standards, as well as standards on analytical activity organization.
4. To promote engagement with regional audit institutions of the subjects and municipal entities of the Russian Federation, consulting them and providing methodological assistance in strategic audit.

“The question is not only whether the funds were spent in accordance with the procedures, but also whether these expenses help us to achieving the national goals and bring about essential changes in the life of Russian citizens.”

Aleksei Kudrin, Chairman of the Accounts Chamber

Challenge 3. To strengthen the culture of publicity and openness in the decision-making process. To improve accountability of authorities and personal responsibility of agencies' and organizations' leadership to society for achieving goals and objectives

1. To develop an open data standard for public authorities and organizations, companies with state participation, that would provide for an open access to data collection and analysis methods.
2. To ensure continuous monitoring of openness, reliability, completeness, and quality of data within public information systems in order to assess financial, corruption, and other risks.
3. To gain more publicity for the Accounts Chamber activities; to publish the outcomes of the Accounts Chamber in open sources in a language understandable to all target audiences.
4. To develop tools for open access to the Accounts Chamber data, including open source and regular feedback from data users.
5. To support the development of monitoring and evaluation of personal efficiency indicators of the leadership in government agencies, state companies, and state corporations, primarily in terms of achieving national goals and strategic objectives.
6. To develop parliamentary and civilian tools of publicity, accountability, and expertise. To develop mechanisms of public control.

"We would like those who wish to find out how things are going in the country to visit the website of the Accounts Chamber."

Aleksei Kudrin, Chairman of the Accounts Chamber

Challenge 4. To improve legislative and institutional conditions that prevent abuse, as well as the environment of good faith by adopting better measures to fight corruption

1. To improve the system of restrictions and requirements established to fight corruption and improve the efficiency of mechanisms that prevent and resolve conflicts of interests.
2. To improve information exchanges with the executive, controlling bodies, and law enforcement bodies in order to develop and implement new comprehensive tools to fight corruption.
3. To promote the creation of a unified system in order to ensure the transparency of state anti-corruption policies, including disclosure of information about persons convicted of misuse.
4. To support a culture of zero tolerance of corruption by embracing the principles of independence, integrity, and responsibility in our activities.

"Corruption is a comprehensive issue, and, according to opinion polls, citizens consider it to be one of the most serious problems for our society. We will contribute to the improvement of anti-corruption analysis, we want to become one of the centers of excellence in anti-corruption activities."

Aleksei Kudrin, Chairman of the Accounts Chamber

System-wide Development Dimensions of the Accounting Chamber

1. To develop the state audit methodology

1.1. To apply the risk-oriented approach in planning and implementing monitoring and expert-analytical activities.

1.2. To introduce analytical innovations and applied methods in order to support the state audit function.

2. To develop internal management system, human resources, and corporate culture in the Accounts Chamber

2.1. To integrate the Accounts Chamber key performance indicators (KPI) system in the management system and employee motivation system.

2.2. To implement the methodology of process management, the practice of permanent improvements, regular process efficiency monitoring; to incorporate strategic development objectives in the Accounts Chamber system of processes and organizational support.

2.3. To establish an internal knowledge management system to identify and share best practices in auditing.

2.4. To develop models and profiles of Accounts Chamber staff competencies on the basis of its strategic priorities.

2.5. To introduce continuous education and professional development of employees on the basis of accepted models and profiles of competencies.

2.6. Implementing a certification system based on a competency model with objective performance data.

3. To introduce and develop modern digital technologies in state audit

3.1. Digital transformation of the Accounts Chamber operations:

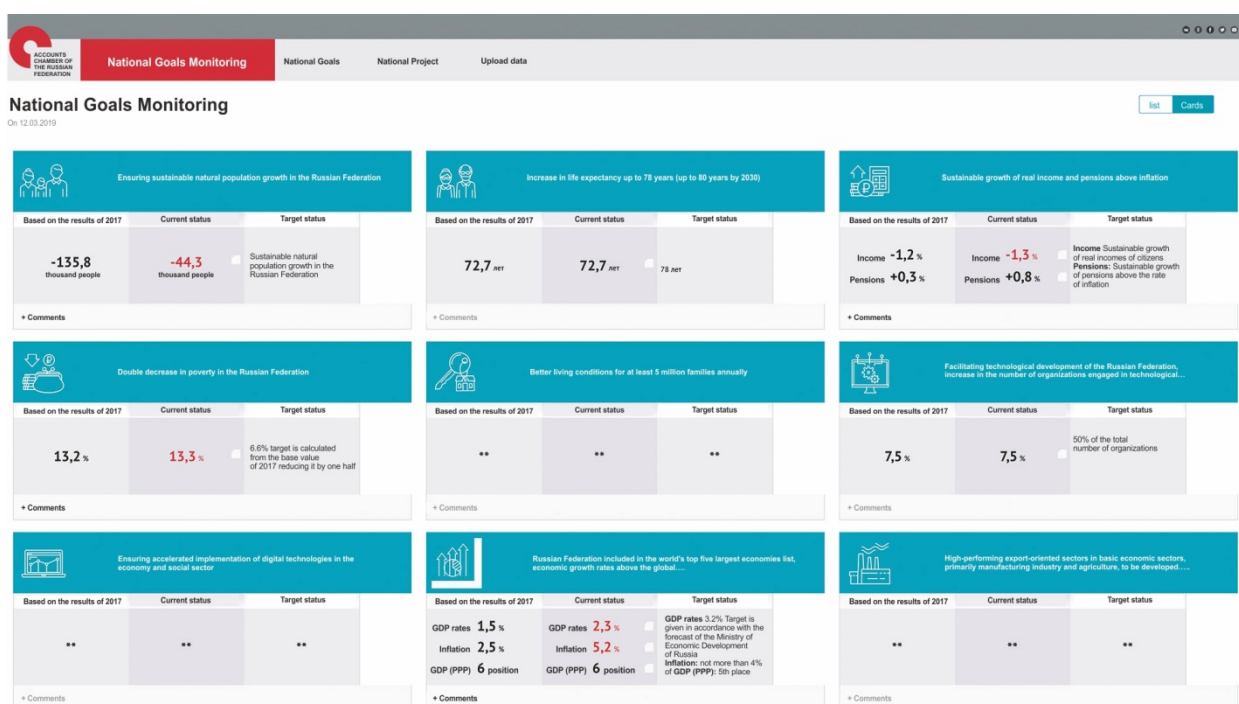
- to create a digital infrastructure to support audit and analytical activities;
- to develop remote audit methods;
- to improve procedures and mechanisms in order to receive feedback from the public and information consumers using digital infrastructure.

3.2. To promote the digital transformation of the public administration system:

- to conduct performance audits and strategic audits of state information systems and state data processing systems;
- to issue recommendations about public administration digitization, state information system development, introduction of analytical systems and evidence-based decision-making process support.

First outcomes of the implementation of the development strategy for 2018-2024

1. Project management is being introduced. A regulation on project activities was developed, a number of strategic projects of the Accounts Chamber have been conducted through the Project Committee.
2. A concept of digital transformation of the Accounts Chamber has been developed to support the complete transition to data-based analysis.
3. A model of personal competencies of the Accounts Chamber employees has been developed, which is related to the Development Strategy of the Accounts Chamber until 2024.
4. New practices of presenting reports of the Accounts Chamber applying the principle that they should be clear and easy to understand, have been developed and tested.
5. The “National Goal Monitoring” project was launched, under which a dashboard for achieving national goals was developed: ng.ach.gov.ru
6. Organizational changes:
 - a strategic audit auditor and a strategic audit department were created in the Accounts Chamber;
 - the Department for Information Automation has been transformed into the Department for Digital Transformation;
 - the Department of Human Capital Development was established to implement the full cycle of personnel management;
 - the Department of Strategic Development (Change Management Center) was established to build a change management system.



2.1. Key performance indicators in 2016 - 2018

INDICATORS	2016	2017	2018
Completed engagements			
audit engagements	259	236	278
expert-analytical engagements	62	83	67
other engagements	-	-	74
Total¹	321	319	419
Auditees in completed engagements			
audited entities	736	703	1,701
audited entities in expert-analytical engagements	2,475	4,138	8,280
audited entities other engagements			808
Total²	3,211	4,841	10,789
Control and expert-analytical engagements concerning instructions, appeals and requests			
on grounds of instructions and appeals of the President of the Russian Federation	18	17	15
on grounds of resolutions of the Federation Council, requests of committees and commissions of the Federation Council, appeals and requests of members of the Federation Council	14	16	10

¹ Taking into account the activities carried out as part of operational analysis and audit of the organization of the implementation of the federal budget and budgets of public extra-budgetary funds of the Russian Federation, the budget of the Union State, measures to evaluate the activities of regional audit institutions of the subjects of the Russian Federation. In 2018, the operational analysis engagements provided for in the Work Plan of the Accounts Chamber had their status changed from "expert-analytical" to "other". The "other" activities also take into account engagements evaluating the activities of regional audit institutions of the subjects of the Russian Federation.

² The total number of audited entities for each audit and expert-analytical engagement, as well as engagements completed as part of the operational analysis and audit of the implementation of the federal budget and budgets of state extra-budgetary funds of the Russian Federation, the budget of the Union State, the engagements evaluating activities of regional audit institutions of the subjects of the Russian Federation.

Progress of the Accounts Chamber in 2018

INDICATORS	2016	2017	2018
on grounds of resolutions of the State Duma, requests of committees and commissions of the State Duma, appeals and requests of deputies of the State Duma	36	32	54
on the grounds of appeals from prosecutors, law enforcement and state security agencies	11	14	4
Total³	73	68	78

Joint and parallel audit and expert-analytical engagements

with regional audit institutions of the subjects of the Russian Federation and municipalities	24	18	21
with the supreme audit institutions of other states	8	5	9
Total	31⁴	23	30
Meetings of the Collegium of the Accounts Chamber	70	76	75
Examination of draft laws and other norms and regulations	1,000	1,315	1,188

³ Total number of engagements completed on grounds of instructions and appeals from the President of the Russian Federation, resolutions, proposals and appeals of the chambers of the Federal Assembly of the Russian Federation, as well as appeals of prosecution authorities, law enforcement bodies and state security agencies.

Of the total number completed in 2018 on the specified grounds, one engagement was completed both on the grounds of the instructions of the President of the Russian Federation, and of the proposals of both the State Duma and the Federation Council; one: both on the instructions of the President of the Russian Federation, and on the resolution of the State Duma; two were based on the proposals of both the State Duma and the Federation Council.

⁴ Total number of engagements completed in 2016 involving supreme audit institutions of other countries and CIS countries and regional audit institutions of the Russian Federation.

2.1. Key performance indicators in 2016 - 2018

INDICATORS	2016	2017	2018
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Amount of funds returned to the budgets on all levels of the budget system of the Russian Federation and budget of the Union State (million rubles)

during audit engagements	145.6	289.5	228.3
following audit engagements	8,671.2	18,862.2	7,327.5
Total	8,816.8	19,151.7	7,555.8
Violations identified during the external public audit (control) (billion rubles/number)	965.8/ 3,845	1,865.6/ 6,455	772.7/ 9,235

Submissions of the Accounts Chamber

submissions of the Accounts Chamber executed on time	156	147	245
submissions of the Accounts Chamber, which have not become due	96	96	110
submissions of the Accounts Chamber, which were not fully executed or not executed	124	131	53
Total	376	374	408

Requirements of the Accounts Chamber

requirements of the Court of Accounts executed on time	35	49	20
requirements of the Accounts Chamber, which have not become due	18	8	7
requirements of the Accounts Chamber, which were not executed or executed not in full	5	6	1
Total	58	63	28

Progress of the Accounts Chamber in 2018

INDICATORS	2016	2017	2018
Notifications from the Accounts Chamber on employing budgetary enforcement measures	50	23	-
The budget process actors, against which the Ministry of Finance of Russia employed budgetary enforcement measures on grounds of notifications from the Accounts Chamber	50 ⁵	19	15 ⁶
Amounts collected without recourse to court/suspended (reduced) inter-budget transfers as a result of the consideration of notifications from the Accounts Chamber considering the implementation of budgetary enforcement measures (million rubles)	2,620.6 ⁵	15,738.7	2,010.4 ⁶
Information letters			
to the President of the Russian Federation	11	17	10
to the Government of the Russian Federation	85	62	82
Total	476	410	748
Regulations and other statutory instruments adopted as a result of consideration of submissions, requirements and information letters of the Accounts Chamber	248	593	358 ⁷

⁵ In 2016, according to decisions of the Collegium of the Accounts Chamber, the Ministry of Finance of Russia was sent notifications concerning the implementation of budgetary enforcement measures against 50 budget process actors. In practice, in 2016 the Ministry of Finance of Russia reduced the limits of budgetary commitments to the executive authorities of the republics of North Ossetia-Alania and Ingushetia in the amount of 33.8 million rubles; funds in the amount of 2,586.8 million rubles were recovered from 48 budget process actors to the federal budget without recourse to court.

⁶ Since January 1, 2018, the decision-making procedure concerning the suspension (reduction) of inter-budget transfers was changed (Federal Law No. 172-FZ "On Amendments to the Budget Code of the Russian Federation" of July 18, 2017).

⁷ Information on regulations and other statutory instruments adopted on the basis of reviewing submissions, requirements and information letters of the Accounts Chamber by audited (controlled) entities is given in Annex No. 3 to the Report (available on the official site of the Accounts Chamber at www.audit.gov.ru).

2.1. Key performance indicators in 2016 - 2018

INDICATORS	2016	2017	2018
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Results of the consideration of the materials of the Accounts Chamber by law enforcement and state security agencies

materials sent during and following audit engagements to law enforcement and state security agencies	47	46	44
decisions on the initiation of criminal proceedings	45	35	40
materials entered into the preliminary investigation file	18	38	12
decisions on the refusal to initiate criminal proceedings	14	5	5
Audits (active search measures) conducted on the basis of the materials of the Accounts Chamber	69	84	78

Results of the consideration of the materials of the Accounts Chamber at the Prosecutor General's Office of the Russian Federation

materials sent during and following audit engagements to the Prosecutor General of the Russian Federation	84	89	76
submissions on elimination of law violations	264	222	99
challenged illegal statutory instruments	4	16	-
subjects to disciplinary action	150	48 ⁸	76

⁸ With this indicator going down in 2017, the indicator showing the number of officials guilty of law violations in the Russian Federation and who became subjects to disciplinary action according to the results of audit engagements directly on the basis of submissions from the Accounts Chamber, including in connection with the introduction of amendments to the Federal Law "On the Accounts Chamber Russian Federation", has increased.

Progress of the Accounts Chamber in 2018

INDICATORS	2016	2017	2018
materials sent to the investigative body under Article 37 of the Russian Federation Code of Criminal Procedure	91	105	70
claims submitted to arbitration courts and courts of general jurisdiction	368	61 ⁹	7
damage compensated to the state as a result of the prosecutor's response (million rubles)	142.5	20.0	42.0

Results of the consideration by the judicial authorities of administrative offences cases offence brought by auditors of the Accounts Chamber

administrative offences cases concerning offence brought by auditors of the Accounts	411	389	81
number of administrative offences cases offence considered that judicial authorities issued rulings on an administrative offence imposing an administrative penalty	226	243	54
Officials and legal entities – subjects to administrative action in cases concerning administrative offences brought by auditors of the Accounts Chamber (number/amount of penalties imposed (thousand rubles))	234/ 33,601.4	130¹⁰/ 23,223.6¹¹	41¹⁰/ 85,057.08¹²

⁹ The value of this indicator rose sharply in 2016 due to the submission of 360 claims to the courts by the military prosecutor's office concerning the violations of the rights of personnel of the Russian Defense Ministry to complete and timely service payment as identified by the Accounts Chamber.

¹⁰ This indicator is developed taking into consideration the instances identified by the Accounts Chamber when the same officials committed repeated administrative offence offences, with an increase in the number of court rulings imposing administrative.

¹¹ This indicator decreased in 2017 in comparison with as in 2016 the court issued 3 rulings imposing administrative penalties on a legal entity (FSUE GlavUpDK under the Ministry of Foreign Affairs of Russia) in the amount of 24,487.8 thousand rubles.

¹² The value of this indicator increased in 2018 because an administrative penalty was enforced against a legal entity in the amount of 84,529.0 thousand rubles.

2.1. Key performance indicators in 2016 - 2018

INDICATORS	2016	2017	2018
Officials guilty of violating the laws of the Russian Federation under-disciplinary action imposed as a result of audit engagements			
dismissed			21
issued a notification	110	169	210
issued a warning	9	45	26
reprimanded	117	118	110
Under other disciplinary action	176	124	125
Total	412	456	492

The most important outcomes of the engagements were reported to the head of state. In 2018, the President of the Russian Federation was informed about the results of:

- audit of the construction of the Vladivostok-Nakhodka-Vostochny highway at km 18 + 500 - km 40 + 800 in the Primorye Territory;
- audit of the activities of Rosgeologiya, Joint-Stock Company, regarding income and expenditure budgeting and implementation and property management in 2015 – 2017;
- expenditure performance audit of the Russian Ministry of Defense in 2017 concerning budget allocations for the procurement of works and services related to refueling aviation equipment of the Russian Ministry of Defense on the Omsk (Severny) and Step airfields, as well as fuel and lubricants (excluding ethyl alcohol) supplied to these airfields;
- audits of the management of federal budget funds allocated to provide public healthcare providers and municipal health systems with an Internet access in 2017 and the elapsed previous period of 2018;
- expenditure performance audit of the Ministry of Industry and Trade of Russia in 2017 concerning budget allocations for the purchase of ambulance cars and school buses and services for their delivery to the final consumer;
- analysis of the implementation of measures intended to preserve the historical and cultural complex of the Solovetsky Islands;
- expenditure performance audit of the Federal Agency for Rail Transport concerning the federal budget funds allocated with a view to develop documentation and carry out construction and installation work on create railroads to the transport passage through the Kerch Strait under the federal target program “Social and Economic Development of the Republic of Crimea and the City of Sevastopol”
- analysis of performance indicators for individual activities under the 2012–2020 Russian National Program for the Environmental Protection, aimed at ensuring the environmentally sound SMW management and restoring disturbed natural ecosystems, in 2016–2017 and the elapsed period of 2018;

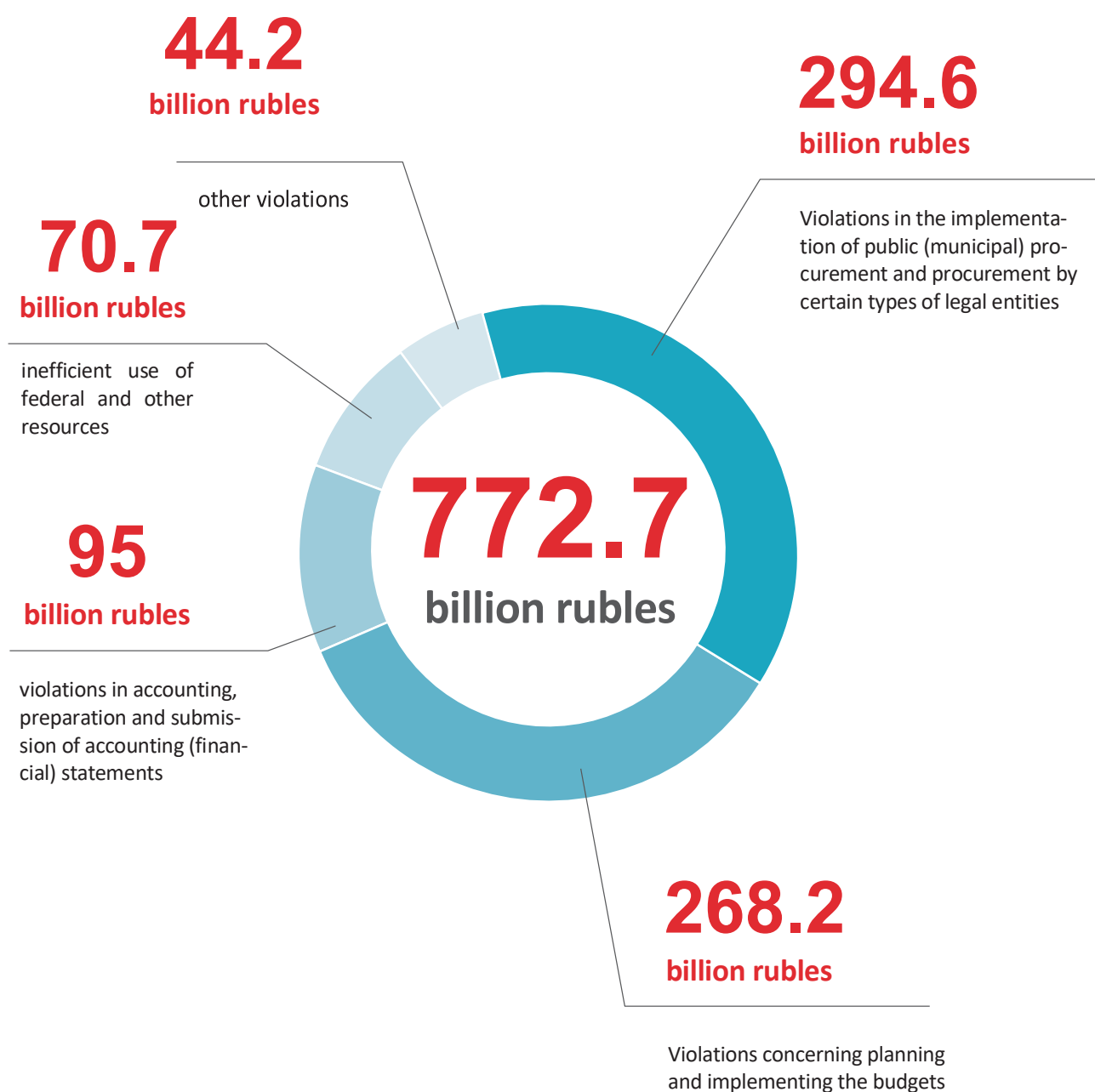
- audits of the administration of revenues from payments for the detrimental environmental impact of waste disposal and environmental fees, as well as the management of federal funds allocated for the implementation of the priority project “Clean Country”, in 2016-2017;
 - audit of the management of the federal budget funds allocated for the construction of *the second phase of reconstruction and development of the Khrabrovo airport* facility in Kaliningrad, Kaliningrad region, in 2014-2017 and the elapsed period of 2018;
- monitoring of the efficient management of budgetary funds within the framework of the creation and launch of special economic zones in 2017;
- audit of the activities of “Special Economic Zones”, Joint-Stock Company and legal entities established for the management of special economic zones in the subjects of the Russian Federation in 2016-2017 and the elapsed period of 2018.

On January 21, 2019, Aleksei Kudrin, Chairman of the Accounts Chamber, in a meeting with the President of the Russian Federation reported on the progress of the audit institution. The Chairman said that the Accounts Chamber focused on the implementation of national goals, national projects, as well as systemic issues affecting the whole country, such as land use, introduction and application of the 112-system, the issue of justices of the peace, and development of small and medium enterprises. The President of the Russian Federation instructed the head of the Accounts Chamber in particular to address the strategic audit of national projects.

2.1. Key performance indicators in 2016 - 2018

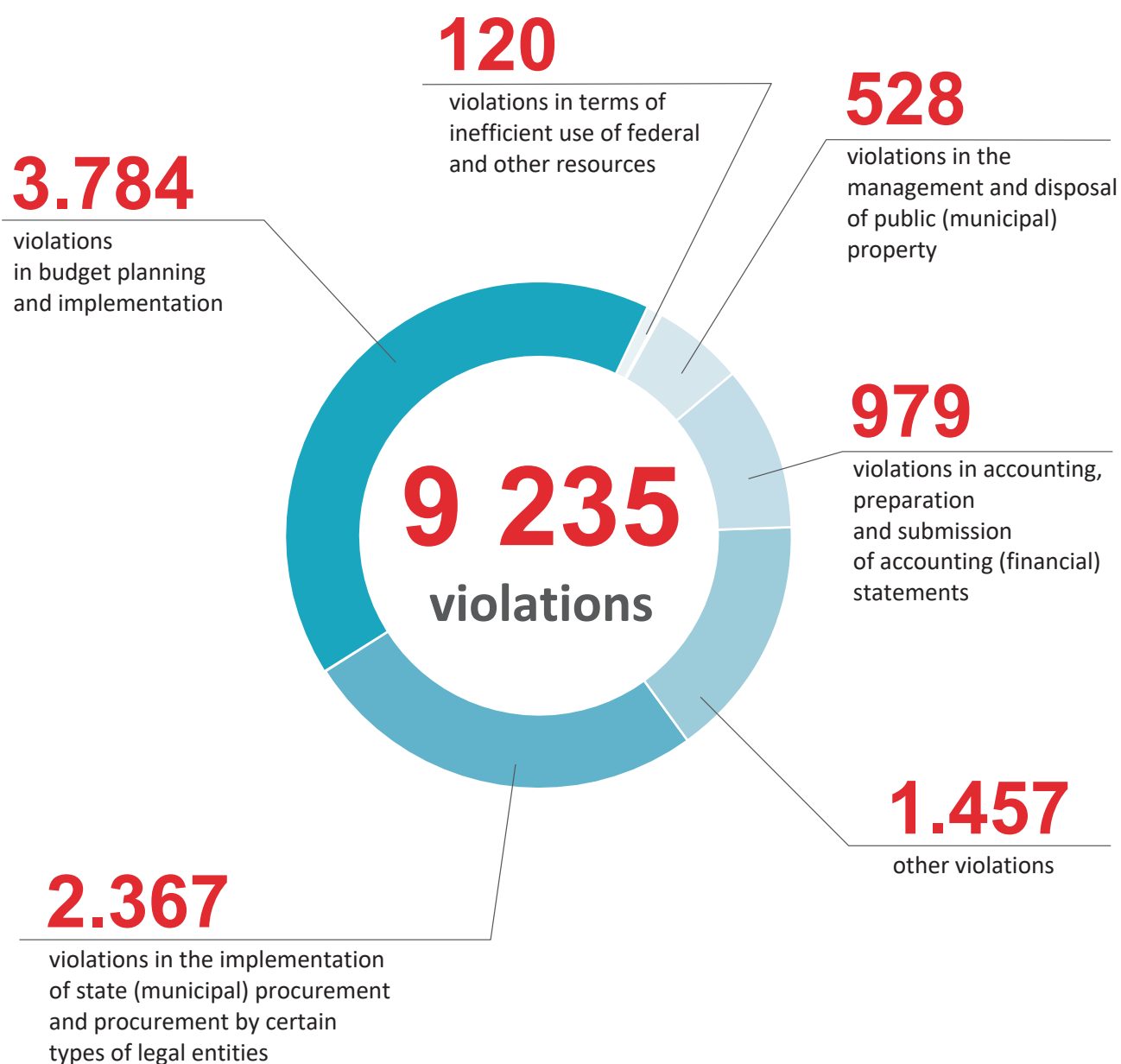
TOTAL AMOUNT OF IDENTIFIED VIOLATIONS AND SHORTCOMINGS RELATED TO THE RECEIPT AND MANAGEMENT OF BUDGET FUNDS

IN THE AMOUNT OF



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2.2. Measures taken during and following audit and expert-analytical engagements, and the results of their implementation

According to the outcomes of audit engagements completed in the reporting year, 408 submissions, 28 requirements and 748 information letters were submitted to the Ministry of Finance of Russia, federal spending units and other budget process actors. 10 information letters were submitted to the President of the Russian Federation, 82 information letters to the Government of the Russian Federation.

Out of the 436 submissions and requirements of the Accounts Chamber submitted in 2018:

- 265 were executed in full;
- 169 were pending from the addressees as of reporting date;
- 2 were not executed.

In 2018, 7,555.8 million rubles were returned to the federal budget and the budget of the Union State.

In addition, measures have been taken to charge officials guilty of violating the laws of the Russian Federation with various types of offences. In total, according to the submissions of the Accounts Chamber in the reporting period, 492 officials were charged for violating the laws of the Russian Federation.

In 2018, taking into account the additional powers granted by Federal Law No. 291-FZ "On Amendments to the Code of Administrative Offences of the Russian Federation and the Federal Law" and "On the Accounts Chamber of the Russian Federation" of October 27, 2015, the Accounts Chamber continued its work related to the performance of their duties by officials in financial control bodies involving charging officials and legal entities, that had committed administrative offences in the financial and budgetary sphere with administrative offences, as well as in the sphere of management.

In 2018, inspectors of the Accounts Chamber opened 81 administrative offence cases committed in the financial and budgetary sphere, and after they were considered, 54 court rulings were issued on administrative offence cases with administrative pen

alties, 41 persons were charged with an administrative offence (31 of them are officials and 10 are legal entities) with the total amount of imposed penalties amounting to 85.0 million rubles.

A total of 85 administrative offence cases (including 31 cases initiated in 2017 and heard in 2018) were considered in the reporting period, under which orders were issued to impose administrative penalties in the form of fines totaling 287.6 million rubles, of which 87.5 million rubles were paid to the state budget by persons charged with an administrative offence.

Submissions and requirements submitted by the Accounts Chamber in the follow-up to its audit engagements in 2018 resulted in 358 regulations and other instruments and their drafts (statutory instruments) being adopted (in 2017 - 593), including 3 federal laws, 34 instruments of the Government of the Russian Federation and 321 instruments of federal executive bodies, public authorities of the subjects of the Russian Federation, organizations with different structure, forms of ownership and agency subordination with 9 of them being instruments of revocation and cancellation of previously issued documents.

The greatest focus in the legal regulation is given to the provision of subsidies and subventions from the federal budget, their distribution among the subjects of the Russian Federation, federal budget revenues forecasting, budget investments in design and construction, pension insurance and pension savings, housing for military personnel, elimination of accumulated damage to the environment, preparation, approval and maintenance of budget estimates, organization and implementation of internal financial audit and control. As in previous years, the problems of goods, works, services procurement to meet state and municipal needs, and the relevant departmental control are still relevant for legal regulation.

Summary data on the measures taken by the Accounts Chamber in 2018 in the follow-up to control and expert-analytical engagements carried out in relation to the audited entities are given in Annex No. 3 to the Report.

In 2018, 120 files (135 in 2017) of control and expert-analytical engagements of the Accounts Chamber were submitted to the prosecution, preliminary investigation bodies, internal affairs and state security agencies to take response measures under the relevant law, including criminal law measures to counter crimes.

A lower number of audit files of the Accounts Chamber submitted directly to the investigating agencies to conduct pre-investigation and take criminal law measures against financial and budgetary violations is due to the shift of the Accounts Chamber's activities towards a more thorough and balanced approach to assessing the facts established by the audit in order to avoid submitting files to the investigating authorities without convincing and sufficient data proving violations of the criminal law of the Russian Federation by individual officials.

Following the review of files by prosecution authorities, 99 submissions were sent to the authorized officials in order to eliminate the identified violations of the laws of the Russian Federation. Relevant measures were taken to eliminate these violations identified by the Accounts Chamber; 4 warnings against law violations were issued; 76 officials became subjects of disciplinary action; 21 administrative proceedings were initiated by prosecutors, 7 lawsuits were filed to general jurisdiction courts and arbitration courts in order to protect the economic interests of the state. 42 million rubles of the damage caused were compensated to the state as a result of the prosecutor's measures taken using the materials of the Accounts Chamber.

In addition, under Article 37 of the Criminal Procedure Code of the Russian Federation in 2018 the outcomes of the Accounts Chamber helped the prosecution to submit 70 files to investigative bodies to rule on criminal prosecution. Investigators initiated 16 criminal cases, refused to initiate criminal proceedings based on 4 files, 1 audit file was added to a previously initiated criminal case, procedural reviews of 49 files have not been completed as of the reporting period.

In the period under review audit files submitted by the Accounts Chamber to the Investigative Committee of the Russian Federation, to the Ministry of Internal Affairs of Russia and to the Federal Security Service of Russia, the preliminary investigation bodies initiated 3 criminal cases in the reporting period; dismissed 1 criminal case, 11 audit files were added to previously initiated criminal cases, 26 files are used by the units of the Federal Security Service of Russia and the Ministry of Internal Affairs of Russia in their operational activities, and 3 files are still undergoing pre-liminary checks.

Moreover, 21 criminal cases were initiated in the reporting period based on audit files of the Accounts Chamber in 2015-2017.

Thus, in 2018 audit files of the Accounts Chamber helped preliminary investigation bodies to initiate the total of 40 criminal cases.

Both the analysis of the interagency cooperation of the Accounts Chamber and law enforcement bodies in the protection of public economic interests ensured by means of criminal law and statistics on the number of criminal cases initiated by the investigating authorities indicate that in general the joint work is still efficient in identifying and fighting financial and budget crimes.

2.3. Cooperation with the chambers of the Federal Assembly of the Russian Federation, public authorities and federal executive authorities



“The work of the Accounts Chamber as an institution of parliamentary and public control implies a complete and unconditional audit transparency. We must openly and continuously inform the public about the progress in the implementation of national goals and strategic objectives. I expect that both parliament and public organizations will join us. The parliament and the public must know everything about the implementation process of the May decree among others. I believe that the Accounts Chamber will serve as a source of objective information about the processes, including those in public administration and implementation of the main objectives set by the President.”

Aleksei Kudrin, Chairman of the Accounts Chamber



The Accounts Chamber, as the supreme institution of external public audit, works together with fractions, committees and commissions of the State Duma and the Federation Council.

In the reporting year, the Accounts Chamber worked with the chambers of the Federal Assembly:

1. To collect information at the request of members of the Federation Council and deputies of the State Duma.
2. To present the results of audit and expert-analytical engagements, opinions on draft state and federal target programs at meetings of subcommittees, committees and commissions of the chambers of the Federal Assembly.
3. To present the position of the Accounts Chamber and hear speeches delivered by the Chairman of the Accounts Chamber, Deputy Chairman of the Accounts Chamber, auditors of the Accounts Chamber:
 - When draft laws on the federal budget, budgets of state extra-budgetary funds, the execution of the federal budget, as well as a progress report of the Accounts Chamber are considered;
 - at meetings of committees, plenary sessions when drafts of federal laws are considered that have an opinions of the Accounts Chamber;
 - on issues addressed at parliamentary hearings, round tables and other events in the chambers of the Federal Assembly;

- at the meetings of the Federal Assembly chambers during "Government Hours".

During the 2018 spring and autumn sessions of the Federal Assembly Chambers, 408 events were held (418 in 2017, 297 in 2016) with the participation of the management and the Accounts Chamber representatives. 240 of them were held in the State Duma and 168 in the Federation Council.

Speaking at the State Duma Budget Committee “On the parameters of the draft federal law “On the Federal Budget for 2019 and for 2020-2021 Planning Period”, the Chairman of the Accounts Chamber said that the Government was not reducing the state’s share in the economy actively enough. This objective was set by the President of the Russian Federation; however, privatization revenues in the draft law are planned at the amount of 12 billion rubles in 2019, and 11 billion rubles in 2020. Since early 2000s, such a low level of privatization was recorded only in 2008-2010 during the economic crisis.

Despite the projected three-year budget revenue growth from 20 trillion to 21 trillion rubles, budget revenues as a percentage of GDP are constantly falling, from 18.9% to 17.7%, due to the reduction in oil and gas revenues. Their share in the budget decreased from 41% to 38%, mainly due to lower prices and production stabilization.

Progress of the Accounts Chamber in 2018

Aleksei Kudrin said that budget spending would increase over the three-year period from 18 trillion to 20 trillion rubles, but as a percentage of GDP, it will decrease from 17 to 16%, indicating a decrease in government spending as a percentage of GDP.

According to Aleksei Kudrin, the structure of federal budget spending for 2019-2021 does not change fundamentally. Productive expenditures, which now according to experts include education, health care and infrastructure, are increasing slightly or not increasing. Defense expenditures are reduced by 0.3 percentage points to GDP, national security expenditures are also going down by 0.2 percentage points to GDP.

The structure of expenditures of the consolidated budget shows some decrease in expenditures on social policy that, however, is becoming targeted. Expenditures on education, health care and national economy will increase by 0.1 percentage points to GDP. The Chairman believes that such minor structural changes over the next three years are not sufficient to achieve national goals.

In August 2018, parliamentary public hearings on "Improvement of Pension Laws" were held in the State Duma. The speaker A.L. Kudrin provided a detailed analysis of the government bill on the change of the pension system parameters, conceptually supported by the Chamber of Accounts, and pointed out certain risks, such as the lack of a guaranteed mechanism for raising pensions. He also pointed out that it was necessary to create a new model of life for older citizens and promote active longevity.

The participation of the management and auditors of the Accounts Chamber in the "government hours" was an important area of cooperation with the chambers of the Federal Assembly that allowed members of the Government of the Russian Federation to present information on the major issues to parliamentarians, and audit institution representatives reported the results of audits and made recommendations on improvement of legislation and elimination of burning issues.

In total, in 2018, the management and auditors of the Accounts Chamber participated in 7 "Government Hours" in the State Duma and in 16 "Government Hours" in the Federation Council.

By law, the Progress Report of the Accounts Chamber of the Russian Federation in 2017 was submitted to the Federal Assembly in June 2018.

Consideration of the Progress Report of the Accounts Chamber by the chambers of the Federal Assembly allows parliamentarians both to summarize the activities of the supreme institution of an external state audit and to identify priorities for the next year.

Under Decree No. 4265-7 of the State Duma adopted by the State Duma Resolution "On the Progress Report of the Accounts Chamber of the Russian Federation in 2017" of June 20, 2018, its activities were considered efficient and two recommendations were given:

- to perform system-wide monitoring of the implementation of Decree of the President of the Russian Federation No. 204 "On the National Goals and Strategic Objectives of the Development of the Russian Federation for the period until 2024" of May 7, 2018;
- to focus on analysis and evaluation of the achievement of goals, target indicators and performance indicators that concern objectives of national projects while conducting control and expert-analytical engagements.

On a regular basis, the chambers of the Federal Assembly reviewed information on the results of the audit and expert-analytical engagements conducted by the Accounts Chamber.

In 2018 representatives of the Accounts Chamber regularly participated in meetings of the State Duma Committee on Budget and Taxes when it was reviewing draft federal laws providing for changes in budget legislation.

The Accounts Chamber will enhance interaction with the Federal Assembly, thus contributing to strengthening parliamentary and public control.



“We are going to focus more on goal setting in state programs. We have already done this, but now we will do it more thoroughly, because we see a gap between the tools that are in state programs and national projects’ disposal and the goals that are set in the Presidential Decree.”

Dmitry Zaitsev, Auditor of the Accounts Chamber



The role of supreme audit institutions in assessment of goals, results and risks within government projects and programs is increasing in the modern world. This is one of the important tasks of the Accounts Chamber as an independent institution of public control.

Monitoring the implementation of 2012 May decrees of the President of the Russian Federation

In 2018, the Accounts Chamber continued to monitor the implementation of decrees of the President of the Russian Federation of May 7, 2012.

As of the end of 2018, a number of key criteria were not achieved:

- investment growth was planned to be not less than 25% of GDP by 2015 and up to 27% by 2018. According to Rosstat, this indicator in 2018 was 20.6% of GDP¹. The maximum value was reached in 2017 with 21.4% of GDP;
- labor productivity growth by 2018 was planned to be 1.5 times the 2011 level. Rosstat² indicates

the lack of sustainable growth in labor productivity from 2014 to 2017. Although Rosstat data for 2018 is not yet available, it can be said that the target value will not be achieved;

- the share of high-tech and knowledge-intensive industries in GDP was expected to have grown by 1.3 by 2018 compared to 2011. In 2018, therefore, this figure was supposed to be 25.61%, but according to Rosstat³, it was 21.6% in 2017, and 21.3% in 2018;
- the average interest rate on mortgage loans (in rubles) was to be no more than 2.2 percentage points against the consumer price index. At the end of 2018, this indicator (9.56% - Bank of Russia⁴) relative to the consumer price index (104.26 - Rosstat⁵) was 5.3 percentage points.

In 2019, the Accounts Chamber will continue to analyse these indicators. A report is going to be developed on the comprehensive assessment of the achievement of the goals established in the May decrees in 2012.

¹ Updated Rosstat data on the “Share of investment in fixed assets in GDP” indicator as of February 6, 2019: <https://fedstat.ru/indicator/55375>.

² Updated Rosstat data on the “Labor productivity index in Russia and main economy sectors” indicator as of April 2, 2018: http://www.gks.ru/free_doc/new_site/vvp/vvp-god/pr-tru.xlsx.

³ Updated Rosstat data on the “Share of high-tech and knowledge-intensive industries in GDP” indicator as of April 2, 2018: http://www.gks.ru/free_doc/new_site/effect/mac3.xlsx.

⁴ According to the Central Bank of the Russian Federation: <http://www.cbr.ru/statistics/udstat.aspx?tblid=4-3>.

⁵ Updated Rosstat data on the “Consumer Price Index for the Russian Federation” indicator as of January 16, 2019: http://www.gks.ru/free_doc/new_site/prices/potr/tab-potr1.htm.

Monitoring national projects, national goals and federal projects

In the reporting year, the Accounts Chamber focused in particular on the system-wide monitoring of the implementation of Decree of the President of the Russian Federation No. 204 “On the National Goals and Strategic Objectives of the Development of the Russian Federation for the Period until 2024”.

Analysis of national projects made it possible to identify the risks of not achieving the strategic goals of the Russian Federation at early stages.

A major weakness of the system of national projects indicators is the lack of organized statistical observation. As a result, by the time when national project specifications were approved, more than 75% of the indicators had not had approved calculation methods and were not included in the federal statistics plan. In some cases, target values including the baseline values of the indicators were preliminary and had to be refined after the methods were approved. At the same time, the Guidelines for the Development of National Projects (Programs) provide for the development and approval of methods for calculating indicators before December 2019. This is why it is highly likely that the expected values of the indicators will be corrected and the progress of national projects will be assessed only in 2020. The lack of reliable information on target values creates risks of making insufficiently substantiated or untimely decisions while implementing national projects.

An analysis of expected results of federal projects approved in the national project specifications also showed a number of shortcomings. Some outcomes did not fully cover the achievement of the relevant objectives or fulfilled a supporting function (for example, regulations’ or methodological documents’ approval, provision of inter-budget transfers and others). In cases where the expected outcomes were presented by numerical indicators, there was no information about the organization of statistical observation.

Uncertain federal project outcomes also create a risk of making incorrect or untimely decisions on the progress of national projects.

A significant number of targets for national projects are calculated annually. At the same time, more than 77% of the expected outcomes of national projects are planned for the fourth quarter; therefore, regular monitoring over the course of a year is not possible.

Thus, the key tools for monitoring national projects are their implementation plans and the spent federal budget funds, which seems to be insufficient.

An analysis of the integration of national projects into state programs of the Russian Federation and the implementation of previously planned activities within the priority projects under national projects revealed a number of problems.

Thus, the goals and objectives of national projects and state programs of the Russian Federation were not sufficiently coordinated. There were cases when the goals and objectives of national projects were not reflected in state programs. The draft specifications of state programs in some cases did not establish the parameters of financial support that were provided in the draft specifications of national projects.

The meeting of the Presidential Council on Strategic Development and National Projects held on October 24, 2018, comments and proposals of the Accounts Chamber resulted in an instruction given to the Government of the Russian Federation to review the specifications of national projects by the end of December 2018. The reviewed specifications of national projects were approved on December 24, 2018.

3.1. Audit of feasibility and effectiveness of achieving the strategic goals of social and economic development of the Russian Federation



“The Accounts Chamber will monitor the implementation of national goals and national projects more closely. On the basis of independent monitoring, we will show promptly and clearly what results are achieved, namely the gap between the current and the target value as of the last reporting date.”

Aleksei Kudrin, Chairman of the Accounts Chamber



In 2019, the Accounts Chamber will assess the progress of the implementation of national and federal projects on a regular basis as part of the operational analysis of utilization and control over the organization of utilization of the federal budget.

To this end, a new service has been created, that allows to track the implementation of national goals that were set for the Government by the President of the Russian Federation in the May 2018 decree. The National Goals Progress Monitoring provides information on deputy prime ministers responsible for each national goal, as well as national projects and government programs that contribute to the achievement of goals.

In addition, monitoring of the implementation of 5 national projects (“Housing and Urban Environment”, “Demography”, “Healthcare”, “Digital Economy of the Russian Federation”, “SMEs”) is being conducted in the first quarter of 2019. Its results will provide the grounds for the assessment of the regulatory and methodological framework, financial support, expected outcomes and goal achievement feasibility, objectives and milestones, as well as the quality of national project management. From the second quarter, monitoring will cover all national projects.

From February 2019 to April 2020, interim reports considered at meetings of the Collegium of the Accounts Chamber are going to be supplemented by an expert-analytical engagement with a view to analyze the achievement of national goals established

by Decree No. 204. This engagement will assess the contribution of national projects (programs) to the achievement of national goals.

All units of the Accounts Chamber will take part in this engagement.

Control over the implementation of state programs of the Russian Federation

In 2018, as part of the execution and control operational analysis over the organization of the federal budget execution, the Accounts Chamber carried out monthly monitoring of the state programs of the Russian Federation. The expenses for their implementation in the total amount of the federal budget expenditures in 2018 was 61.1% of open public budget allocations.

Cash administration of the federal budget expenditures for the implementation of 41 state programs of the Russian Federation in 2018 amounted to 8,656.7 billion rubles⁶ or 95.2% of the consolidated budget list. In 2018, expenditures for 17 state programs of the Russian Federation (41.5% of the total number) were incurred at a level below 95%.

The Ministry of Economic Development of Russia annually assesses the performance of state programs of the Russian Federation. According to this assessment, the amount of inefficient spending under state programs of the Russian Federation is increasing. The performance of 7 state programs of the Russian Federation has been low for the 3 years.

⁶ Operational data.

However, this assessment is hardly used to adjust state programs of the Russian Federation, despite the corresponding rules in the budget legislation. The Government of the Russian Federation has taken no decisions to stop further implementation of state programs of the Russian Federation or to impose disciplinary sanctions for failure to achieve the expected outcomes.

The state programs performance assessment also carried out annually by the Accounts Chamber, differ from the assessment of the Ministry of Economic Development of Russia. Thus, the Accounts Chamber says that as of 2017, 2 state programs out of 12 state programs assessed by the Ministry of Economic Development of Russia as above average, were not subject to performance assessment, and the performance of 3 state programs was poor.

Every year the Accounts Chamber draws attention to the shortcomings in preparation and implementation of state programs of the Russian Federation. Thus, the indicators of a number of state programs do not fully correspond to the indicators in strategic documents, the forecast of socio-economic development of the Russian Federation; for a number of state programs there is no correlation between changes in funding and goals, objectives and expected outcomes, no connection with other state programs, the coordination of indicators with tasks, measures of state programs is not fully ensured.

Timely and qualitative monitoring of the implementation of state programs and the level of achievement of the expected results is difficult due to the fact that at the time of preparation of consolidated annual reports on the implementation and performance assessment of state programs for the reporting year, there are no actual data on a number of targets.

Analysis of the number and structure of indicators shows that their number should be reduced to select the most important and significant ones that would correspond to the strategic planning documents and allow monitoring the achievement of goals.

Thus, the submitted draft specifications for 2019 said that at the stage of preparation of the draft federal law "On the Federal Budget for 2018 and for the Planning Period of 2019 and 2020, 1,505 indicators envisaged established, which is 51 less than was envisaged for 2018.

The Chamber of Accounts said that there are risks of not achieving targets for over 230 indicators, i.e. more than 15%, in 2019 taking into account the performance of state programs of the Russian Federation in 2015–2017 and the fluctuation of expenditures and indicators of state programs in 2018–2021.

3.2. Audit of the development and control over the execution of the federal budget and the budgets of state extra-budgetary funds of the Russian Federation



“The indicators of budget execution for 2018 draw attention. They have set several records, both positive and negative.”

Aleksei Kudrin, Chairman of the Accounts Chamber



Follow-up control of federal budget utilization

The Accounts Chamber conducted 102 control engagements and one expert-analytical engagement in federal government bodies and organizations to exercise follow-up control over the execution of the federal budget and budgets of state extra-budgetary funds of the Russian Federation,

the conclusions of the Accounts Chamber on the results of external audit of the implementation of Federal Law “On the Federal Budget for 2017 and for the Planning Period of 2018 and 2019” and budget reports on the federal budget execution for 2017 for all 96 main federal revenue administrators were reviewed, approved and submitted to the Federation Council and the State Duma of the Federal Assembly of the Russian Federation.

Out of the 138 submissions of the Accounts Chamber made after the audit engagements, 129 are not controlled as of March 12, 2019, and the control of implementation of individual proposals under 9 submissions was extended by the Collegium of the Accounts Chamber.

Due to failure to comply with the requirements of the submissions of the Accounts Chamber, 8 requirements were sent to the heads of the controlled entities. A set of audits conducted by the Accounts Chamber identified 50 cases of unreliability of budget reporting in 19 main federal spending units. When the report was almost complete, thanks to the cooperation with the Ministry of Finance of Russia, an adjustment of the budget reporting of 18 main spending units in relation to 41 facts at the stage of finalizing the report was carried out. Thus, the Ministry of Finance of Russia and the Federal Treasury reviewed the Report on the Utilization of the Federal Budget for 2017 and the forms submitted simultaneously with it, totaling 1,178.2 million rubles.

With regards to other facts of budget reporting inaccuracy, at the request of the Chamber of Accounts, the budget classification codes for the federal budget revenues were clarified, an inventory of financial liabilities, receivables and off-balance accounts was made. The results will be addressed in the 2018 budget reports.

Operational utilization and control analysis over the organization of federal budget execution and the budgets of state extra-budgetary funds of the Russian Federation for 2018

In 2018 the operational execution and control analysis over the organization of execution of the federal budget and the budgets of state extra-budgetary funds of the Russian Federation resulted in 4 operational reports on the execution of the federal budget for January – December 2017, January – March, January - June, January - September 2018 that were prepared and submitted to the Chambers of the Federal Assembly of the Russian Federation. as well as 2 opinions of the Accounts Chamber on draft federal laws “On making amendments to Federal Law “On the Federal Budget for 2018 and for the Planning Period of 2019 and 2020”.

Calculations for the draft federal budget law for the next fiscal year and amendments thereto do not show all revenues to the federal budget in the current year, which is not consistent with the principle stating that complete data on the income should be provided in the federal budget in accordance with Article 32 of the Budget Code of the Russian Federation.

Progress of the Accounts Chamber in 2018

The potential for increasing federal budget revenues is the intensification of work to reduce the debt to the budget on taxes, fees and other mandatory payments, the abandonment of ineffective benefits and preferences, and increased control over customs value.

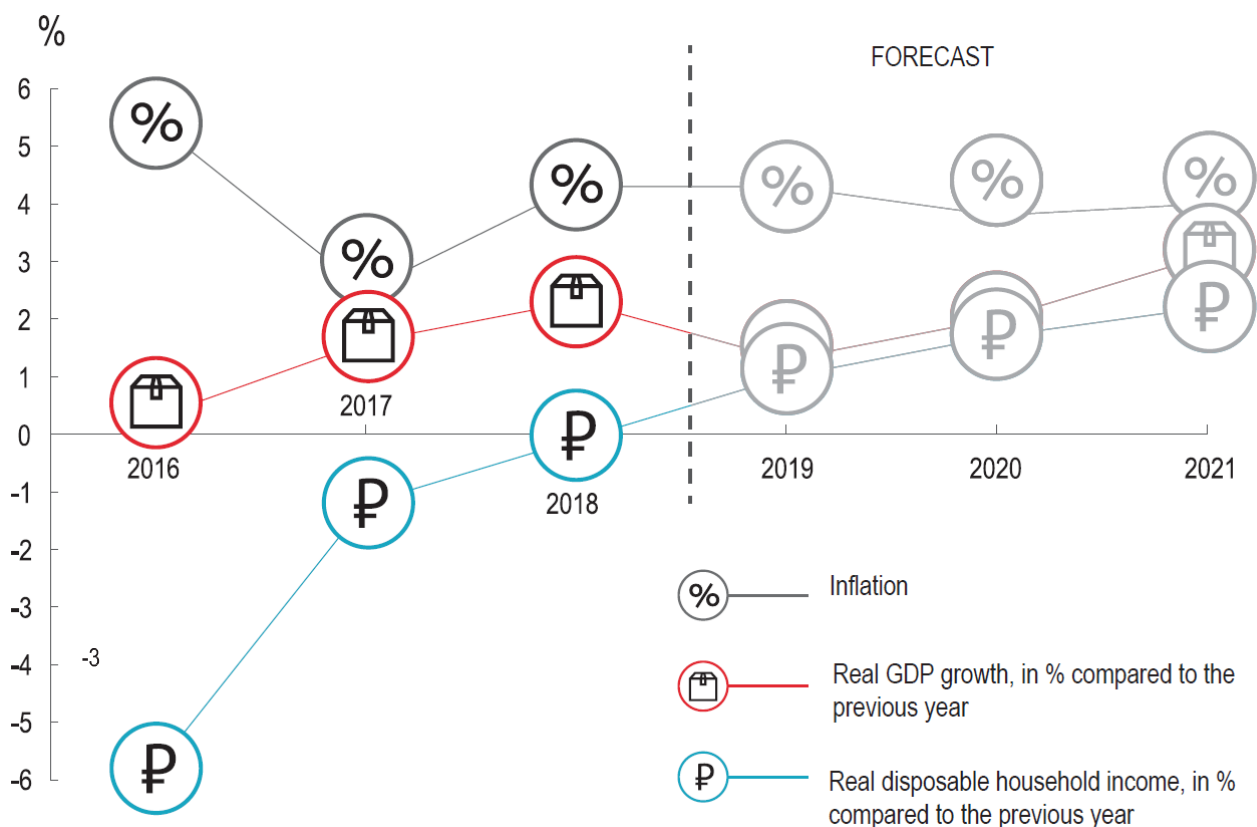
A quarterly analysis of the consistency of federal budget expenditures execution over a number of years showed that the end of the year still accounts for the largest amount of budget allocations. The amount of budget allocations for individual main spending units was allocated and adjusted in 2018 without taking into consideration the analysis of the expenditures in previous periods.

In 2018, the execution of budget allocations for the implementation of priority projects (programs) was poor, which led to failure to achieve the target values of the corresponding indicators.

The outcomes under “Funds from the sale of shares and other federally-owned forms of participation in capital” have not been produced.

Analysis of the execution of the federal budget and the budgets of state extra-budgetary funds of the Russian Federation showed that in 2018 as compared to 2017 the budget was executed under the conditions of more rapid consumer price growth, and the continuing decrease of the ruble exchange rate (by 7.2%) against the background of higher oil prices (by 32%).

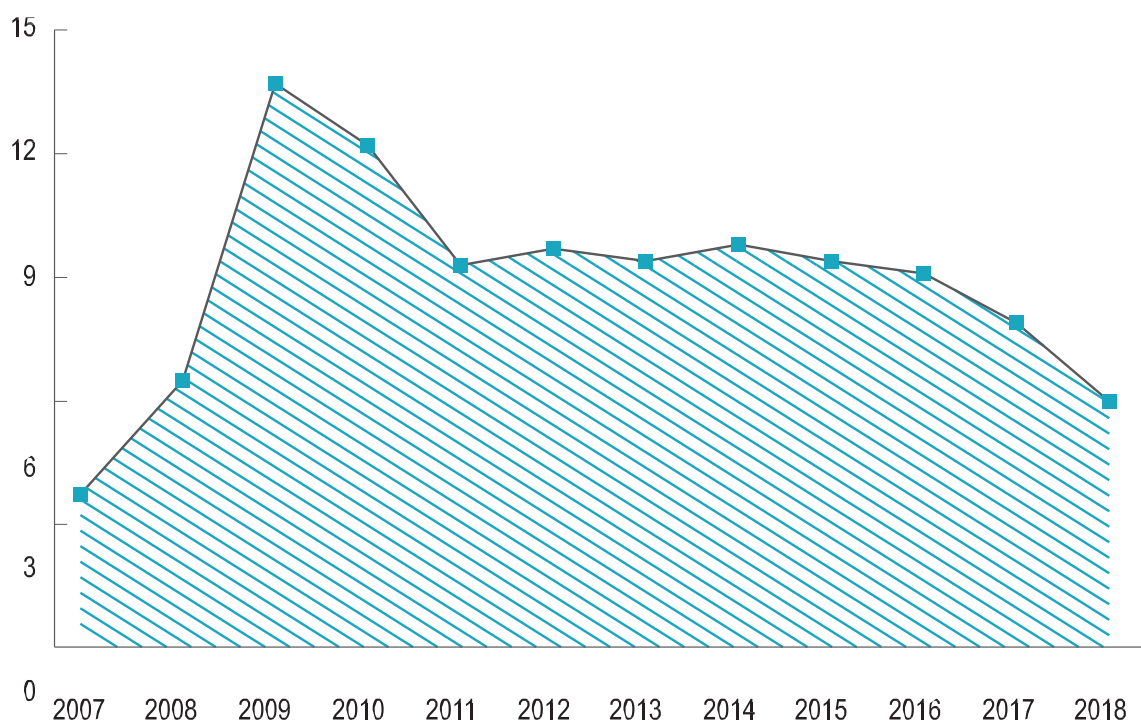
At the end of 2018 * the GDP growth was 2.3%, industrial production grew by 2.9%, with retail trade turnover increasing by 2.6%. At the same time, real disposable household income remained in the negative zone that is a decline of 0.3% as compared to 2017 (taking into account the lump sum cash payment to all pensioners in January 2017). At the end of the year, the inflation rate exceeded the Bank of Russia’s target and totaled 4.3%.



* Data as of March 4, 2019.

3.2. Audit of the development and control over the execution of the federal budget and the budgets of state extra-budgetary funds of the Russian Federation

DYNAMICS OF NON-OIL AND GAS BUDGET DEFICIT (% of GDP)



The federal budget revenues amounted to 19.5 trillion rubles and exceeded the projected amount by 509.3 billion rubles, or 2.7%. This is a 6-year maximum. The excess was due to the growth of non-oil and gas revenues by 308.6 billion rubles and oil and gas revenues by 200.7 billion rubles.

The share of oil and gas revenues in the total federal budget revenues increased as compared to 2017 by 6.7 percentage points and totaled 46.3%. The share of non-oil and gas deficit in relation to GDP decreased by 1.9 percentage points and made 6% of GDP (6.3 trillion rubles). The last time non-oil and gas deficit of less than 6% of GDP was recorded in 2007 (3.5%).

In 2018, there was a significant increase in the volume of changes to the consolidated budget list: as compared to 2017, it increased by 1.5 times, reaching 3 trillion rubles. This indicates a significant redistribution of funds from the federal budget during its execution.

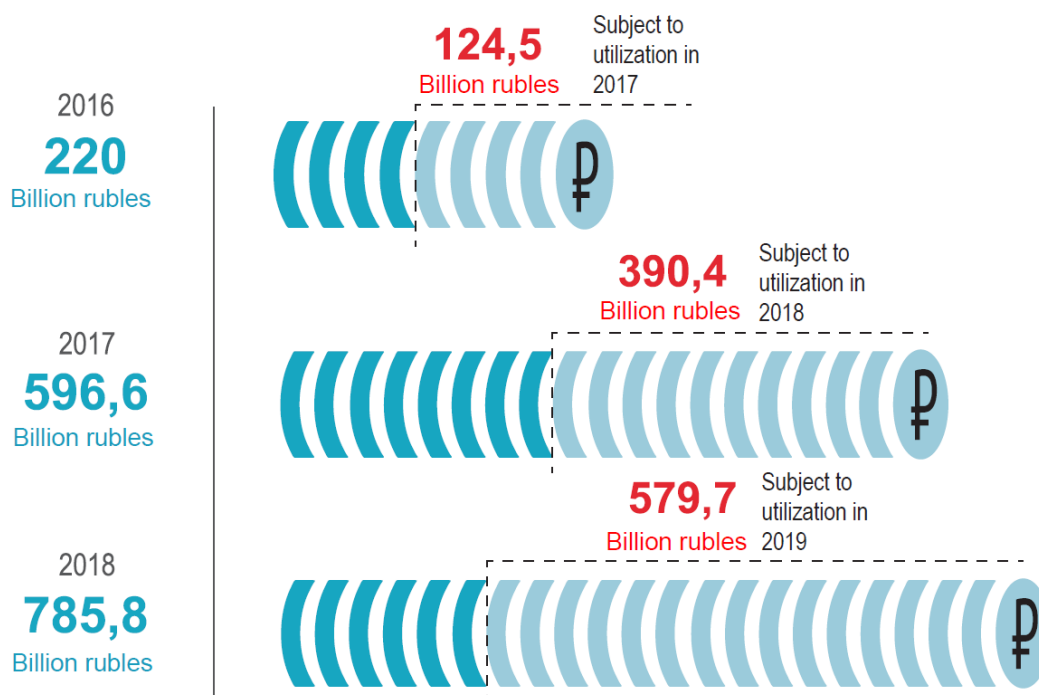
Federal budget expenditures were incurred in the amount of 16.7 trillion rubles, or 95.5%. This is the lowest level of expenditures in the last 10 years. The volume of outstanding budget allocations amounted to 785.8 billion rubles, showing an increase by 1.3 times as compared to 2017.

Budget allocations are not executed in full by a significant number of main spending units, which indicates insufficient justification of the budget allocations amount.

Less than 90% of the expenditures of the 12 main spending units were made: Federal Agency for Nationality Affairs of Russia with 72.6%, Federal Agency for Maritime and River Transport of Russia with 78.2%, Federal Air Transport Agency with 79.6%, Ministry of Culture of Russia with 83.5%, State Corporation Roscosmos with 83.9%, Ministry of Education of Russia with 85.5%, Treasury of Russia with 86.4%, Federal Agency on Subsoil Use with 86.8%, Ministry of Sports of Russia with 87.3%, Federal Water Resources Agency with 88.3%, Ministry of Economic Development of Russia with 88.8% and Ministry of Justice of Russia with 89.9%.

Progress of the Accounts Chamber in 2018

DYNAMICS OF NON-EXECUTION OF EXPENDITURES IN 2018



THE LOWEST EXPENDITURES IN 2018

BY BUDGETARY FUNDS ADMINISTRATORS



Federal Agency for
Nationality Affairs of Russia

72,6%



Federal Agency for Maritime
and River Transport

78,2%



Federal Air Transport
Agency

79,6%

BY STATE PROGRAMS



"Development of Pharmaceutical
and Medical Industry" for
2013-2020

62,9%



"Space Activities of the Russian
Federation for 2013-2020"

74,4%



"Implementation of the State
National Policy"

75,6%

3.2. Audit of the development and control over the execution of the federal budget and the budgets of state extra-budgetary funds of the Russian Federation

Expenditures under 10 state programs were at a low level, less than 90%: "Development of Pharmaceutical and Medical Industry" for 2013-2020 (62.9%), "Space Activities of the Russian Federation for 2013-2020" (74.4%), "Implementation of the State National Policy" (75.6%), "Development of Culture and Tourism" for 2013-2020 (82.6%), "Foreign Policy Activity" (85.1%), "Management of Federal Property" (85.3%), "Development of Physical Culture and Sports" (85.5%), "Restoration and Use of Natural Resources" (88.4%), "Social and Economic Development of the Republic of Crimea and the City of Sevastopol up to 2020" (89.4%), "Public Finance Management and Regulation of Financial Markets" (89.6%).

In 2018, the lowest level of expenditures on the implementation of federal targeted investment program over the past 15 years was recorded with only 81.4%. The expenditures on federal targeted investment program under 17 state programs were made below the average level, the expenses under 2 state programs were not incurred in full: "Information Society (2011 - 2020)" and "Energy Efficiency and Energy Development".

Inter-budget transfers were not sufficient with less than 90% in 8 main spending units. However, the largest inter-budget transfers are still made to the regions in the fourth quarter with 38.1% of the total amount, in particular with 22.5% in December.

Additional oil and gas revenues in 2018 were used to purchase foreign currency that in 2019 will significantly replenish the National Wealth Fund.

The federal budget was executed with a surplus with the help of the funds from the National Wealth Fund.

As part of the operational control over the execution of the budgets of state extra budgetary funds of the Russian Federation in 2018, the Accounts Chamber quarterly carried out activities aimed at ensuring control over the execution of the budgets of the Pension Fund of the Russian Federation, Social Insurance Fund of Russia and Federal Compulsory Medical Insurance Fund.

In general, the budget of the Pension Fund of the Russian Federation and the budget of the Social Insurance Fund of Russia for 2018 was executed showing a positive trend as compared to 2017.

Thus, insurance contributions to the Pension Fund budget exceeded the forecast by 1.5%, the share of insurance contributions in the Pension Fund budget revenues increased by 5.6 percentage points and totaled 60%. The arrears of insurance contributions decreased by 28.9% as compared to the beginning of the year. The share of inter-budget transfers from the federal budget within the Pension Fund revenues decreased to 39.1% (44.6% in 2017), the budget balancing inter-budget transfer to the Pension Fund in Pension Fund revenues decreased to 7.4% (11.3% in 2017).

As compared to 2017, the expenditures of the Pension Fund budget decreased by 1.3%. At the same time, the expenditures on compensation payments to persons caring for disabled citizens have significantly increased.

Cash revenues to the budget of the Social Insurance Fund of Russia increased by 16.2% compared to 2017.

The total arrears of insurance contributions for compulsory social insurance for temporary disability and maternity increased by 15.4%, and by 10.5% for industrial accidents and occupational diseases.

Cash expenses increased by 12.9% as compared to 2017, which was caused by an increase in the number of local branches of the Social Insurance Fund of Russia that switched from the "crediting mechanism" of budget utilization to direct payments.

The budget of the Social Insurance Fund of Russia was spent with a surplus of 32,997.53 million rubles. At the same time, the final financial result of the budget of the Social Insurance Fund of Russia for 2018 will only be known in March 2019 after the preparation of a specialized report by the Social Insurance Fund based on the submitted calculations of policyholders.

As part of the operational analysis of the Federal Compulsory Medical Insurance Fund budget in 2018, the arrears of individual constituent entities of the Russian Federation in contributions for compulsory medical insurance of non-working population were detected (Ingushetia, Kalmykia, Mordovia).

Analysis of how the institutions carried out state assignments on high-tech medical care (HTMC) revealed that different founders set different values for similar indicators of the HTMC services quality that varied from 65% to 100% for each indicator. Unequal criteria established by the founders to assess the quality of services creates the risk that the HTMC quality in some medical organizations will be lower. In addition, the form of agreement on the procedure and conditions for subsidies from the Federal Compulsory Medical Insurance Fund budget to financially support the state assignment on HTMC not included in the basic program of Compulsory Medical Insurance does not provide for any sanctions for the institution's failure to meet the indicators.

Preliminary audit of the development of the state budget and the budgets of state extra-budgetary funds of the Russian Federation

Under the Budget Code of the Russian Federation, on October 11, 2018, the Collegium of the Accounts Chamber approved the Conclusion of the Accounts Chamber of the Russian Federation on the draft federal law "On the Federal Budget for 2019 and the Planning Period 2020 and 2021", which was submitted to the Federation Council and the State Duma.

According to the results of audit and expert and analytical engagements, the Accounts Chamber made 44 submissions to the heads of federal state bodies, including 210 requirements to eliminate violations and failures.

Most violations and failures were committed by the main federal spending units in the following areas:

- budget allocations justifications (39 violations and failures, or 18.6%);
- procurement quotas on goods, works and services to meet public needs (24 violations and failures, or 11.4%);

- income forecast, a list of income sources, income forecast justification (18 violations and failures, or 8.6%);
- methods to forecast revenues by income and sources of financing the federal budget deficit (15 violations and failures, or 7.1%);
- a register of expenditure commitments (11 violations and failures, or 5.2%), etc.

In the second reading of the draft federal law "On the Federal Budget for 2019 and for the Planned Period of 2020 and 2021," amendments were adopted that corrected individual violations and failures identified by the Accounts Chamber in submissions submitted to the main federal spending units. As of March 12, 2019, out of 44 submissions from the Accounts Chamber based on the control engagements, the control over 18 submissions containing 73 proposals and requirements (34.8%) was discontinued, 79 separate proposals (37.6%) were implemented according to 26 submissions. The Collegium of the Accounts Chamber has extended the deadlines for 56 separate items of 25 submissions.

The draft law on the budget of the Pension Fund of the Russian Federation took into account all changes in legislation, including pension legislation, are provided for by Federal Law No. 350-Φ3 "On Amendments to Certain Legislative Acts of the Russian Federation on Pension Assignment and Payment" of October 3, 2018.

The budget does not provide for violations and comments that impact the fulfillment of the Pension Fund's social obligations to citizens.

At the same time, the revenues in the budget of the Pension Fund were underestimated by 107.73 million rubles in 2019. The reason is that the projected amount of insurance contributions does not account for the contributions of organizations that produce and sell animated audiovisual products.

3.2. Audit of the development and control over execution of the federal budget and the budgets of state extra-budgetary funds of the Russian Federation

Also, the Pension Fund did not include incomes on 4 indicators (property management income from, monetary penalties (fines) and other compensations for damage caused to the Pension Fund budget, etc.), which led to an underestimation of the revenues in the Pension Fund budget for 2019 by more than 8 million rubles.

When the inter-budget transfer from the federal budget was calculated, the forecast balances as of early 2019 in the amount of 82,468.26 million rubles were not taken into account.

Assessment of the validity of the draft law on the budget of the Social Insurance Fund of Russia showed that it meets the requirements of budget, tax legislation and compulsory social insurance legislation. The opinion of the Accounts Chamber on the draft budget of the Social Insurance Fund of Russia focused on the fact that a balanced budget of the Social Insurance Fund of Russia for social insurance against temporary disability at the expense of social insurance against industrial accidents and occupational diseases does not comply with Federal Law No. 165-ФЗ "On the Fundamentals of Compulsory Social Insurance" of July 16, 1999 and the rules of appointing insurance premiums on compulsory social insurance against industrial accidents and occupational diseases.

In addition, revenues from the federal budget did not account for estimated balances as of the end of 2018 in the amount of about 1 billion rubles. The volume of inter-budget transfer to provide disabled persons with rehabilitation equipment (RE) is planned for 2019–2021 in the amount of 28,826.80 million rubles annually, which is 1,611.33 million rubles, or 5.9%, more than the amount allocated for these purposes in 2018. At the same time, the estimated needs of the territorial bodies of the Social Insurance Fund of Russia in 2019 amounts to 32,510.10 million rubles.

In this regard, the Accounts Chamber identified the risks of incomplete implementation of state guarantees that RE would be provided for the most socially vulnerable groups.

The evaluation of the justification of the draft law "On Insurance Tariffs for Compulsory Social Insurance against Industrial Accidents and Occupational Diseases for 2019 and for the Planning Period of 2020 and 2021" showed that in 2019–2021 tariffs for insurance contributions for compulsory social insurance against industrial accidents and occupational diseases would remain at the level of the past years.

The average insurance tariff by types of economic activity is budgeted at 0.51%, which will ensure insurance contributions required to finance commitments on this type of social insurance.

The audit of the indicators justification of the Federal Compulsory Medical Insurance Fund draft budget for 2019 and for the planning period 2020–2021, found that the method of forecasting revenues to state extra-budgetary funds of the Russian Federation did not meet the requirements of the Tax Code of the Russian Federation and that it needs to be brought in compliance with the current legislation.

The draft method for determining the number of insured persons did not provide for insurance contributions to be paid by subjects of the Russian Federation for persons who have worked at least 1 day in the reporting year, which might lead to fewer premiums on Compulsory Medical Insurance in the Federal Compulsory Medical Insurance Fund budget.

The budget of the Federal Compulsory Medical Insurance Fund for 2019 provided for inter-budget transfers to implement the "Fighting Cancer Diseases" federal project in the amount of 70 billion rubles. These funds for healthcare services for cancer patients as part of the subvention did not account for the prevalence and incidence rates of malignant neoplasms in subjects of the Russian Federation.

Expenditures on health care services for pregnant women during pregnancy, childbirth and the postpartum period, as well as preventive medical examination of children in the first year of life did not account for the balance of funds as of January 1, 2018, which created preconditions for partial spending of these budget allocations and indicated poor expenditure planning in the Federal Compulsory Medical Insurance Fund.

Examination of draft federal laws on amendments to the Budget Code of the Russian Federation and other regulations of the Russian Federation governing budgetary legal relations

In the reporting period, 28 draft federal laws were examined to provide for amendments to the Budget Code of the Russian Federation and certain legislative acts of the Russian Federation. The opinions of the Accounts Chamber were prepared and submitted to the State Duma in the follow-up.

Accounts Chamber supported 19 draft laws. A number of draft laws were assessed by the Accounts Chamber before being submitted to the State Duma, a considerable part of the comments and suggestions were taken into account at the draft bill review stage, a number of proposed changes to the Budget Code of the Russian Federation were discussed at meetings with the Ministry of Finance of Russia.

The comments and proposals of the Accounts Chamber on individual draft laws were taken into account when they were considered in the State Duma, including of the issue of clarifying the provisions on “tax expenditures” introduced in the Budget Code of the Russian Federation, on professional tax, on the Development Fund, improvement of state (municipal) financial control, internal financial control and internal financial audit.

The Accounts Chamber believes that improved Budget Code of the Russian Federation is one of the priorities for 2019-2020. To this end, a number of round tables and expert events conferences are scheduled in 2019.



“In order to boost the reduction of arrears on taxes and fees, first of all it is crucial to promote information exchanges between public authorities. We need a single software product that will allow agencies to exchange information at any stage of the process of enforced collection.”

Sergey Shtogrin, Auditor of the Accounts Chamber



In 2018, 10 audits and 2 expert-analytical engagements were completed.

The main problems of the development of federal budget revenues are:

- The provision under the Budget Code to the effect that the regulations resulting in changes in budget revenues should be adopted before the draft budget law is submitted to the legislature, has been suspended for 9 years. The provision ensuring the stability and predictability of parameters of draft budgets is not actually in effect and that has a negative impact on the quality of the development of draft budgets.
- The risks of non-receipt of revenues by the federal budget are assessed by the Chamber of Accounts in the amount of:
 - 652.1 billion rubles in 2019;
 - 697.6 billion rubles in 2020;
 - 875.1 billion rubles in 2021.
- The accuracy of estimated revenue to the budget is not ensured. The Ministry of Finance of Russia was invited to continue working with the main revenue administrators to finalize the forecasting methods.
- More rapid reduction of arrears on taxes, fees and other mandatory payments still has a significant potential for increasing budget revenues.
- Receivables remain significant. As of October 1, 2018, the income arrears amounted to 2,216.8 billion rubles and have increased from the beginning of the year by 31.7 billion rubles (by 1.4%).

The receivables growth is caused by the decrease in payer solvency, the accrual of interest on previously accumulated debt, the increase in the number of initiated enforcement proceedings. There is no data in the state information system on enforcement proceedings charges in relation to individuals and individual entrepreneurs (more than 8,199.5 billion rubles), the terms for transferring funds collected from debtors (more than 130 million facts amounting to 381 billion rubles) are violated, and all that makes it impossible to carry out enforcement orders.

Systemic problems were identified during the audit of the main revenue administrators in the exercise of their mandate to administer certain non-tax payments, including insufficient control over the completeness and timeliness of payment of the environmental fee.

In the course of audits of the customs authorities, strengthening of customs value control was established to be a reserve for increasing federal budget revenues. Audit of VAT exemptions on manufacturing equipment imported to the Russian Federation with no analogues produced in the Russian Federation, identified improper granting of privileges, identified signs of incorrect classification of goods, inaccurate declaration of customs value, submission of false information about the rights to tax payment exemptions.

16.1

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

23

SUBMITTED

submissions



17

of which

executed in full

INTERACTION
WITH LAW ENFORCEMENT
BODIES

SUBMITTED

3

appeals to the
General Prosec-
utor's Office

1

appeal to the
FSB of Russia



following their consideration:

2

criminal cases



10

Submissions
to heads
of customs
authorities



43

Officials under
disciplinary action



Considered

107

draft
regulations



57

upheld
without com-
ments

19

upheld with
comments

18

not up-held



“Our task is to act as an assistant and advisor for experts making decisions, to prepare proposals in order to create a clearer, more intelligible and predictable system of relations between the federal center and the regions, especially in case when the President of the Russian Federation has set ambitious tasks.”

Yury Roslyak, Auditor of the Accounts Chamber



In 2018, 5 topical control and 2 expert-analytical engagements were conducted in this area, which confirmed the existence of previously identified problems.

The results of the regional development audit showed the following:

- the current model of inter-budget relations still poses risks of non-execution of the mandates of subjects of the Russian Federation and local authorities in full and with adequate quality. Engagements in 5 regions confirmed the previously identified problems related to execution of the mandate caused by the implementation of Presidential Decrees and tasks within state programs;
- the state program “Development of federal relations and creation of conditions for effective and responsible management of regional and municipal funds” does not contain effective measures for heavily subsidized entities and does not contribute to building their tax and budgetary capacity. The unique situation of heavily subsidized entities and their subsidy level of are not taken into account;
- systemic legal problems remain that are related to the regulation of performance assessment of Priority Social and Economic Development Areas (PSEDA), organization and control by the Ministry for Development of Russian Far East over the implementation of agreements by PSEDA.

In order to further improve inter-budget relations, a number of recommendations were prepared on introducing changes to statutory instruments that regulate the procedure for granting inter-budget transfers; the Government of the Russian Federation issued appropriate instructions to the federal executive authorities.

The results of their execution included:

- amendments to the Rules for the Provision and Distribution of Subsidies from the Federal Budget to Subjects of the Russian Federation in terms of establishing a list of emergency and insurmountable situations, in the event of which the constituent entities of the Russian Federation are exempted from liabilities;
- introducing standards for budgeting expenditures on the needs of public authorities of a subject of the Russian Federation for the next financial year and for the planning period;
- introduction of a new connectivity coefficient into the subsidy distribution method aimed at leveling the fiscal capacity of a subject of the Russian Federation that provides for transport connectivity of communities, population density of a territory and the proportion of population living in isolated and mountainous areas.

The adjustment of target indicators under the state program “Development of federal relations and conditions for effective and responsible management of regional and municipal funds” with respect to heavily subsidized subjects of the Russian Federation remains under control.

Given the particular importance of issues related to regional development, efforts will be continued.

18.8

billion rubles

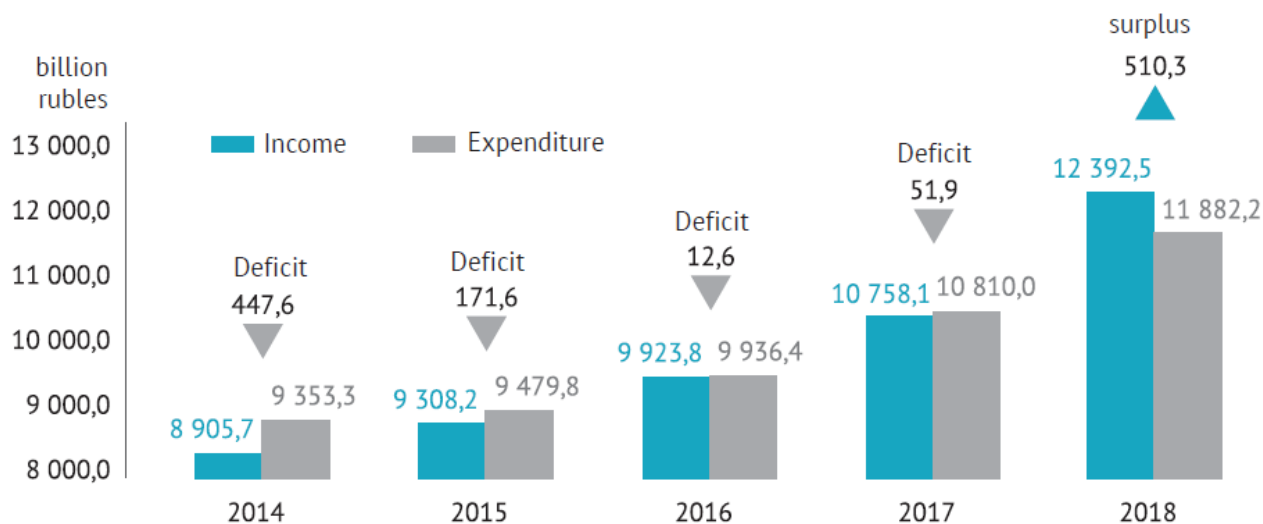
AMOUNT OF IDENTIFIED VIOLATIONS

604.4

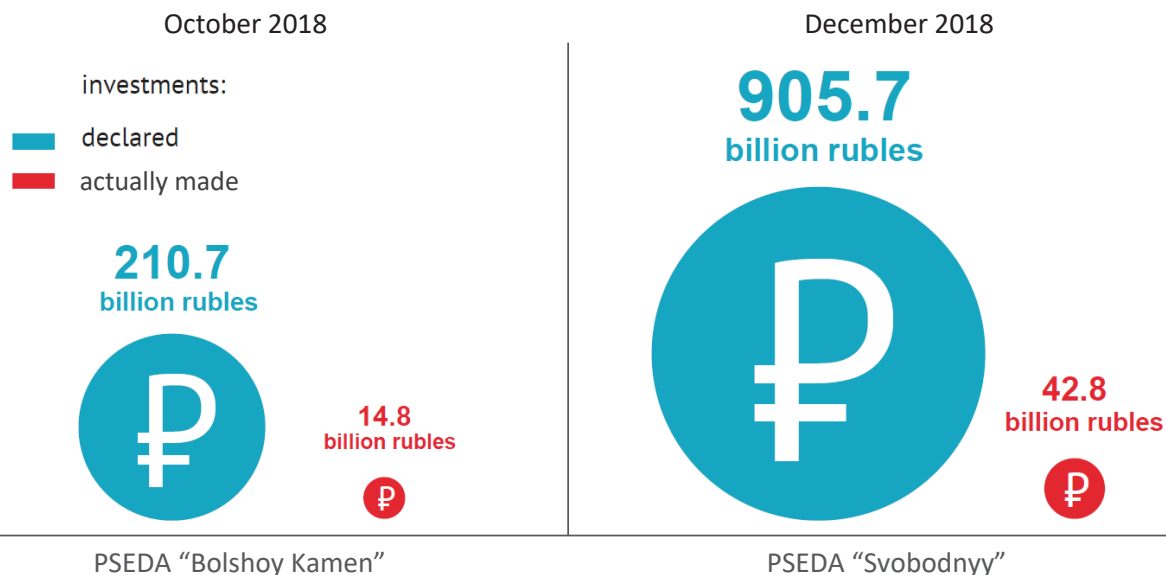
million rubles

RETURNED TO THE
BUDGET OF THE RUSSIAN
BUDGET SYSTEM

DYNAMIC OF SPENDING UNDER CONSOLIDATED BUDGETS IN SUBJECTS OF THE RUSSIAN FEDERATION



VOLUMES OF INVESTMENTS BY PSEDA RESIDENTS





“It is essential to form a unified digital system of public procurement, which would allow signing deals in automatic mode and identifying contracts with a high risk of corruption. Only in this case will the procurement become competitive, transparent and clear.”

Maksim Rokhmistrov, Auditor of the Accounts Chamber



Pursuant to Federal Law No. 44-ФЗ “On the Contract System of the Federal and Municipal Procurement of Goods, Works and Services” dated April 5, 2013 (hereinafter - Federal Law No. 44-ФЗ), the Accounts Chamber conducts an audit in the field of procurement in order to assess the validity of procurement planning, feasibility and efficiency of this procurement.

Verification of legality and efficiency of procurement of goods, works and services in the implementation of capital investments in state-owned entities in 2016-2017 is one of the key measures. Its relevance is ensured by the need to monitor compliance with the laws when institutions perform functions of a state customer within its mandate to conclude and execute state contracts with regards to realizing budgetary investments at the expense of the federal budget.

The engagement covered 2 audited entities, the Polytechnic Museum (restoration and reconstruction) and the Center for Translational Research of N.I. Pirogov Medical University (reconstruction).

Audit of the Polytechnic Museum has established an unlawful change in the essential conditions of the state contract for construction and installation works at the facility (1.17 billion rubles) and non-application of penalties to the contractor in the amount of 12.1 million rubles. The engineering equipment accepted and paid by the customer in the amount of 546 million rubles was not at the construction site. of the audit found that the museum accepted and paid for construction, installation and restoration jobs not covered by the terms of the contract (707.3 million rubles).

The audit of N.I. Pirogov Medical University found evidence of coordinated actions of contractors and organizations exercising construction compliance monitoring over the reconstruction project. That in practice led to the university accepting and paying the total amount of 56.2 million rubles for jobs that did not meet the requirements under state contracts. It was also established that the facility was not commissioned on time due to the actions (failure to act) of both the contractors and university officials.

In addition, it was found that actions (failure to act) of university officials led to significant risks of non-return of budget funds (unearned advance) and possible damage to the federal budget in the amount of more than 180 million rubles.

In total, the control engagement established financial irregularities in the amount of over 2.9 billion rubles.

Following the audit, an appeal was sent to the Prosecutor General of the Russian Federation, information letters to the Ministry of Culture of Russia, the Ministry of Health of Russia and the Federal Antimonopoly Service.

In the follow-up to the audit, these measures were taken: the head of the university became subject of a disciplinary action (issued a reprimand), officials of the Polytechnic Museum and N.I. Pirogov Medical University guilty of the violations were dismissed, a criminal case against a group of officials of N.I. Pirogov Medical University was initiated for overpayment for jobs that had not been performed.

293.7

billion rubles

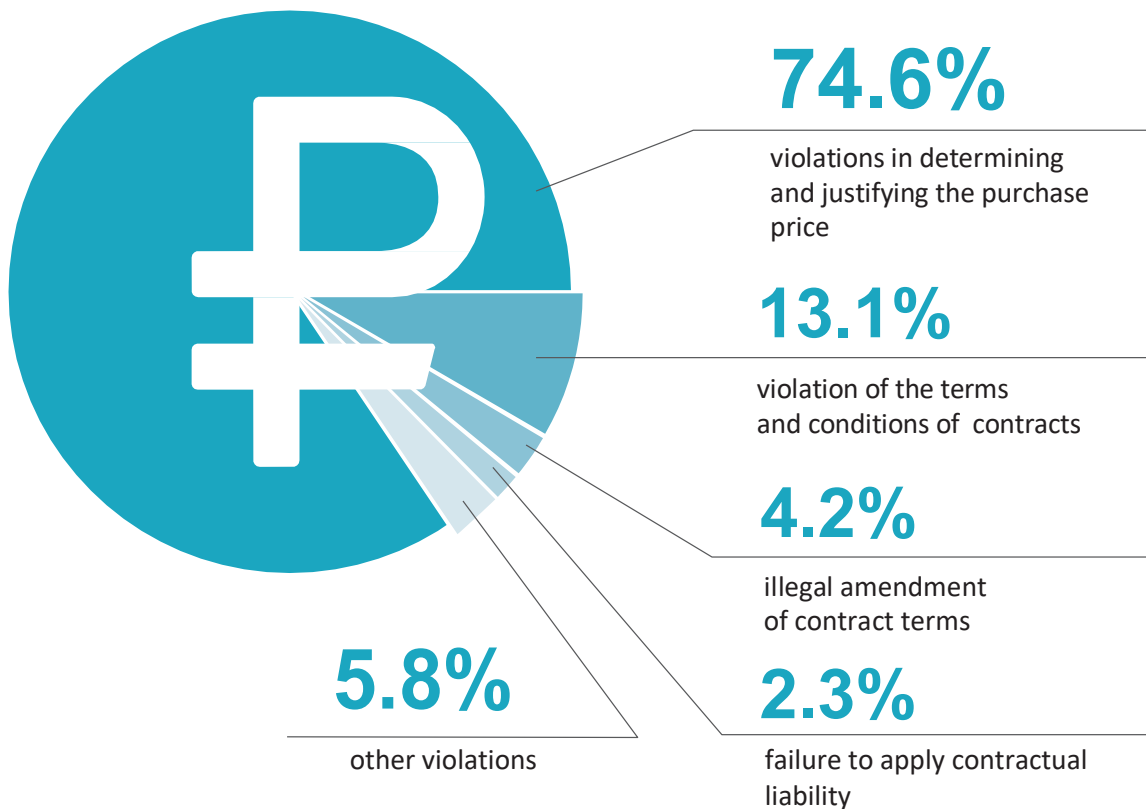
AMOUNT OF IDENTIFIED VIOLATIONS

procurement activities of

5 534

authorities and institu-
tions audited

MOST TYPICAL VIOLATIONS IDENTIFIED BY THE ACCOUNTS CHAMBER
IN GOVERNMENT PROCUREMENT



2 261 violations were identified

3.6. Federal property turnover



“As of January 1, 2018, 63% of the federal lands or 618 million hectares are not involved in the economic turnover. Moreover, their use demonstrate a capacity to boost the country's economic growth.”

Maksim Rokhmistrov, Auditor of the Accounts Chamber



In 2018, 8 audit and 1 expert-analytical engagements concerning federal property turnover were completed.

The engagements showed that the most typical problems were those that were related to inadequate exercise of their mandate by owners of a unitary enterprise's property and by shareholders of partially government-owned business entities, as well as violations of the procedure for state registration of rights, registration and maintenance of the federal property register, procedure for securing and using federally owned immovable and movable property.

Due to the lack of sufficient statutory regulation, the Federal Agency for State Property Management cannot effectively dispose of property appropriated by the state, as the basic regulatory documents either have lost their relevance or have not been adopted yet. Another problem is that the cost of storing property is significant and exceeds its sale price. Violations were found at all stages of the property sale, including unreasonably long periods for pre-sale preparation, however the highest risks of offences were identified at the stage of its destruction and recycling (disposal).

In addition, based on the results of the examination, the Accounts Chamber's opinion on the draft resolution of the Government of the Russian Federation “On Amendments to the State Program of the Russian Federation

“Management of Federal Property” provided a systemic conclusion on the poor efficiency of the state program as a strategic planning document and the need for its fundamental revision. The new state program is currently being developed by the Federal Agency for State Property Management.

The measures for analyzing activities of federal executive authorities in administering in come from

land use are of the greatest importance, and its relevance is ensured by the need to develop the land market by involving unused resources into economic turnover.

The Accounts Chamber proposes:

- to develop a strategic document that would determine, among other things, target indicators of land turnover;
- address the issue of transfer of unallocated lands to the regions;
- to ensure the accuracy of information about federally owned land in the state information systems;
- to develop a unified regulatory framework that would govern the involvement of land in economic turnover and rent for all government levels.

The General Prosecutor's Office of the Russian Federation carries out pre-investigation checks of the evidence provided in the appeal of the Accounts Chamber against officials of the administration of the city of Krasnodar and the interregional territorial administration of the Federal Agency for State Property Management in the Krasnodar Territory and the Republic of Adygea. Files on the damage to the Russian Federation caused by officials of the territorial administration of the Federal Agency for State Property Management in Moscow were submitted by the city prosecutor's office to the Main Investigation Department of the Investigative Committee of the Russian Federation. Territorial Administration of the Federal Agency for State Property Management in Moscow is working with tenants in order to recalculate the rental payments.

GAPS IN LEGAL REGULATIONS ON DISPOSAL OF SEIZED PROPERTY



Basic regulation on property accounting has lost its relevance 10 years ago.



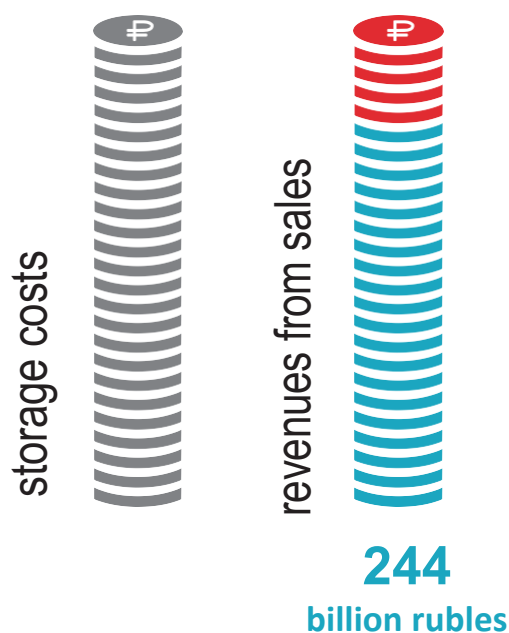
Property comes from authorized bodies without documentation necessary to dispose of it.



No requirements for property examination are established

EFFICIENCY OF THE USE OF SEIZED PROPERTY IN 2017 AND THE FIRST 6 MONTHS OF 2018

284 **- 40**
billion rubles billion rubles



LANDS INVOLVED IN ECONOMIC TURNOVER ON A LEASEHOLD BASIS



federal lands

14
million hectares

regional and
municipal lands

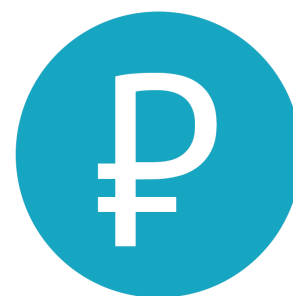
BUDGET REVENUES FROM LEASE OF STATE-PROPERTY LANDS

9.8
billion rubles



federal lands

24.8
billion rubles



regional and
municipal lands



“Some of the problems identified in the Insurance Development Strategy hang in mid-air. For example, the importance of the problems associated with high concentration in the market is shown, the tasks of developing competition are set, but no measures are provided for this purpose.”

Andrei Perchyan, Auditor of the Accounts Chamber



In 2018, 10 control and 5 expert-analytical engagements were completed.

The Accounts Chamber identified systemic problems and proposed a number of solutions.

There are no criteria for assessing the risk management system in the payment system of the Bank of Russia, and an independent assessment of the risk management system was not carried out in 2016-2017.

The Accounts Chamber proposed to enshrine in law the obligation of the Russian credit organizations to participate in the Bank of Russia Financial Reporting System and use the national express payment system. This should prevent the interruption of domestic Russian financial transactions and reduce the negative impact on the banking system and the economy as a whole in the event of interruptions in the operation of the international interbank system or the disconnection of Russian banks.

The Accounts Chamber also proposed to improve the mechanisms of interaction between the Government of Russia and the Bank of Russia to ensure the stability of the financial market and to expand the participation of the Bank of Russia in the development and implementation of strategic planning documents.

In the follow-up to the analysis with regards to development of the insurance market, the Accounts Chamber proposed to develop a new strategy for Russian insurance business development. Most of the objectives of the current 2017 strategy are not achieved, only a share of life insurance in the aggregate insurance premium was ensured out of all the benchmarks. The strategy does not provide for any measures to achieve some of the established objectives.

Therefore, the Government of the Russian Federation should take into account the situation of the current insurance market, the accumulated experience and mistakes made, and develop a new viable strategy, by engaging the Bank of Russia in the development of a strategic planning document.

In the follow-up to the audits of the North Caucasus Development Corporation, JSC (NCDC), the Accounts Chamber proposed the Government of the Russian Federation to consider suspending its additional capitalization from the federal budget until confirmation of the actual targeted use of funds allocated previously under investment projects. The Accounts Chamber also questioned the feasibility of continued operations of the NCDC.

By the end of 2018, none of the key objectives of the NCDC strategy were achieved, there is almost no project activity, there is no well-established investment mechanisms, budget funds are unclaimed in the NCDC accounts, but losses of about 3 billion rubles have been accumulated.

The proposals of the Accounts Chamber on these and a number of other audits were taken into account: changes were made to the Rules for Granting Agricultural Subsidies, regulations of the Bank of Russia. The Government instructed the Ministry of North Caucasus Affairs of Russia, the Ministry of Economic Development of Russia and the Ministry of Finance of Russia to submit proposals to remedy the situation with the NCDC.

The proposals of the Accounts Chamber on draft regulations have also been taken into account. Thus, that allowed an external state audit of Promsvyazbank PJSC and audit of development institutions, to which VEB.RF provides support at the expense of the federal budget. In addition, the criteria for classifying legal entities as development institutions have been clarified.

3.3

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

SUBMITTED

3

submissions

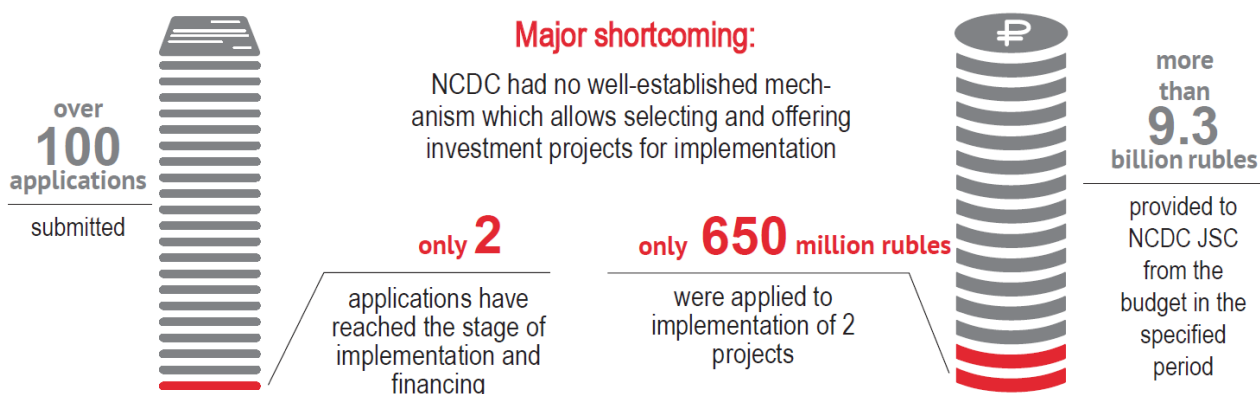


2

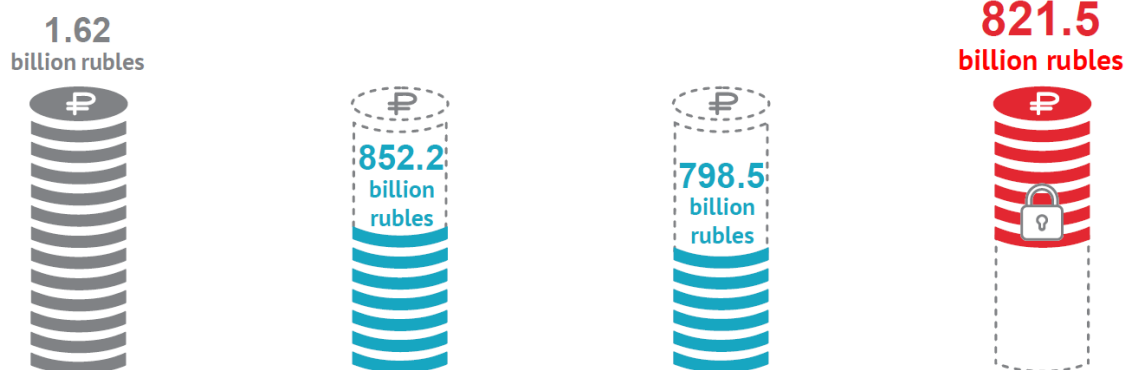
Appeals to law enforcement bodies



PERFORMANCE OF NORTH CAUCASUS DEVELOPMENT CORPORATION, JSC, IN 2016 – 2018



NCDC JSC FAILED TO ENSURE EFFICIENT USE OF BUDGETARY FUNDS TO CREATE A MEDICAL CLUSTER IN CAUCASIAN SPAS



December 2016
NCDC JSC received for the development of project documentation on medical cluster

April 2017
The Ministry of North Caucasus Affairs confirmed the need for only one half of the funds provided for this purpose

Cost of project design work, determined by the results of an open tender

December 2018
In fact, the sum stuck on the NCDC account and, due to their targeted nature, cannot be applied to other projects



“To implement the project financing mechanism for investment projects, it is crucial to establish the requirements for monitoring and control over the entire implementation period under the VEB.RF program.”

Tatyana Manuylova, Auditor of the Accounts Chamber



In 2018, 12 audit and 2 expert-analytical engagements were completed.

Audit and expert-analytical engagements identified the following problems in 2018.

The support program for investment projects based on project financing, approved by Decree of the Government of the Russian Federation No. 1044 of October 11, 2014, failed to ensure a mechanism for increasing lending on the long-term and preferential terms for real economy companies, and did not have a significant impact on the indicators of economic growth of the Russian Federation.

In order to increase the level of state guarantee support for investment projects, the potential state guarantee support under the project financing mechanism may also be used in the implementation of the VEB.RF program.

It has been established that the state program of the Russian Federation “Management of public finances and regulation of financial markets” lacks specific measures and target indicators in terms of managing free cash balances on a unified federal budget account. In this regard, the Accounts Chamber proposed to provide relevant targets (indicators) for this state program and underscored the need to expand the list of tools used in liquidity management.

The Accounts Chamber identified the lack of interrelation of performance indicators under project No. 4826-RU “Development of the system of state registration of real estate rights”, financed through the use of a loan from the International Bank for Reconstruction and Development, with its funding, and the inability to make a meaningful performance

assessment of the project with the IBRD performance indicators.

Proposals regarding the need to take measures for strengthening the validity control of project implementation performance assessment were submitted by the Accounts Chamber to the Government of the Russian Federation.

The most significant audit engagement of the reporting period is the evaluation of effectiveness and efficiency of state guarantees of the Russian Federation in the currency of the Russian Federation for loans obtained by Russian legal entities to implement investment projects based on project financing in the Russian Federation in 2015-2017 and in 2018.

It was established that the order of the President of the Russian Federation to establish a mechanism for project financing as one of the measures to stimulate economic growth had not been executed.

It should be noted that the use of the state support mechanism for investment projects implementation of based on project financing is currently relevant.

IMPLEMENTATION OF THE INVESTMENT PROJECT SUPPORT PROGRAMME ON THE BASIS OF PROJECT FINANCING IN 2014-2017

2014

The program was approved by the Government, however, state guarantees were not granted

2015

granted

45

state
guarantees
for loans



in the amount of

58.3

billion rubles



under

41

investment projects



2016

Loan refinancing for investment project implementation that were to be selected in 2016 was not carried out by the Bank of Russia. The programme was suspended

2017

State guarantees were not granted either.

RESULTS OF THE INVESTMENT PROJECTS SUPPORTED IN 2015 (as of January 1, 2018)

Constructed
and commissioned

23

Construction not
completed under

9

 projects

The guarantees
provided

under

9

 projects were
terminated, projects continue
to be implemented outside
the support program

3.9. International relations and international cooperation, implementation of production sharing agreements, budget of the Union State and turnover of federal property abroad



“, almost 179 million tons of oil and gas condensate, 249.5 billion cubic meters of gas and about 92 million tons of liquefied gas were produced during the entire period of implementation of production sharing agreements. State revenue for the entire duration of the projects amounted to \$41.3 billion. Of these, USD 24.9 billion was received by the federal budget and USD 16.4 billion by the regional budget. ”

Tatyana Manuylova, Auditor of the Accounts Chamber



In 2018, 20 relevant engagements were completed.

Audit of the implementation of production sharing agreements (PSAs) in 2017 identified systemic problems related to accumulated property accounting, patent protection of inventions and unreasonable inclusion of expenses in recoverable expenses for PSA projects in the amount of USD 1.2 million. Acting on the proposals of the Accounts Chamber, the Ministry of Energy of Russia developed procedures to transfer the property accumulated as a result of project implementation into federal ownership, as well as termination of its use by operators.

According to the instructions of the Government, the ownership rights to accumulated facilities under the Kharyaginskoye Field project were transferred to the state, and almost 3 thousand objects of movable and immovable property were accounted for. 10 real estate objects worth USD 165.7 million were accounted for in the federal register under the Sakhalin-1 project.

The audit of the federal budget spending on international cooperation and international relations showed a lack of systematic planning of the activities of Rossotrudnichestvo and its offices abroad in the implementation of their tasks, as well as efficient control of the offices by the authorized business units of the Agency central office. In the follow-up to the proposals of the Accounts Chamber, it was decided to prepare a draft review of the concept of resource and personnel capacity building across the system of the Ministry of Foreign Affairs of Russia, the Ministry of Economic Development of Russia and Rossotrudnichestvo.

The corresponding entries were made to the register of federal property confirming the assignment of rights to 142 real estate objects to Rossotrudnichestvo.

In the follow-up to audits of the the Union State budget spending, the Standing Committee applied enforcement measures to the Secretariat of the Parliamentary Assembly for illegally receiving and spending funds in the amount of 1.1 million rubles; the Ministry of Agriculture of Russia returned 27.1 million rubles to the Union budget in the follow-up to the audit of the Union Program “Topinambur”. A number of regulatory documents of the Union State, have been adopted with a view to improve budgeting.

In the follow-up to a performance audit and analysis of the effectiveness of the existing non-financial export support mechanisms, the Government reviewed regulations governing the procedure for providing certain types of state support to exporters.

An analysis of the effectiveness of the existing organizational mechanism for supporting foreign economic activity in Russia and measures for creating a coherent national system to support non-resource exports, established that the state support for exporters was not consistent. In addition, despite the measures taken ensuring the growth of non-resource exports during the period, there were no significant changes in the geographical and product diversification of export supplies.

The proposals of the Accounts Chamber submitted to the Government of the Russian Federation were taken into account when preparing specifications for the corresponding national and federal projects.

1.5
billion rubles

AMOUNT OF IDENTIFIED
VIOLATIONS

30

draft regulations
were assessed



103.7
billion rubles

RETURNED TO THE BUDGETS OF
THE BUDGET SYSTEM OF RUSSIA
AND THE UNION STATE

4

Conclusions of the Accounts Chamber
on state programme projects
were prepared

SUBMITTED

Submissions
and requirements

34



Out of which
Executed in full

27

SUBMITTED



appeals to law
enforcement bodies

5



criminal cases
initiated

2



“112-System is of great public importance. Even now that it has not been fully introduced – so far only 28% of Russians can use it – the system has reduced the emergency response time, the number of fatalities, injuries, as well as the amount of economic damage from emergencies and accidents.”

Vera Chistova, Deputy Chairman of the Accounts Chamber



In 2018, 27 audit and 14 expert-analytical engagements were completed in this area.

They identified violations and failures in public procurement, accounting and use of federal property, inappropriate and inefficient use of budgetary funds.

In addition, violations of the procedure for the development and spending of the federal budget have been identified, including:

- Lack of budget estimates and procurement plans in the Electronic Budget information system that is the basis for determining the need for budget allocations;
- incomplete information on the legal justification for expenditure commitments;
- errors or lack of calculations supporting the need for budget allocations;
- violation of the deadlines for documents submission under the draft budget development and review schedule.

One of the most significant engagements in the reporting period was an expert-analytical engagement that analysed the budget spending allocated for the implementation of the Federal Target Program “System for ensuring the number “112” as a unified number for emergency services in the Russian Federation in 2013-2017”, conducted by the Accounts Chamber together with regional audit institutions of the Russian Federation.

The engagement established that by the time the Federal Targeted Program was completed, the 112-System had not been fully deployed in 73 regions. Today only 28% of the population living on 15% of the country's territory may use in full. The 112-System does not allow transmitting emergency call data to services “01”, “02” and “03” in an automated mode in 17 regions.

The implementation of the program has been slowed down by funding cuts: resources for the Federal Targeted Program have been reduced from 65 to 11 billion rubles in comparison to its initial provisions.

Logistics also interfered with its full implementation. Thus, the creation, operation and development of the 112-System falls under the mandate of the subjects, and the general coordination of the authorities on all levels in deploying the 112-System is assigned to the EMERCOM of Russia. At the same time, the instructions of the EMERCOM of Russia are only advisory in nature and are not taken into account by many subjects.

In the follow-up to the audit, the Accounts Chamber sent a letter to the President of the Russian Federation to coordinate efforts with the regions to complete the 112-System development with specific deadlines across the Russian Federation, and also to continue the preparation of a draft federal law on the 112-System, providing for, among other things, the introduction of uniform technical solutions for the integration of departmental dispatch services with the 112-System, as well as the procedure for interdepartmental and interregional interaction.

The President of the Russian Federation gave the corresponding instruction to the Prime Minister on January 16, 2019. Its implementation remains under the close control of the Accounts Chamber.

135.1

billion rubles

AMOUNT OF IDENTIFIED
VIOLATIONS

1.5

billion rubles

RETURNED TO THE FEDERAL
BUDGET OF THE RUSSIAN
FEDERATION

examination was conducted for

115

draft regulations



The Accounts Chamber provided its

comments for **21** drafts

For **24** of them,

the comments were taken into account
when finalizing the regulations

SUBMITTED

24

submissions

4

requirements



of which

19

executed in full



appeals submitted to
law enforcement
bodies

11



criminal cases
initiated

2



Submissions
by the prosecutor's
office
on the elimination
of violations

8



“The military registration and enlistment offices are a link between the army and the people; it is the advent of the present day army and the army of the future. They address a wide range of tasks; we have considered the most important of them.”

Vera Chistova, Deputy Chairman of the Accounts Chamber



In 2018, 6 relevant audit and 2 expert-analytical engagements were completed.

Among the most significant engagements there was an audit of the federal budget funds allocated in 2016–2018 for the maintenance of military enlistment offices and fulfilment of their duties.

The audit showed that, in general, the military enlistment offices quite efficiently performed the tasks assigned to them in all audited areas of activity.

At the same time, certain issues of military registration and the call-up of citizens for military service are insufficiently regulated.

For example, the law does not provide for a list of supporting documents submitted by health care institutions to the military enlistment offices in order to compensate the costs of medical examinations.

In addition, the fines for administrative offences related to citizens failing to undergo a medical examination and to fulfil military registration duties (failure to appear on call to the military enlistment office, failure to notify in a specified period of any changes in marital status, education, place of residence and work) need updating.

One of the key tasks addressed by the military enlistment offices is the exercise of the rights of citizens dismissed from military service to social guarantees, including pensions.

At the same time, the structure of the pension provision in the Ministry of Defense is a complex and multi-level system, which includes, along with the military enlistment offices, other military au-

thorities, as well as Sberbank PJSC, which acts as an agent of the Government for pension payments. However, given such a complex system, there is no instrument regulating pensions in the Ministry of Defense. In addition, there are no specific requirements for the business transactions accounting that would cover how pensions are awarded and paid, what the content and form of accounting documents and analytical registers should be, and the interagency paperwork rules for the military office. Departments of the financial and economic unit of the Ministry of Defense that keep spending and budgetary records of pension payments did not keep any personalized payment records.

The audit also uncovered shortcomings in the work of the “Passport” automated system, including in terms of introducing personal electronic cards of military personnel, which were produced and issued by military enlistment offices.

In addition, the audit identified inefficient use of budget funds and federal property, overstatement of government contracts, non-claims for breach of contract, as well as violations in the Ministry of Defense procurement of an AIS intended to streamline the processes of pension provision. In the follow-up to the audit, the Accounts Chamber also identified the lack of performance indicators for military enlistment offices under the state program for ensuring the country's defense. Its implementation by the Ministry of Defense of Russia is scheduled to start in 2019.

284.3

billion rubles

AMOUNT OF IDENTIFIED
VIOLATIONS

SUBMITTED

10

submissions

1

requirement



of which

4

were executed in full

33

officials that
became subjects
of disciplinary
action



Draft regulations evaluated

61



evaluation was conducted for
drafts of **61** regulations

The Accounts Chamber provided its
comments on **16** drafts



appeals submitted to
law enforcement
bodies

4



criminal cases
initiated

3



submissions by the
prosecutor's office
on the elimination
of violations

18



“The lack of a unified approach to ensuring the activities of justices of the peace in the Russian Federation poses a risk to the guarantees of independence of justices of the peace, as well as the quality of justice, openness and transparency of the judicial branch, and citizens' confidence in justice in general.”

Tatyana Blinova, Auditor of the Accounts Chamber



In 2018, 13 engagements were completed.

One of the key engagements concerning control over the federal budget spending on the judicial system was the analysis of the costs of funding and logistical support of the activities of justices of the peace in 2012–2017. It showed that there is no unified approach to the activities of justices of the peace in the Russian Federation.

Analysis of the working environment of the justices of the peace identified systemic problems that negatively affect the accessibility and impartiality of justice, including the absence of justices of the peace in certain districts and insufficient logistics support.

Thus, the level of staffing of justices of the peace in Russia in 2012–2017 averaged 94.4%. At the same time, 30% of the justices of the peace are not provided with office space and courtrooms. The situation is particularly unhealthy in the Republic of Bashkortostan, the Krasnodar, Primorye and Stavropol Territories, Belgorod and Tver regions.

The engagement established that, as of January 1, 2018, 59.6% of the justices of the peace carried out their activities in premises located outside their judicial districts.

Following the analysis, the Accounts Chamber informed the President of the Russian Federation about the need to introduce appropriate changes into the system of logistics support for justices of the peace in the Russian Federation.

With regards to control over spending on the penal system, an audit was conducted to evaluate the efficiency of budget spending on IT development in the Federal Penitentiary Service. In the follow-up to the audit, the Accounts Chamber stated that the degree

of IT development in the management system of the Federal Penitentiary Service of Russia is insufficient for making effective management decisions.

Statutory regulation of IT development in the Federal Penitentiary Service of Russia does not allow the agency to efficiently introduce modern information technologies. The uniform information system has not been created, and some of the existing systems are used inefficiently.

For example, out of 53 thousand units of electronic ankle tracking devices, as of January 1, 2018, 38,065 units, or 72%, with reported value of 2.1 billion rubles, were not used.

Some of the activities in the ICT sector were funded but not included in IT development plans of the Federal Penitentiary Service of Russia, that is, the expenses were incurred without any expert evaluation by the Ministry of Communications and Mass Media of Russia. The share of such expenses ranged from 30% in 2015 to 40% in 2017.

In order to eliminate the identified violations and failures, the Accounts Chamber sent a submission to the Director of the Federal Penitentiary Service of Russia and an information letter to the Ministry of Communications and Mass Media of Russia. In the follow-up to the submission of the Accounting Chamber, 7 officials were dismissed

6.3

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

MADE



Submissions
and action or-
ders

11



Appeals to the
General Prose-
cutor's Office

5

evaluated **180**
draft regulations



10

conclusions of the Accounts
Chamber made

JUSTICES OF THE PEACE



59.6%

operated outside their
judicial districts

27.6%

were not provided
with courtrooms



“In some industries, indicators of government programs should be more ambitious and correspond with target indicators established by decrees and addresses of the President of the Russian Federation, national projects and sectoral strategies.”

Sergey Agaptsov, Auditor of the Accounts Chamber



Here the Accounts Chamber exercised control over expenditures in industry, research and use of outer space, and evaluated the efficiency of special economic zones and the implementation of the priority program “Integrated Development of Single-Industry Towns”.

In 2018, 15 relevant audit and 10 expert-analytical engagements were completed.

With regards to industry control, expert and analytical engagements were conducted to assess the implementation of state support measures for priority industries (5 branches of engineering, light industry and production of manufacturing equipment).

Audits showed that steady growth rates of industrial production were observed in a number of industries, the import declined (in the automotive industry, oil and gas engineering, transport engineering). At the same time, a high level of import dependence persists in machine-building, food and processing industry engineering, and engineering in specialized industries. Instructions of the President of the Russian Federation and strengthened sanctions require increased import substitution indicators for certain types of crucial products. Manufacturing equipment industries need more attention. At the same time, import substitution should be implemented carefully and so that it does not hinder national economic growth.

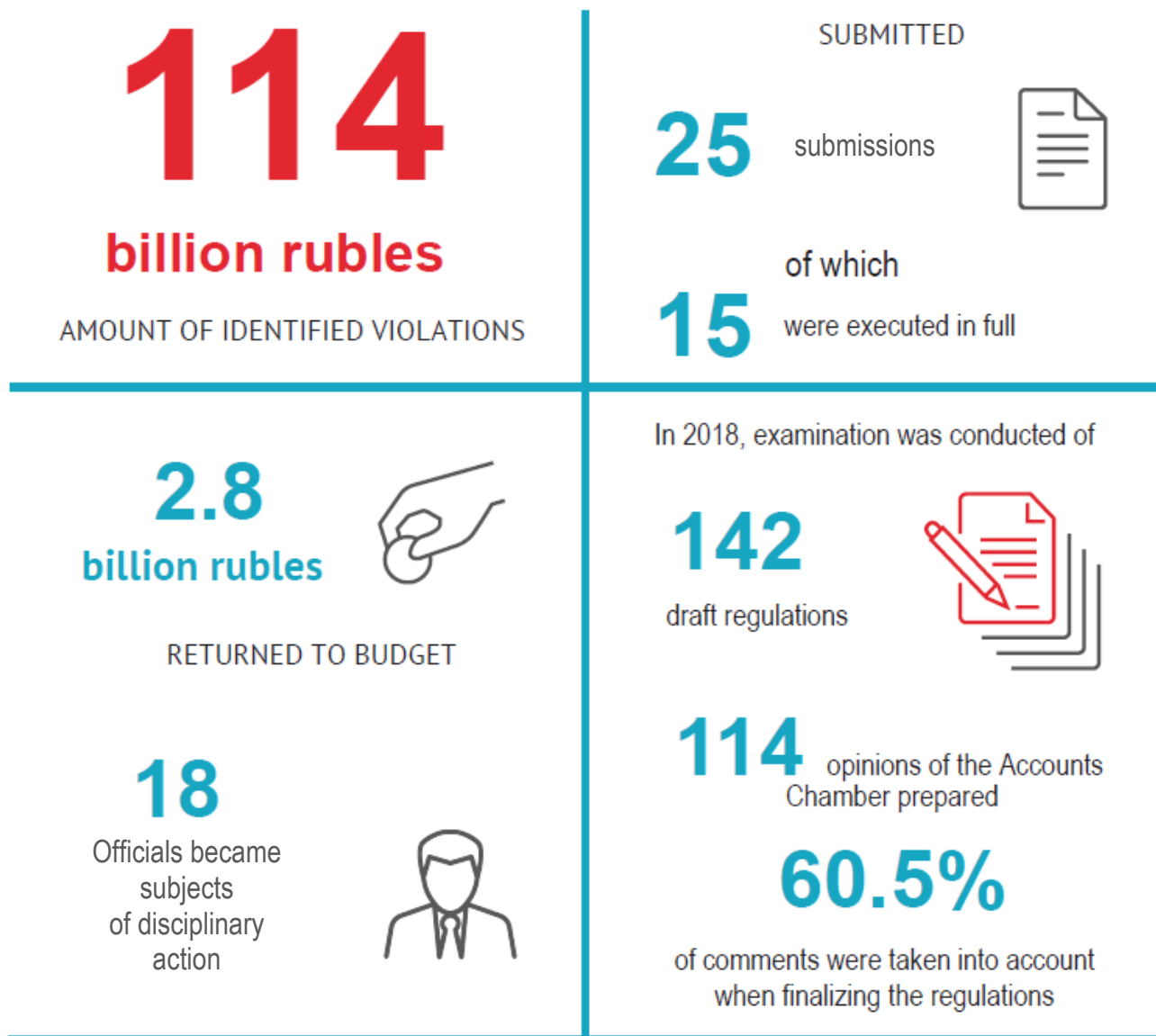
The most significant engagement in the reporting period was the audit of the program on the creation of a short-medium haul aircraft of the MS-21 series, that identified the risks of delays in design production of the aircraft and announcing the beginning of the sales, and other violations and shortcomings.

Proposals for their elimination are presented in the submissions of the Accounts Chamber.

Under the instructions of the President of the Russian Federation, audits were carried out concerning budget spending on the procurement and delivery of medical ambulance cars and school buses. The audit covered all regions of the Russian Federation. The funds were spent in due manner. The President of the Russian Federation was informed about the results of audits.

The most significant engagement in space research and use include audit of the M.V. Khrunichev State Space Research and Production Center, JSC, as well as the assessment of measures taken by the Roscosmos State Corporation to ensure the completion of the Vostochny launch site facilities construction. These audits identified significant violations and shortcomings. Suggestions for their elimination are presented in the opinions of the Accounts Chamber.

In the reporting period, the measures for evaluating the performance of special economic zones and the implementation of the priority program “Integrated Development of Single-Industry Towns” gained extensive publicity. Assessment of special economic zones has shown that the SEZs as a tool are not sufficiently effective in developing the Russian economy. One of the reasons is inadequate exercise of their management mandate by the Ministry of Economic Development of Russia and the local executive authorities.



The Accounts Chamber informed the head of state and the Government of the Russian Federation about the identified violations and shortcomings.

Audit of support performance in single-industry towns under the priority program “Integrated Development of Single-Industry Towns” showed that this program had been implemented without considering the strategic national priorities of the Russian Federation set out in the strategic planning documents. The indicators of the priority program did not correspond to its goals, were perfunctory,

non-informative and rather statistical in nature and did not reflect the actual situation with a view to address unemployment and diversification of the economy in single-industry towns.

The engagement established that, in general, today efficient ways of addressing problems of mono-specialized settlements have not yet been found. The outflow of population from single-industry towns, mainly employable citizens, continues.



“Our task is to increase non-resource exports. The world has now become a common laboratory for designing new products and new technologies, and we will have to use the best technologies that are developed in the world to create our own that will in turn become the best.”

Aleksei Kudrin, Chairman of the Accounts Chamber



In 2018, 2 relevant engagements were completed in this area to analyze the effectiveness of state export support measures.

In the follow-up, the Accounts Chamber noted a lack of a systematic approach to state support. The functions of public authorities and organizations that are involved in supporting exporters are often duplicated, their activities are not coordinated. The executive authorities at the federal level do not have a systematic understanding of how all existing export support mechanisms will influence how Russian products are coming to international markets. Exporters also are not fully aware of the existing support measures.

Despite the fact that the measures taken by the state ensured a 13.6% increase in non-resource exports over 2 years (2015–2017), there were no significant changes in the geographic and product diversification of exports. For example, engineering products account for only 25% of exports, with 27% of metal products, 18% of chemical products, and with 14% of food. At the same time, half of non-resource non-energy exports account for only 10 states, including a significant share of the People’s Republic of China, the Republic of Kazakhstan and the Republic of Belarus.

Regulatory issues were not resolved. In particular, criteria for attributing goods to one category or another, as well as “non-resource exports” and “non-financial support for exports” are not legally defined. The statistical methods for assessing exports, in particular that of small and medium enterprises, need to be improved. Indicators of state programs and priority projects that envisage measures to support exports, are not coordinated and cannot be matched with indicators of key strategic documents on international trade.

For example, the “Growth rates of non-resource goods” indicator under the state program “Development of foreign economic activity” with values of 120.2%, 122% and 119% in 2018–2020, respectively, is not consistent with the indicators of the priority project “Systematic measures for the development of international cooperation and exports” and is not consistent with the Forecast of the Socio-Economic Development of the Russian Federation for 2018 and the Planning Period of 2019 and 2020, that says that the non-resource goods export in 2018 - 2020 will grow at the increased average annual rate of 4.5%.

Indicators of priority projects are established mainly for the Russian Export Center, JSC and do not take into account the efforts of other authorities and organizations, including local ones. In some cases, indicators are initially underestimated, which leads to overfulfilment.

The Accounts Chamber also identified violations of the procedures for providing support to exporters by the Ministry of Industry and Trade of Russia and the Russian Export Center, JSC, including administrative barriers.

In the follow-up to the engagements, the Accounts Chamber prepared a number of proposals that were taken into account when preparing specifications for national and federal projects. The Accounts Chamber suggested that the Government should amend regulations governing the procedure for providing certain types of state support to exporters.

EXPORTER SUPPORT WITHIN THE FRAMEWORK OF THE PRIORITY PROJECT “INTERNATIONAL COOPERATION AND EXPORT IN INDUSTRY” (2017)

support was provided in

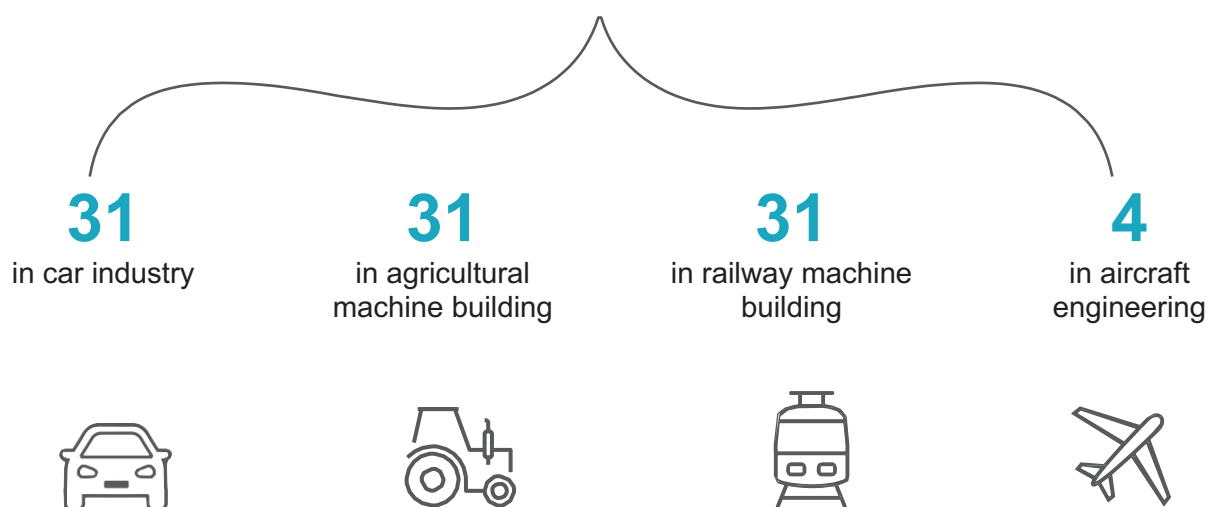
4 priority areas

45

Exporting organizations
were supported

1.4

billion rubles, support
amount



RESULTS OF SUPPORTING EXHIBITION ACTIVITIES FOR INCREASING RUS- SIAN BRAND AWARENESS ABROAD (2017)

27

exhibition events held by
REC, JSC in Russia and
abroad

1.7

billion rubles in federal
spending

34

organizations were sup-
ported

14.6

million rubles of ex-
port contracts in total

by **116** TIMES

the budget spending exceeded the amount of contracts concluded on
the basis of exhibitions



“The current status of state and municipal informatization still depends heavily on foreign- software, the plans for the transition to domestic office software is not actually implemented.”

Vera Chistova, Deputy Chairman of the Accounts Chamber



In 2018, 10 engagements were conducted.

It is established that the measures taken by the Government to substitute imported software (technical regulation, preferences, prohibitive measures under the national regime, mandatory additional requirements for the software being purchased, measures to centralize procurement) are not efficient enough.

The current procedure for coordination of informatization is not synchronized with the budget cost-planning activities, including the procurement plan procedures that threatens uninterrupted operation of state information systems.

The Russian ICT Investment Fund with 100% state participation established in 2007 has not been fulfilling its tasks as a financial institution for the development of the ICT industry for 10 years. The budget funds allocated as a contribution to the authorized capital of Rosinfokominvest in the amount of 1.45 billion rubles are not invested directly in the development of the industry.

On the President's instructions, in 2018, an assessment of the number healthcare institutions with access to the Internet was completed, and violations and risks were identified that were confirmed in a similar evaluation in 2019.

Thus, the initiative to provide healthcare institutions with an access to the Internet was launched in 2017 without a schedule envisaged in the instructions of the President.

The insufficient planning quality of the budget allocations ensured by the Ministry of Communications led to the accumulation of undrawn federal budget funds allocated from the Government reserve fund in 2017 in the amount of 3.5 billion rubles.

Inappropriate allocation of funds from the federal budget amounted to 1.89 million rubles, that were returned to the budget.

The President of the Russian Federation and the Government were informed about the results of the audit; an submission was made to the Ministry of Communications and an appeal was submitted to the Prosecutor General.

2019 Audit showed that the task set by the head of state to provide all hospitals and health centers in Russia to broadband Internet in 2017–2018 as a whole had been completed.

However, the identified violations and shortcomings indicate poor management in the course of project implementation.

The schedule was approved by the Ministry of Communications only as a result of execution of the submission of the Accounts Chamber in September 2018.







Inadequate quality of budget allocations planning done by the Ministry of Communications and the Ministry of Finance led to the accumulation of undrawn budget funds in 2018 in the amount of 0.81 billion rubles, at the end 2019, the undrawn budget could total 3.49 billion rubles.

Analysis of the methods of connection via fiber-optic communication lines (10 Mbit/s) and satellite (1 Mbit/s) showed that the project does not take into account other options available on the market that offer a communication channel with sufficient speed and lower fees.




Low demand for communication channels in 2018 and early 2019 indicates the lack of interest from healthcare institutions in the resource.

The Accounts Chamber also draws attention to similar risks faced in the implementation of projects under the “Digital Economy” national program for providing Internet connection to healthcare and obstetric centers and educational institutions.

Progress of the Accounts Chamber in 2018

<p>SUBMITTED</p> <p>12 submissions</p> <p>6 of which executed in full</p> 	<p>6 officials held administratively liable</p>  <p>3 appeals submitted to law enforcement agencies</p> 
<p>WERE EXAMINED</p> <p>33 draft regulations</p> <p>for 4 projects the Accounts Chamber provided its recommendations</p> 	<p>according to their results:</p> <p>1 The prosecutor's submission was sent to the head of the Federal State Unitary Enterprise "Russian Post"</p>  <p>4 in-house inspections conducted with the participation of the FSS of Russia</p> 

OUTCOMES OF ROSINFOKOMINVEST IN 10 YEARS

	Planned	Actual
 <p>Amount of invested capital</p>	<p>1,2 Billion rubles</p>	<p>75 Million rubles</p>
 <p>Number of investment projects</p>	<p>14</p>	<p>1</p>
 <p>Expected budget revenues from fund activities per year</p>	<p>813 Million rubles</p>	<p>26,5 Million rubles</p>



“New power engineering facilities are needed for the Far East regions to provide consumers with electricity and heat, to create capacity reserves so that the regions could develop and attract investments. However, we have identified risks of a new delay to the commissioning of Far Eastern power plants.”

Valery Bogomolov, Auditor of the Accounts Chamber



In 2018, 7 audit and 1 expert-analytical expenditure control engagements were completed in fuel and energy sector.

The engagements showed the low quality of developed strategic planning documents associated with power engineering industry, low efficiency of the “Energy Efficiency and Energy Development” state program, as well as the lack of proper control over the implementation of investment power engineering projects. In addition, violations were identified in the activities of power engineering companies and the Ministry of Energy of Russia, impact negatively the achievement of strategic goals associated with the development of the integrated power grid and the coal industry.

The Accounts Chamber identified the need to improve the quality of budget allocations planning, strengthen control over the implementation of power engineering projects carried out through contributions to authorized capitals of joint-stock companies, improve executive discipline in the development of regulations, and make officials, who have committed violations, subjects to disciplinary action.

In 2018, the Accounts Chamber continued monitoring the implementation by RusHydro, PJSC of priority projects in the fuel and energy sector of Eastern Siberia and the Far East. A regular audit showed that commissioning of the Sakhalin TPP-2 and the CHP in Sovetskaya Gavan (Khabarovsk Territory) had been delayed.

At the same time, both facilities were supposed to be launched in 2016, however, the dates were repeatedly changed. The main reason for non-compliance with the deadlines is poor-quality specifications and estimates.

Another significant engagement of 2018 in the fuel and energy sector is the audit of the preparation and implementation of the investment program of Federal Grid Company of Unified Energy System, OJSC.

The audit showed that the investment program of Federal Grid Company of Unified Energy System, OJSC was not fully coordinated with the established parameters for the development of the Unified Energy System of Russia. In particular, the deadlines for the implementation of investment projects, cost indicators and commissioned capacities were not in compliance with the Unified Energy System development programs and the General Layout of Electric Power Industry Facilities until 2035.

Analysis of the fluctuations of production indicators of Federal Grid Company of Unified Energy System, OJSC showed a decrease of capacity utilization, high wear of fixed production assets, growing electricity undersupply to consumers due to emergency shutdowns, which does not ensure an adequate level of reliability and continuity of energy supply to consumers. When the submission was being considered, the Company developed a new version of the scenario for investment program development. Its approval is monitored by the Accounts Chamber.

3.8

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

MADE

6

submissions

5

of which
executed in full



RETURNED TO BUDGET

363.1
million rubles



examination was conducted for

19

draft

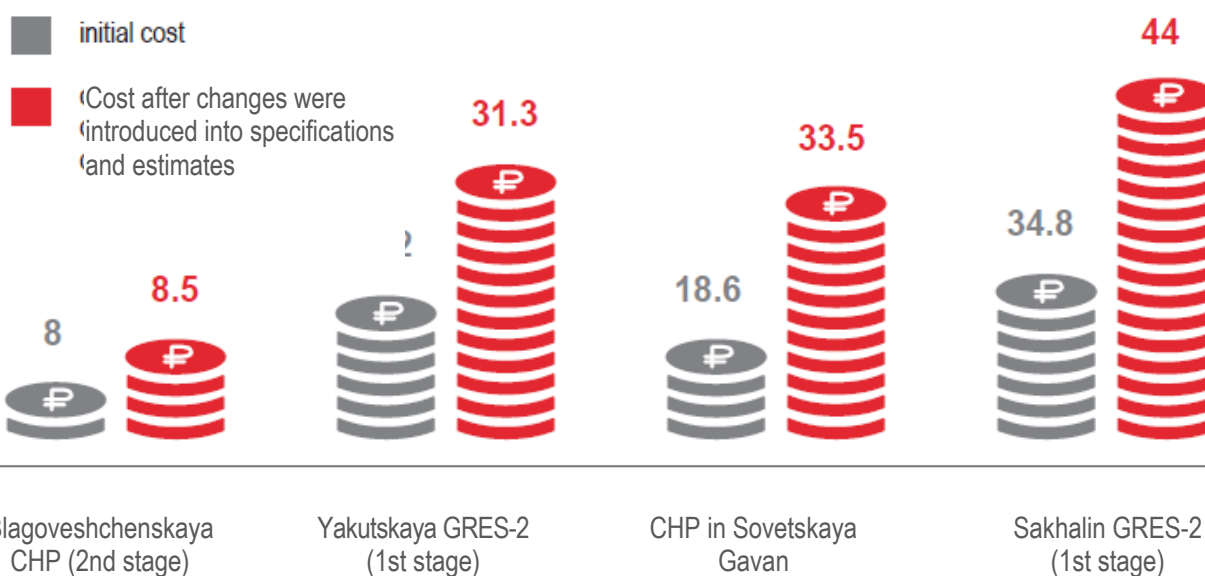
regulations



17

opinions of the Accounts
Chamber were prepared

INCREASE IN ESTIMATED COST OF PRIORITY FUEL AND ENERGY SECTOR PROJECTS
AS A RESULT OF CHANGE OF SPECIFICATIONS AND ESTIMATES
(billion rubles)





“According to the evaluation results of implementation of the measures of the Federal Target Program “New generation nuclear power technologies for 2010–2015 and for the long term until 2020”, we have to say that we are not where we were going to be, and there are significant risks that this could negatively affect the achievement of the national goal under Decree of the President of the Russian Federation No. 204 in terms of accelerating the technological development of the Russian Federation”.

Sergey Agaptsov, Auditor of the Accounts Chamber



In 2018, 5 control and 2 expert-analytical engagements were completed in the reporting period that were associated with control of the activities of the State Atomic Energy Corporation ROSATOM.

In 2018, an audit of intellectual outputs inventory produced in the course of research and development and experimental design activities under the Federal Target Program “New generation nuclear power technologies for 2010–2015 and for the long run until 2020”, conducted by the State Atomic Energy Corporation ROSATOM, so that they could be registered as intangible assets.

As a result of the inventory compiled by the State Atomic Energy Corporation ROSATOM, intellectual activity outputs for a total value of more than 23 billion rubles were identified and registered in the budgetary accounting of the State Atomic Energy Corporation ROSATOM, and that, in turn, increased the assets of the State Atomic Energy Corporation ROSATOM.

At the same time, the audit established that the intellectual outputs produced under the program are not commercialized. It also showed that there was a lack of due independent control at the state level associated with the timely registration of the outputs of intellectual activity, as well as with the assessment of their possible involvement in the economic turnover.

Another important engagement concerned the progress assessment of the objectives of the Federal Targeted Program “New Generation Nuclear Power Technologies”.

The engagement established that the main indicators show a negative trend, and therefore there are risks of not achieving the goals and objectives of the program, as well as the goals under Decree of the President of the Russian Federation No. 204 in terms of accelerating the technological development of the Russian Federation. At the same time, the system of indicators envisaged by this Federal Targeted Program does not allow to fully assess the progress with regards to its goals and objectives.

In the follow-up to the audit of the Federal Targeted Program “New Generation Nuclear Power Technologies”, information letters were sent to the Government of the Russian Federation, the State Atomic Energy Corporation ROSATOM and the Ministry of Economic Development of Russia. The State Atomic Energy Corporation ROSATOM took note of the recommendations of the Accounts Chamber.

The audit of technology park development in Sarov, Nizhny Novgorod region, was one of the major engagements in the reporting period. The audit established that the objectives of creating a technology park in Sarov, including the development and implementation of innovative projects there, have not been achieved. The State Atomic Energy Corporation ROSATOM failed to ensure the efficient use of budgeted for the creation of this technology park.

The proposals of the Accounts Chamber to eliminate the identified violations and shortcomings are reflected in the submission of the Accounts Chamber to Technopark-Technology, JSC, 2 information letters, as well as in the appeal to the Investigative Committee of the Russian Federation.

25

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

7

MADE

submissions

5

of which,
were executed in full



according to their results:

10

officials who became
subjects of disciplinary
action



examination was conducted for

17

draft regulations



17

opinions of the Accounts

Chamber were prepared

The State Atomic Energy Corporation ROSATOM and Techno-Park Technology, JSC have developed and are currently implementing an action plan to eliminate the comments and violations identified by the Accounts Chamber, including redesign of the technology park "Sarov" project.

In addition, in the follow-up to the engagements, significant balances remaining of funds were found that had been allocated to the State Atomic Energy Corporation ROSATOM from the federal budget to implement a number of projects (construction of universal nuclear icebreakers, creation of an innovative technology park in Sarov (Nizhny Novgorod region), construction of the Hanhikivi-1 NPP in Finland).

When the audit of the efficient use of budget funds allocated for the construction of a pilot and

2 serial universal nuclear icebreakers, the Accounts Chamber submitted a report to the President of the Russian Federation. In the follow-up the Government of the Russian Federation issued instructions to the State Atomic Energy Corporation ROSATOM, the Ministry of Economic Development of Russia, the Ministry of Construction, Housing and Utilities of Russia, the Ministry of Industry and Trade of Russia and the Ministry of Finance of Russia to eliminate the identified violations.

In order to follow the Government instructions, the State Atomic Energy Corporation ROSATOM prepared a draft schedule for developing regulations that govern the specifics of shipbuilding projects, including the construction of ships with nuclear power units.



“State support measures have not yet had a significant impact on the development of small and medium enterprises. The share of SMEs in the national GDP remains low. The volume of loans to SMEs is decreasing, and the implementation of the state program for SMEs development does not create more jobs in the sector.”

Andrei Perchyan, Auditor of the Accounts Chamber



In 2018, 1 expert-analytical engagement and 2 audit engagements were completed.

The engagements identified the following principal problems.

The target set by the President of the Russian Federation to increase the number of people employed in small and medium-sized enterprises (SMEs) to 20 million people by 2018 has not been achieved.

The current SME Development Strategy does not take into account the goal set by the President of the Russian Federation to achieve a 40% level of SMEs contribution to GDP by 2024.

The status of the Basic Provisions of the Development Strategy of the National Guarantee System for SME Support is not defined in the system of strategic planning documents. Key performance indicators are adjusted annually and are set “on the basis of the achieved” and do not serve as a strategic guideline.

The Accounts Chamber recommended to the Government of the Russian Federation to:

- include the “Contribution of SMEs to GDP” indicator in the federal statistics plan;
- bring the SME Development Strategy in the Russian Federation for the period up to 2030 in line with the SME development goals set in the Address of the President of the Russian Federation to the Federal Assembly of the Russian Federation;
- develop a strategy for the development of the National Guarantee System for SME Support;
- revise the regulations that govern how subsidies for state support of SMEs are granted and distributed.

The most significant expert-analytical engagement in 2018 was the implementation analysis of state support measures for SMEs in 2014–2017. Its relevance is determined by the fact that every year substantial funds are allocated from the federal budget to support SMEs.

The engagement identified the following problems.

In 2014–2017, 120.5 billion rubles were allocated from the federal budget for the development of SMEs under the state program of the Russian Federation “Economic Development and Innovative Economy”, and 98% were utilized. The indicators characterizing the development of SMEs have been met, but all the target values of the indicators for 2017 have been significantly reduced comparing to 2014. Thus, in terms of the “Number of Newly Created Jobs in the SME Sector” indicator, the values decreased from 108 thousand in 2014 to 25 thousand in 2017. The annual decrease in newly created jobs together with a positive trend in the number of people employed in the SME sector in 2014–2017, has led to the conclusion that the implementation of the state program does not have a significant impact on employment in the SME sector.

The regulatory framework at the federal and regional levels does not ensure the economic feasibility of allocating resources to support SMEs. A sample audit showed that the subsidies did not affect the main financial indicators of SMEs.

Subsidy performance indicators provide no opportunity to assess the impact of the support on the creation or modernization of businesses.

2,6
billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

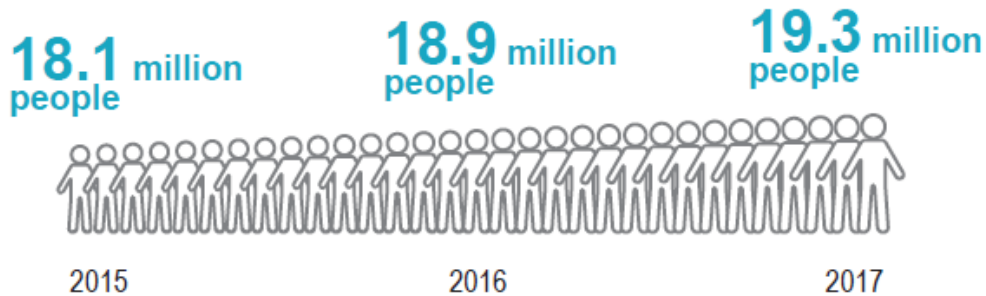
examination was conducted for

5 draft
regulations

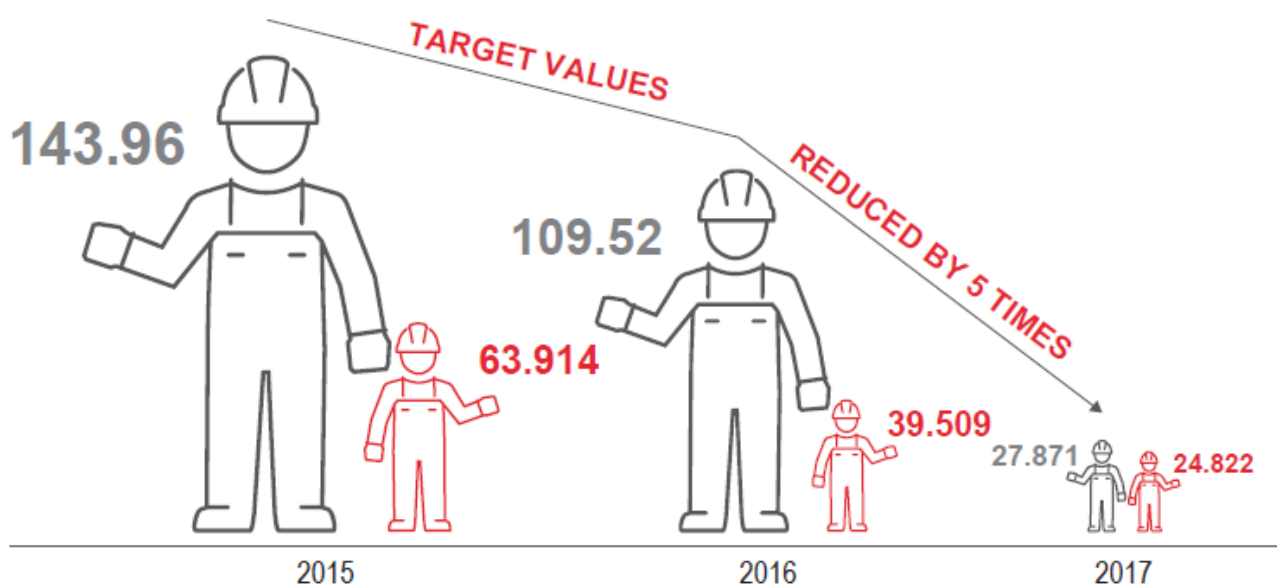


for **3** of which
comments were taken into account
when finalizing the regulations

DYNAMICS OF THE NUMBER OF EMPLOYEES IN SMALL AND MEDIUM ENTREPRENEURSHIP



DYNAMICS OF NEWLY CREATED JOBS IN THE SME SECTOR IN 2015 - 2017
(thousand jobs)





“The Federal Water Resources Agency failed to ensure proper control over the implementation of the priorities of the Water Strategy in the Volga Federal District. Funds allocated to the district regions were misused. Safety of hydraulic structures has not been ensured; more than 10% of water withdrawn from the district’s water bodies is not measured.”

Bato-Zhargal Zhambalnimbuev,
Auditor of the Accounts Chamber



In 2018, 8 audit engagements were completed (5 of them within the audit of the development and control over the federal budget spending and 3 relevant engagements).

The audits of agriculture, fisheries and water relations indicate the risks of not achieving the goals of the sectoral strategic documents and insufficient management quality.

Thus, the state support of small and medium-sized businesses did not have a significant impact on the development of small forms of business in rural areas, which is partly due to the inconsistent management provided by the Ministry of Agriculture of Russia. There is no systematic assessment of the subsidy management under the State Program for agricultural development and market regulation in agriculture, raw materials and food in 2013–2020. Competitive selection of grant recipients was carried out by regional commissions in violation of the rules, and in some cases, the evaluation of applications for grants entailed high corruption risks.

The Accounts Chamber recommended the Ministry of Agriculture of Russia to address these problems in order to avoid negative impact on the quality of the federal project “Creation of a system of supporting farmers and developing rural cooperation”, developed under Decree No. 204.

One of the effective engagements in February - September 2018 was the audit of the use of public funds aimed at the development of the water utilization system in the Volga Federal District.

The audit results indicated risks of not achieving the objectives of the Water Strategy for ensuring that water resources are provided for the population and industries, water bodies are preserved and restored.

Due to reduced funding for the activities of the Federal Target Program “Development of the water management system of the Russian Federation in 2012–2020”, its targets have been reduced by 51% in 6 years:

- the number of physically secured hydraulic structures was cut by 49%;
- the length of new and reconstructed engineering protection and bank protection facilities was reduced by 48%;
- the number of new reservoirs and reconstructed hydropower installations was cut by 61%.

At the same time, the number of the people experiencing a shortage of water, have increased by 36%.

The Accounts Chamber identified violations of relevant laws, including environmental legislation, totaling 4.2 billion rubles in concluding and executing contracts for the construction, major renovation of hydraulic facilities and water protection solutions, .

In the follow-up to the audit, the Government of the Russian Federation instructed the Ministry of Natural Resources of Russia and Rostekhnadzor to consider the proposals of the Accounts Chamber (underway). One submission was sent to law enforcement bodies, an administrative offence case was initiated, and a set of procedural measures is being carried out.

5.3

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

MADE

20

Submissions
and requirements



IDENTIFIED

258

violations



RETURNED TO BUDGET

734

million rubles



OFFICIALS

1

Under administra-
tive action



26

Under disciplinary
action

examination was
conducted for

45

draft
regulations

24

supported

17

supported
with comments

4

not supported



INTERACTION WITH LAW
ENFORCEMENT BODIES



appeals
submitted

5



criminal cases
initiated

8

administrative
offence cases
initiated

2



“The forest protection system that has been created is not efficient enough and is not outcome-oriented. The actions of the authorized executive authorities are not always consistent and coordinated; often there is no comprehensive approach to addressing the problems.”

Aleksei Kaulbars, Auditor of the Accounts Chamber



In 2018, 14 audit engagements and 1 expert-analytical engagement were completed.

The engagements identified the following deficiencies in environmental management and environmental protection:

- legal regulation does not ensure effective state forest health monitoring, forest protection zoning;
- forest resources accounting is not conducted properly:
- forest management files are not relevant;
- state forest inventory does not allow to detect and forecast processes that have a negative impact on forests;
- state register of real estate does not include complete information on forest areas.

The Accounts Chamber proposed the Government of the Russian Federation to take measures to improve the quality of state regulation in these areas in order to achieve the strategic forestry objectives (monitored).

The sustainable mineral resource objective entails risks of non-fulfillment of indicators concerning the accumulation of hydrocarbon resources and solid minerals, strategic types of mineral raw materials, which is caused by improper fulfillment of its obligations by ROSGEO, Joint-Stock Company under the concluded contracts.

In 2018, two engagements were completed, an expert-analytical engagement on the analysis of performance indicators for program of the Russian Federation “Environmental Protection” aimed at ensuring the safe management of municipal solid waste;

and a control engagement concerning the audit of revenues from payments for negative impact on the environment and environmental charges, as well as the costs of the priority project “Clean Country”.

The engagements have shown that in some regions the landfill capacity may be exhausted in a few years, and no comprehensive infrastructure for waste management has been created.

Generated municipal solid waste remain outside the public statistical observation. Indicators of the state program “Environmental Protection” do not show whether municipal solid waste disposal is effective.

The engagement identified shortcomings associated with monitoring the accuracy of calculation, completeness and timeliness of environmental fee payments and waste disposal fees.

The President of the Russian Federation has received a number of proposals, including those concerning state program adjustment, more efficient regulation of the activities of regional waste management operators.

Under the recommendation of the Accounts Chamber, the Ministry of Natural Resources of Russia prepared a draft regulation to improve allocation of funds to support regional waste management and environmental damage elimination projects.

9.3

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

SUBMITTED
MADE

Submissions
and
requirements

23



or which

were executed
in full

17

examination
was conducted
for

38

draft
regulations

25

supported

10

supported with
comments

3

not supported



HELD:

7

Officials became subject to
administrative action

1

Legal entities became subject
to administrative action

44

Officials became subject
to disciplinary action

INTERACTION WITH LAW
ENFORCEMENT BODIES



appeals submitted

3



criminal cases
initiated

2

administrative
offence cases
initiated

2



“Every year expired drugs worth over 80 million rubles are being written off in the regions. It is necessary to make expedient decisions on redistribution of drugs between regions. This will provide more patients with drugs and save budget funds.”

Mikhail Men, Auditor of the Accounts Chamber



In 2018, 34 relevant audit and 5 expert-analytical engagements were completed.

The Accounts Chamber identified a number of systemic problems affecting the quality and availability of medical care for the population.

In particular, a few irregularities were identified in health care regulatory framework:

- in terms of formation of regional lists of drugs available on prescription free of charge or with a 50% discount;
- in terms of determining the sources of financial support for high-tech medical care for children.

In addition, the standards of medical care for a number of common diseases for which the treatment is provided free of charge under state guarantees are not approved. In particular, it concerns the care for patients with urolithiasis, asiderotic anemia and cystitis.

In the reporting period the set of measures aimed at the analysis of the development and implementation of local state guarantees programs for providing citizens with free health care services.

The analysis showed that none of the Russian regions met all the established criteria concerning the access to high quality medical care. Insufficient funding of local programs was also identified. Thus, in 2017, 56 regions established the per capita program funding standard below the one approved by the Government of the Russian Federation. In 2018, 52 regions did the same.

As a result, the estimated lack of financial support for the programs in 2017 amounted to more than 81 billion rubles, to more than 65 billion rubles in 2018.

In the follow-up to the analysis, the Accounts Chamber sent information letters to the Government of the Russian Federation, the Ministry of Health of Russia and the Federal Compulsory Medical Insurance Fund with recommendations to monitor the development and economic justification of state programs for providing citizens with free of charge health care services. In January 2019, the Deputy Chairman of the Government of the Russian Federation, T.A. Golikova, instructed the Ministry of Health of Russia and the Ministry of Finance of Russia to consider the recommendations of the Accounts Chamber.

Many proposals of the Accounts Chamber following the engagements were taken note of with regards to the adoption of a number of federal laws and regulations.

For example, changes have been made to the Rules of state registration and re-registration of the maximum selling prices set by manufacturers for medicines on the list of vital and essential drugs. In addition, the Accounts Chamber's focus on the development of regional drug lists allowed to provide requirements in the Program of state guarantees of free medical care in 2019 and for the planned period of 2020 and 2021 for drawing up these lists so that they were not shorter than is approved by the decree of the Government of the Russian Federation for the corresponding year.

2.4
billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

MADE

8
3

Submissions

And require-
ments



9

of which

executed in full

examination was conducted for

100

draft regulations

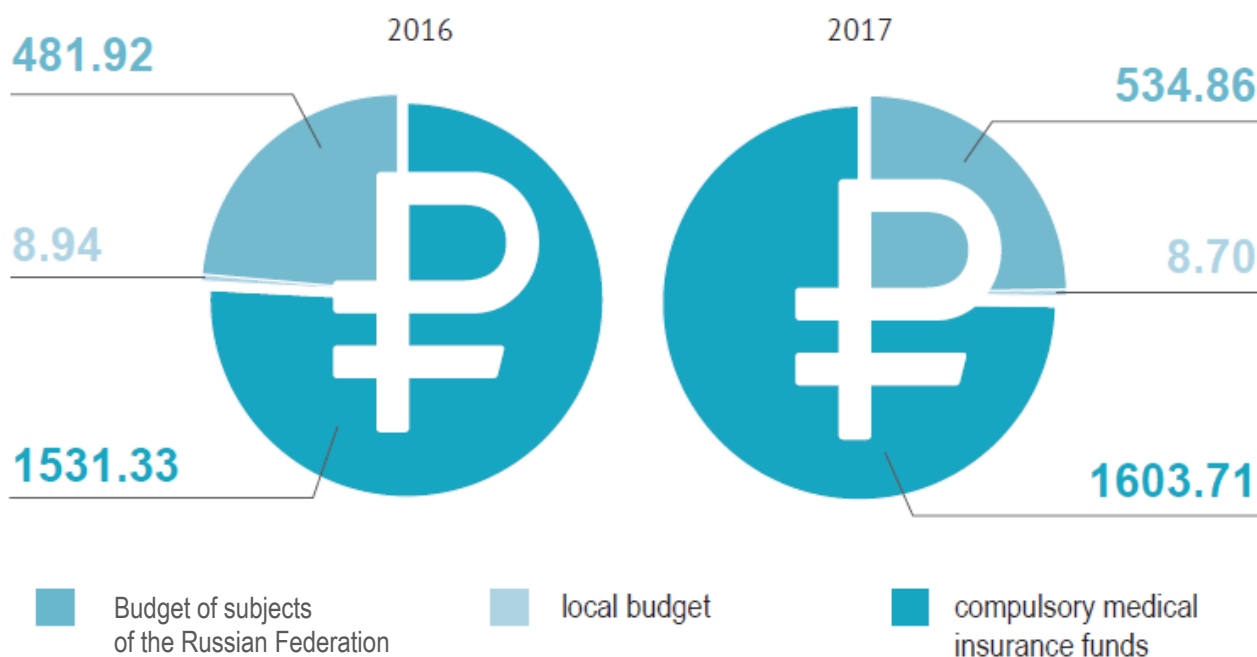


for **64** drafts, the Accounts
Chamber provided its comments

for **16** of which

the auditors' comments were taken into account
when finalizing the regulations

MEDICAL AID EXPENSES UNDER THE TERRITORIAL
PROGRAMS OF STATE GUARANTEES (billion rubles)





“Objectives of efficient sports facility management have not been fully accomplished. The existing training infrastructure is not being used at full capacity, which indicates lack of planning on the part the Ministry of Sports of Russia when it comes to training policies.”

Svetlana Orlova, Auditor of the Accounts Chamber



In 2018, 5 audit engagements were completed.

The major problems identified in the course of the audits demonstrate:

- inaccurate accounting reports prepared by the Ministry of Sports of Russia for 2017 on real estate objects;
- improper execution of its powers by the main federal spending unit, that resulted in the Ministry of Sports of Russia distributing and providing subsidies to the budgets of subjects of the Russian Federation that totaled 231.4 million rubles in violation of the law;
- lack of proper control exercised by the Ministry of Sports of Russia over the execution of agreements on providing subsidies from the federal budget by subjects of the Russian Federation;
- risks of failure to commission the facilities of the XXIX World Winter Universiade 2019 in Krasnoyarsk on time;
- poor development of extra budgetary activities of the federal sports centers under the jurisdiction of the Ministry of Sports of Russia;
- lack of correlation between the indicators under the Unified calendar plan of interregional, national and international physical culture and sports events that would provide for sports events in federal sports centers, and indicators of the activities that correspond to their public mission;
- violations of the law on the contract system and accounting legislation detected in the activities of federal sports centers under the jurisdiction of the Ministry of Sports of Russia.

The audit of the management of subsidies from the federal budget to the budgets of subjects of the Russian Federation for co-financing state programs aimed at the development of physical culture and sports became the most significant engagement. The relevance of the engagement is due to the need for subjects of the Russian Federation to comply with the legal requirements for targeted subsidy management and with the request of the relevant committee of the State Duma to analyze the implementation of the federal program "Development of physical culture and sports in the Russian Federation for 2016 - 2020".

In the follow-up to the control engagement, violations totaling 413.4 million rubles were identified, and appeals were submitted to the General Prosecutor's Office of the Russian Federation and the Federal Security Service of the Russian Federation. A criminal case was initiated in the follow-up to the consideration of the files of the Accounts Chamber by the law enforcement bodies.

Failure to comply with the terms of facility commissioning was for 5 out of 47 sports facilities not being commissioned on time.

In violation of the relevant laws, the Ministry of Sports of Russia provided subsidies totaling 231.4 million rubles from the federal budget to 3 subjects of the Russian Federation.

In the course of the engagement, funds in the amount of 6.5 million rubles were returned from the budget of the Kostroma region to the federal budget due to failure to achieve performance indicators set for subsidy management.

2.3

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

MADE

7

Submissions

ALL SUBMISSIONS

executed in full



Evaluation was conducted of

48

 draft regulations

23

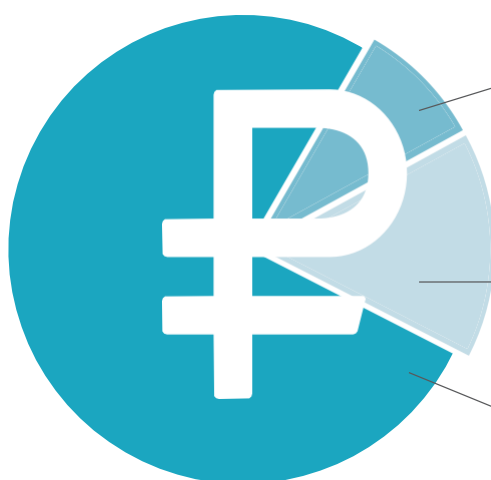
 opinions prepared
of the Accounts Chamber

for

10

 of which the comments
were taken into account when finalizing
the regulations

46 REGIONS HAVE RECEIVED **3.3 BILLION RUBLES** FROM THE FEDERAL
BUDGET FOR CO-FINANCING OF REGIONAL STATE PROGRAMS
FOR THE DEVELOPMENT OF PHYSICAL CULTURE AND SPORT IN 2017



8.5%

Procurement of artificial surfaces
for football fields

15.4%

Procurement of sports equipment

76.1%

Capital investment

237 MILLION RUBLES REMAINING— ALMOST
THE TOTAL AMOUNT OF CAPITAL INVESTMENTS



“At the early stages of the implementation of the national project “Education”, it is necessary to work out specific solutions that will allow to identify and develop the abilities of each student. It is necessary to ensure the introduction of new teaching methods with interactive study materials employing digital tools.”

Mikhail Men, Auditor of the Accounts Chamber



In 2018, 11 relevant audit engagements and 4 expert-analytical engagements were completed.

The major problems identified during the engagements demonstrate:

- imperfect regulatory framework in higher education, including lack of due consideration for the labor market's needs for professionals;
- annual reduction of modernization spending on physical infrastructure in higher education institutions;
 - lack of proper control exercised by the Ministry of Education and Science of the Russian Federation over the implementation of measures under the state program “Education Development”, including priority projects, and of control over the reporting of subordinate organizations by the main federal spending units.

As a result of notifications sent by the Accounts Chamber concerning budgetary enforcement measures, funds amounting to 1,292.7 million rubles were returned to the federal budget.

, the Chamber of Accounts comments were taken into account when the state program “Education Development” was revised in terms of clarifying the rules for providing grants from the federal budget to legal entities and rules for granting and distributing subsidies from the federal budget to subjects of the Russian Federation to co-finance the costs of implementing measures for creating new jobs in general education organizations.

The set of measures for analyzing the use of funds allocated for the financial support of state educational programs in institutions of higher education was one of the major engagements. 17 federal executive authorities, the Supreme Court

of the Russian Federation and their 209 subordinate higher educational institutions were selected as objects of the engagement, 2 universities were audited:

- “Russian State Agrarian University - Moscow K.A.Timiryazev Agricultural Academy”;
- “Russian University of Transport (MIIT)”.

The results of the analysis showed that the main part of the subsidy for implementing the public mission is used to pay salaries (over 70%), while the spending on the development of universities, including the physical infrastructure are being annually reduced and that entails the the risk of lower quality of national higher education.

The Ministry of Education and Science of the Russian Federation establishes benchmarks for the admission of students without taking into account the need for professionals in regions and the demand on the part of employers, and that does not comply with the relevant provision under the Address of the President of the Russian Federation to the Federal Assembly in 2016. In the follow-up to these activities, the submissions of the Accounts Chamber to the heads of these universities, an appeal to the General Prosecutor's Office of the Russian Federation, information letters to the Government of the Russian Federation, the Federal Antimonopoly Service of the Russian Federation, the Federal Service for Employment and Labor Relations, the Ministry of Agriculture of Russia, the Ministry of Transport of Russia and the Federal Railway Transport Agency were sent.

The Accounts Chamber proposed to the Government of the Russian Federation to authorize the relevant federal executive authorities to consider amending the regulation on the development of a state assignment. It should allow main federal spending units to establish the procedure for applying the coefficients in calculations of the financial support needed by subordinate institutions to carry out a state assignment and to establish the range or

threshold value of acceptable (possible) deviations from the established indicators of quality and/or amount of public services (works) in education.

The implementation of the Accounts Chamber's recommendations will improve the efficiency of management provided by the federal executive authorities in subordinate educational institutions in order to improve the quality of public services in education.

4.7

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

1.3

million rubles

RETURNED TO BUDGET

evaluation was conducted for
drafts of

85

regulations



MADE

13

submissions

7

Executed in full



4

Appeals to the
Prosecutor
General's Office



1

Submissions on
elimination of vio-
lations

52

opinions prepared
of the Accounts Chamber

for

7

 of which, the comments
were taken into account when finaliz-
ing the regulations



“The data of the Ministry of Education and Science of Russia and Rosstat on the number of scientists differ by 40%. As a result, the lack of reliable data does not allow to assess independently whether the existing support measures for young scientists are sufficient to address the state’s strategic tasks in the science sector.”

Svetlana Orlova, Auditor of the Accounts Chamber



In 2018, 5 relevant audit engagements and 1 expert-analytical engagement were completed.

The major problems identified during the engagements are associated with the failure by the Ministry of Education and Science of Russia as the main budget spending unit to properly provide subsidies ; violations of procurement legislation; payments for outstanding work, and abuse of authority by officials.

During the reporting period, a focus was made on studying the support for young scientists.

An analysis of the implementation of state support measures for young Russian scientists in 2016-2017 and the elapsed period of 2018 showed that the fundamental concept of "young scientist" and/or "young researcher" is not elaborated in the legislation. Criteria for this definition are not established. As a result, there is no unified approach to the state support for young scientists, which leads to a reducing number of recipients.

In this regard, on December 29, 2018, the Accounts Chamber recommended the Government of the Russian Federation to elaborate the statutory definition of the “young scientist” concept and establish a list of measures of state support for young scientists; prepare proposals on state participation in the implementation of mortgage programs for young scientists; monitor the use of housing stock (including special-purpose housing) in order to provide housing to young scientists and others. Implementation of the proposals remains is closely monitored.

The most significant audit engagement concerned the efficiency audit of spending the funds allocated in 2016–2017 under the state program of the Russian Federation “Development of science and technologies” for 2013–2020 to the Ministry of Education and Science of the Russian Federation regarding with regards to the activities of the federal state budgetary institution “State Public Scientific and Technical Library of Russia” (library). It was established that the library spent 447.8 million rubles on the development of the information system “Map of Russian Science”, but since February 2017 it has not been functioning. At the same time, the designed program was not registered.

In 2016, the library signed licensing agreements for the right to access to 9 international databases of scientific electronic resources in 2017 that were not provided for by the state assignment with the illegal spending totaling 79.8 million rubles. In the absence of the consent of the Ministry of Education and Science of Russia, 2 large transactions were made for a total amount of 69.9 million rubles.

The Minister of Science and Higher Education was informed of the need to take measures to eliminate violations in the activities of his agency. In the follow-up to the audit engagement, an appeal was submitted to the General Prosecutor’s Office of the Russian Federation, which confirmed the information about numerous violations in the library’s activities, and a submission on elimination of violations was sent to the General Director of the library.

17.1

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

MADE

6

submissions
and requirements



3

Appeals to law
enforcement agencies



evaluation was conducted for

25

draft regulations



prepared

14

opinions of the Accounts Chamber

For 9 of which the comments
were taken into account when
finalizing the regulations

STATE PUBLIC SCIENTIFIC AND
TECHNICAL LIBRARY OF RUSSIA

83.1%

of total storage area was not
suitable for storage of books

5.6 million books

are stored in these rooms



126.5 million rubles – possible damage in case of loss of the specified library fund



“With the authority to preserve historical traditions, the executive authorities do not focus enough on the activities of cultural institutions under their jurisdiction. As a result, there are risks of rendering poor-quality public services or restricting citizens' access to these services.”

Mikhail Men, Auditor of the Accounts Chamber



In the reporting period, 9 audit and 3 expert-analytical engagements were completed.

The main problems identified in the course of the engagements concern:

- insufficient statutory regulation of issues of implementing provisions of the Convention for the Protection of the World Cultural and Natural Heritage (concluded in Paris in 1972);
- lack of a legal framework for creating a travelling museum fund and inadequate IT measures in regional and municipal museums;
- poor management of interaction between co-executives and participants of the state program “Development of Culture and Tourism” for 2013–2020 provided by the Ministry of Culture of Russia.

In the follow-up to the analysis of measures for protecting the historical and cultural complex of the Solovetsky Islands, files on the need for regulating the implementation of the World Heritage Convention will taken note of in the activities of the State Duma Committee on Culture with a view to improve statutory regulation of state protection of cultural heritage sites.

The package of measures to assess the validity, effectiveness and efficiency of federal budget spending allocated to institutions under the jurisdiction of the federal executive authorities for financial support of provision of public services in the field of culture.

The analysis showed that:

- federal executive authorities (FEA) do not sufficiently monitor their cultural institutions;
- no full statistical observation is conducted;
- no regulatory framework has been established.

An audit of the State Sport Museum identified violations in accounting and storage of museum valuables:

- no registration for 87 thousand museum items accepted for storage since 2014;
- storage of museum items in unfit premises;
- violations in accounting and improper exhibition conditions for items containing precious metals, and others.

The analysis established restricted access for citizens to museum items and collections.

In order to address the existing problems in the activities of cultural institutions under the jurisdiction of the departmental federal executive authorities, the Accounts Chamber suggested that the Ministry of Culture of Russia should consider the following issues:

- introduction of specifications approved by the Ministry of Culture of Russia in the field of culture , to calculating the amount of subsidies under a state assignment provided to cultural institutions in order to streamline and harmonize the services;
- unification of standard culture-related services by their content and associated costs with a view to increase the transparency of allocations under state assignments;

- assigning responsibilities of departmental federal executive authorities for the development of a state assignment to cultural institutions under their jurisdiction in order to provide quality indicators for services;
 - including a public service “Electronic interaction with the operator of the state catalog of the Museum Fund of the Russian Federation” in the federal list of public services and works under the categories of culture, cinema and tourism;

- measures for ensuring complete and accurate official statistics on culture provided by the federal executive authorities.

The implementation of the recommendations of the Accounts Chamber will improve the management efficiency in departmental federal executive authorities of cultural institutions under their jurisdiction, eliminate the risks of failure to achieve the targets under the national project “Culture” and tasks stipulated by the State Cultural Policy Framework.

2.6
billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

MADE

17 Submissions and requirements

12 executed in full



INTERACTION WITH LAW
ENFORCEMENT BODIES



appeals submitted

5



criminal cases
initiate

3



Submissions made to
eliminate violations

3

materials submitted for
pre-investigation check

3

40

Draft regulations were evaluated



24 opinions of the Accounts
Chamber prepared

for **7** of which

the comments were taken into account when
finalizing the regulations



“Lack of proper monitoring on the part of the authorities acting as owners of real estate that belongs to organizations under the jurisdiction of the Federal Agency on Press and Mass Communications, increases the risks of illegal and inefficient use of real estate, as well as its loss.”

Vera Chistova, Deputy Chairman of the Accounts Chamber



In 2018, 3 relevant audit engagements and 1 expert-analytical engagement were completed.

Engagements that analyzed the management of federal property by organizations under the jurisdiction of the Federal Agency on Press and Mass Communications have shown that there were systemic problems in the management of federal property, including:

- a large amount of unreliable data on the property in the unified state register of real estate, as well as in the register of federal property;
- insufficient control over the disposal and management of the federal property.

It was established that:

- powers of the Federal Agency on Press and Mass Communications to act as an owner of the federal property assigned to enterprises under its jurisdiction are not properly exercised;
- there are no control measures to ensure that company management observe the established regulatory restrictions;
- audits of financial and economic activities of enterprises in difficult financial situation are not conducted;
- measures to improve the efficiency of real estate management are not developed;
- poor staff management work regards to with company officials.

The Federal Agency for State Property Management did not fully carry out its responsibilities for preparing companies for privatization. The lack of proper control on the part of the authorities that act as the owner allows for illegal and inefficient management of real estate, as well as its loss.

For example, 3 of the audited enterprises have been earmarked for privatization since 2004, i.e. for more than 14 years.

During this time, enterprises were losing their assets and going bankrupt. However, it is not feasible for companies on the verge of bankruptcy without resources to carry out their statutory activities as joint-stock companies to go public. About 140 cases when inaccurate or no information on federal property assigned to the Federal Agency on Press and Mass Communications and organizations under its jurisdiction were identified, non-compliance of company management with the established restrictions, conclusion of lease agreements on state property without a tender were also established.

When information in databases was cross-referenced, the loss of state property was established.

In 2002, a two-story building was assigned to FSUE “Transport” Publishing House. In 2006, the land plot where the building was located was alienated from the federal ownership to the ownership of a partially government-owned joint stock company. In July 2011, the joint stock company that went bankrupt sold the land plot with the remnants of the building to a profit-making organization. As a result, only remnants of the building’s foundation have survived on the site.

Since December 2011, law enforcement bodies have been investigating the illegal demolition of the building. However, over the past 7 years, the perpetrators have not been found, the damage to the state due to the loss of federal property has not been repaired.

MADE

8

submissions



1

appeal to the
Prosecutor
General's Office



Evaluation conducted of

12

draft
regulations



the Accounts Chamber provided
its comments on 4 drafts



SINCE 2004, THE FEDERAL AGENCY
FOR STATE PROPERTY MANAGEMENT
HAS BEEN PLANNING THE
PRIVATIZATION OF THE FOLLOWING
ENTERPRISES:

- «Finance and Statistics» Publishing House
- "Printing house No. 12 named after
M.I.Lokhankov"
- 'Green Forest Recreation Center



However, no decision has
yet been taken.

REASONS:



lack of title
documents



legal proceedings



CONSEQUENCES:

bankruptcy of enterprises



loss of assets



BUILDING OF FSUE
"PUBLISHING HOUSE
"TRANSPORT" WITH AN AREA
OF ALMOST 1400 m²



Illegally demolished
in 2011



The land on which the
building was located
became private property



For more than 7 years, law
enforcement bodies have
been investigating

HOWEVER, UNTIL NOW:



Perpetrators have
not been found



Damage to the state for
the loss of federal prop-
erty has not been re-
funded



“Despite the measures being taken, the housing for orphans is still lagging behind due to the growing number of those in need. As of January 1, 2018, there were more than 258 thousand orphans on the waiting list for housing with 65% of them being over 18 years old.”

Svetlana Orlova, Auditor of the Accounts Chamber



In 2018, 10 relevant audit engagements and 2 expert-analytical engagements were.

The monitoring of the efficiency of budget spending on housing for orphans, conducted on behalf of the Federation Council (Resolution of the Federation Council No. 12.24-CΦ dated July 12, 2017), confirmed that the problems identified in 2016 by an management efficiency audit of the budget funds allocated for these purposes remained unsolved and even became more acute.

The major reasons behind it:

- lack of funding (in the course of monitoring, more than 30% of the regions indicated that funds were insufficient);
- low quality and overpricing of the housing provided to orphans and.

From 2009 to 2017, the number of lawsuits due to non-receipt of housing by those on the waiting list increased by 18 times. On average one out of three orphans in Russia receives housing as a result of a court ruling, and in some regions housing was provided exclusively on the grounds of court rulings. The Accounts Chamber gave recommendations to the Government of the Russian Federation with a view to address the issue of housing rights of orphans, including the need to determine a federal executive authority that could develop and implement a state policy and regulations on housing for orphans. There are 2 ways to increase the efficiency of budget spending, measures to keep the housing of a child left without parental care (inherited or provided housing), and finding new efficient mechanisms that could make the waiting list shorter.

The most significant control engagement was an audit of the activities of non-state pension funds that work with compulsory pension insurance, management of maternity (family) capital funds, and pension savings funds under the co-financing pension savings program for 2011-2016, and the exercise of insured persons' rights to payment adjustment at the expense of pension savings.

The audit identified violations, with the majority related directly to the compulsory pension insurance obligations of private pension funds before citizens. It had a negative impact on the legitimate rights and interests of citizens to pension savings and pension payments.

It has been established that private pension funds illegally invested pension savings of citizens who changed their insurer, that resulted in a violation of the right of citizens to invest pension savings with the help of a new insurer and, accordingly, to a loss of income.

In general, violations in a one-time pension savings payment resulted in private pension funds choosing this option instead of a lifetime funded pension. The Government of the Russian Federation submitted proposals to change the pension legislation, which were partially implemented in 2018.

2.9

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

MADE

21

submissions



5

appeals to law enforcement bodies



Evaluation conducted of

217

draft regulations



41

opinion of the Accounts Chamber prepared

for **34** of which

the comments were taken into account when finalizing the regulations



DEFICIENCIES IDENTIFIED



Extremely low rates of housing provision

Waiting period reaches 10 years or more.



Low quality housing

It is often in disrepair



Purchase of apartments for orphans at inflated prices

Prevents purchasing more housing accommodations

3.26. Housing and utilities, and regional investments



“A significant part of construction in process in subjects of the North Caucasus Federal District are social facilities, including schools under construction, that when completed could solve the problem of double-shifting and triple-shifting at schools.”

Yury Roslyak, Auditor of the Accounts Chamber



In 2018, 5 issue-specific audit engagements and 2 expert-analytical engagements were completed.

The engagements identified a number of systemic problems and risks:

- the objectives and final goals of reforming the pricing system and estimated rationing are not established, the regulatory framework for the implementation of the reform has not been created;
- measures for reducing the number of facilities under construction are insufficient;
- measures for providing housing to people that have had a temporary housing as a result of the construction of the Baikal-Amur Mainline are not fully implemented, the number of citizens living in non-designated buildings erected during the industrial development of the regions of Eastern Siberia and the Far East and funding sources for their settlement have not been found;
- insufficient funding of measures for addressing the housing challenges faced by young families.

The analysis of the implementation and outcomes of targeted measures for improving the pricing system, estimated rationing and technical regulation in construction, was the key engagement and gained widespread publicity. It exposed improper implementation of instructions of the President of the Russian Federation given in 2015 and 2016 by the Government of the Russian Federation.

The Government of the Russian Federation was asked to instruct the corresponding federal executive authorities to develop and the Government of the Russian Federation to approve a long-term

plan, or a roadmap, with a view to reform the pricing procedures using project management methods by incorporating there the goals and objectives under the ongoing reform, testing new approaches to pricing as part of the transition to the input method of calculating the estimated cost.

Measures taken by the Government of the Russian Federation will be under constant monitoring.

In addition, a comprehensive analysis was carried out of the measures taken by the executive authorities of subjects of the Russian Federation in the North Caucasus Federal District (NCFD) to reduce the volume and number of facilities under construction. It has been established that the senior officials in regions of the North Caucasus Federal District failed to fulfill the relevant instructions of the President of the Russian Federation.

The outcomes of regional executive authorities in the North Caucasus Federal District aimed at reducing the volume and number of important social facilities under construction are unsatisfactory. For example, the inventory and accounting of facilities under construction is not properly organized, there is no reliable information on the composition, structure and volumes of construction in progress. Proposals on the development of a comprehensive work plan with a view to reduce the volume and number of construction in progress were submitted to the Government of the Russian Federation.

In 2019 - 2020, it is planned to implement a package of measures for reducing the volume and number of construction in progress, covering all subjects of the Russian Federation.

1

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

37.1

million rubles

RETURNED TO THE BUDGET OF THE
RUSSIAN BUDGET SYSTEM

RESULTS OF REFORM OF PRICING IN CONSTRUCTION

Since 2014

1.9

**billion rubles
were spent on it**

Today

- Transition to a new pricing system **did not occur**
- Necessary regulatory framework **was not fully established**
- Creation of new standards and updating the old ones is carried out by the Ministry of Construction of Russia in a haphazard way
- Federal Government Information System "Pricing in Construction" **is not properly functioning and not used**

VOLUMES OF CONSTRUCTION IN PROGRESS IN THE TERRITORY OF THE
North Caucasian Federal District as of JANUARY 1, 2018



4 038
facilities

investment amount is



160,7
billion rubles



construction of

1 178
facilities

was started more
than eight years
ago

construction of

1 046
facilities

was suspended

of which

1 018
facilities

without
preservation

3.27. Road facilities (road funds)



“Roads are our weakness. This industry is the most difficult to audit. Here we need special monitoring, including remote monitoring. Therefore, in future, in the course of an audit, we intend to employ all the methods of auditing art.”

Aleksei Kudrin, Chairman of the Accounts Chamber



In the reporting period, 7 relevant audit engagements and 1 expert-analytical engagement were completed.

The engagements exposed violations and shortcomings, including non-compliance with the terms of concluding contracts for services, overstating the initial maximum prices, service overpricing, as well as misuse of budget funds.

The Accounts Chamber found that there is a need for:

- improving the quality of budget planning;
- strengthening control over the use of inter-budget transfers, as well as implementing oversight measures by the Prosecutor General's Office for investigating violation of the law.

In the follow-up to the evaluation, comments 4 draft regulations were taken into account on , including at the stage of the final revision of the Rules for providing federal budget subsidies to the Russian Highways Group of Companies (Avtodor Group of Companies) with a view to oversee construction and reconstruction of highways.

One of the most significant control engagements in the road sector was the audit of budget spending in 2018, including the funds from the National Wealth Fund allocated for financing the Central Ring Road (Moscow region) infrastructure project in 2018. The audit engagement was conducted in accordance with the ruling of the State Duma and the instructions of the President of the Russian Federation with a view to monitor how the interests of the Russian Federation in concluding and executing gov-

ernment contracts are observed and to carry out an audit the feasibility of increasing costs of the Central Ring Road construction and.

In the follow-up to the audit, systemic problems were identified in the organization of road construction:

- poor design quality;
- time consuming procedures for withdrawal and registration of land, etc.

These shortcomings are constraints for introduction of the mechanism of public-private partnership in the implementation of investment projects.

These problems, as well as the insufficiently efficient project management system, led to delays in commissioning of the Central Ring Road in December 2018. The level of construction readiness of the 1st, 3rd, and 5th complexes of the Central Ring Road remains low (40, 30, and 66%, respectively), and the work on the 4th complex have not been accepted. At the same time, the plans for elimination of the existing delays in construction and installation works by Avtodor Group of Companies and contractors under long-term investment agreements in the audited period were not fulfilled.

In addition, the audit identified violations requiring law enforcement response, including:

- execution and payment of works not covered by the design specifications;
- adjusted constructive solutions that caused higher construction costs;
- payment for building materials at an inflated price.

The President of the Russian Federation was informed about the results of the audit.

46.1

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

MADE

6

Submissions and requirements

of which

3

executed in full



INTERACTION
WITH LAW ENFORCEMENT
BODIES



appeals submitted

8

3

Submissions made by the prosecutor to eliminate violations



11

materials at pre-investigation check



Evaluation conducted for

24

draft regulations



19

opinions of the Accounts Chamber prepared

for **4** of which

the comments were taken into account when finalizing the regulations

RESULTS OF IMPLEMENTATION OF THE CENTRAL RING ROAD CONSTRUCTION PROJECT IN 2018

**more than
50%
of the funds**

of private investors in 2017–2018 have not been raised

**by
6.6
billion rubles**

the cost of work was illegally overstated

**415
million rubles**

were paid for work on reconstruction of utilities left unused



“An agreement on the construction of the Egeest - Kyzyl - Kuragino Railway was concluded by the Federal Railway Transport Agency only in May 2018. It is planned to complete the project in May 2023. However, in our opinion, this is an extremely optimistic forecast, since in December 2018 the construction has not even started.”

Valery Bogomolov, Auditor of the Accounts Chamber



In the reporting year, 13 relevant audit engagements and 1 expert-analytical engagement were completed.

The engagements identified shortcomings in the implementation of the state program “Development of the transport system”:

- budget funds were allocated without proper analysis of their possible uses;
- there were no supporting construction documents.

This led to low level of budget spending and non-compliance with the deadlines for construction.

The Accounting Chamber proposed to:

- improve the quality of planning budget investments in the transport industry;
- ensure the adoption of the necessary regulations;
- ensure the adoption of measures to achieve the established targets (indicators) under state programs;
- apply sanctions to organizations that have received budget funds for failure to achieve targets.

One of the most significant engagements in the field of transport was the audit of the federal budget spending in 2016–2018, aimed at implementing an investment project with the state participation “Development of a common use railway infrastructure in the Mezhdurechensk – Taishet section” (project).

The engagement was relevant as it assessed the effectiveness and efficiency of relevant budget investments.

The audit established that the measures for implementing railway infrastructure construction investment projects were not coordinated. For example, until the end of 2018, the construction of the Egeest-Kyzyl-Kuragino Railway, which has a direct impact on the results of the project, had not been started. This entails the risks of failing to achieve the goal of ensuring the planned cargo traffic, including the coal export from the Egeest coal deposit to sea-ports in the Far East.

In addition, due to poor management, including the lack of design specifications, the deadline for the project has been extended until 2020. Technical readiness of 8 facilities is less than 50%. The works on 3 facilities has not yet been started.

The income in the form of interest received by Russian Railways, OJSC from depositing funds from the federal budget funds allocated for the project’s implementation on the accounts of credit organizations amounts to 2.4 billion rubles.

The Accounts Chamber suggested that the Federal Railway Transport Agency should consider reducing the contribution to the authorized capital of Russian Railways, OJSC by the specified amount when developing proposals for the project financing at the expense of the federal budget.

15.3

billion rubles

AMOUNT OF IDENTIFIED VIOLATIONS

MADE

20

Submissions and requirements

of which

10

executed in full



INTERACTION WITH LAW
ENFORCEMENT BODIES



appeals submitted

8

issued:

2

Submissions
by the prosecutor



submitted:

4

orders to the
investigating
authorities



Evaluation was conducted of

61

draft regulations



46

opinions of the Accounts
Chamber prepared

for **5** of which
the comments were taken into ac-
count when finalizing the regulations

RESULTS OF IMPLEMENTATION OF THE DEVELOPMENT PROJECT OF RAILWAY INFRASTRUCTURE IN THE MEZHDURECHENSK – TAISHET SECTION

less than
50%

for **3** facilities

12.5 billion rubles

by **89.9** billion rubles

Technical
readiness of 8
of 22 construction
facilities



Construction
work have not
even been
started



was placed
by Russian
Railways
on deposits



prices of contracts
for construction of
a number of facilities
were overestimated



Further transformation of the Accounts Chamber

In 2019, the Accounts Chamber envisages the following activities:

1. Further monitoring of the national goals, in particular by implementing audit and expert-analytical engagements concerning the national goals and implementation of national projects.
2. A number of projects aimed at promoting systemic changes in various fields. Some of the projects of the Accounts Chamber:
 - reduction of the number of facilities under construction;
 - improved management efficiency of joint-stock companies with state participation in the authorized capital and federal state-owned unitary enterprises;
 - improved efficiency of land administration;
 - forest resources management of the Russian Federation;
 - development of small and medium enterprises;
 - risk assessment for research and development (R&D) and innovation activities;
 - improved management of companies with government participation;
 - implementation of additional guarantees for the social security rights of orphans.
3. Improving the interaction of the Accounts Chamber with the regional audit institutions of the subjects of the Russian Federation and municipalities in order to create an integrated system of external public and municipal audit.
4. A system of internal KPIs to transform the Accounts Chamber.
5. An expert pool in the Accounts Chamber and its engagement with a view to strengthen analytical and systemic conclusions and recommendations.
6. Testing a model of personal competence and creating and testing a model of professional competence of employees of the Accounts Chamber.
7. Updating the range of communication products of the Accounts Chamber in order to efficiently inform various social groups about its activities on the basis of public opinion surveys.

For the Accounts Chamber one of the key events in 2019 is the Moscow XXIII Congress of the International Organization of Supreme Audit Institutions (INTOSAI) that unites supreme audit institutions from 194 countries of the world. The Accounts Chamber is becoming the chairman of INTOSAI for the period up to 2022 at the Congress and will have the opportunity to influence the fundamental agenda of the international audit community, and play an active part in improving international standards of state audit.

INTOSAI members and representatives of the international expert community will discuss two topics.

1. Information technologies in public management development

Today, new technologies are being introduced into the activities of public authorities, digital methods of information processing are used. This results in improved decision-making process, more cooperation between various institutions, better services to the population, rapid exchange of information and data analysis, and allows to increase the efficiency and transparency of the work conducted by government bodies.

Wider application of information technologies by audit institutions in audits helps to overcome resource constraints, to carry out a preliminary analysis even before the on-site audit and improves its efficiency on-site, reduces the fieldwork time spent. Also, an audit that uses information technology, allows regular monitoring to improve the quality of work of the auditors, which ensures efficiency, transparency and accountability of the authorities.

2. The role of supreme audit institutions in achieving national goals and objectives

This topic has been put on the Congress agenda by the Russian Federation. It concerns the introduction of strategic audit into the SAI activities and facilitating the achievement of national goals, that also includes the identification of causes of inadequate management, promoting the improvement of public administration quality through a strategic and integrated approach to public audit and consulting activities.

Thus, as the functions of supreme audit institutions are changing, they begin to play a larger role in assessing the achievement of national goals. They facilitate decision-making process for public authorities with a view to achieve national goals through a comprehensive analysis of state activities. A transition from financial audit and compliance audit to performance audit and strategic audit is underway. Thus, the content of traditional recommendations in the follow-up to audits is changing, and a supreme audit institution plays the role of a consultant and strategic partner for the government.

A discussion of these and other issues will provide an opportunity to develop general principles and approaches to achieving the goals on the agenda. High-profile politicians and economists, experts in public administration, information technology, education and social issues, as well as representatives of leading international organizations, such as the United Nations (UN), Organization for Economic Cooperation and Development (OECD), World Bank and many others are going to attend the Congress. Thanks to the accumulated experience, they together with the delegations of the INTOSAI member countries will develop new approaches to addressing the most acute problems in the field of audit.

1. Development Strategy of the Accounts Chamber of the Russian Federation for 2018 - 2024	
1.1. Mission and Goal	5
1.2. Main Development Areas and Objectives	6
1.3. General Dimensions of Transformation	8
2. Key results	
2.1. Key performance indicators in 2016 - 2018	10
2.2. Measures taken during and following audit and expert-analytical engagements, and the results of their implementation	20
2.3. Cooperation with the chambers of the Federal Assembly of the Russian Federation, public authorities and federal executive authorities	22
3. Results of the external state audit (control)	
3.1. Audit of feasibility and effectiveness of achieving the strategic goals of social and economic development of the Russian Federation	24
3.2. Audit of the development and control over the execution of the federal budget and the budgets of state extra-budgetary funds of the Russian Federation.....	28
3.3. External state audit (control) of the development of federal budget revenues	36
3.4. Analysis of utilization of consolidated budgets of constituent entities of the Russian Federation	38
3.5. Audit of procurement of goods, works, services carried out by audited (controlled) entities	40
3.6. Federal property turnover.....	42
3.7. Activities of the Central Bank of the Russian Federation, ensuring the stability and development of the national payment system, the state of financial markets and financial institutions	44
3.8. Public internal and external debt of the Russian Federation, debt of foreign states and/or foreign legal entities to the Russian Federation, budget loans provided from the federal budget, funds from the reserve fund and the National Welfare Fund (NWF)	46

3.9. International relations and international cooperation, implementation of production sharing agreements, budget of the Union State and turnover of federal property abroad	48
3.10. National security and law enforcement, national defense	50
3.11. Judicial and penal systems	54
3.12. Industry	56
3.13. Export support	58
3.14. Communication and information	60
3.15. Power engineering industry	62
3.16. Small enterprises and support for individual entrepreneurial initiative	66
3.17. Agriculture, water management and fisheries	68
3.18. Environmental protection, forestry, sustainable mineral resources.....	70
3.19. Health care	72
3.20. Physical culture and sport	74
3.21. Education	76
3.22. Fundamental research	78
3.23. Culture	80
3.24. Mass media, periodicals and publications	82
3.25. Social policy	84
3.26. Housing and utilities, and regional investments	86
3.27. Road facilities (road funds).....	88
3.28. Transport	90
4. Principal activities in 2019	92

