



EXPLANATORY NOTE

TO THE REPORT ON THE ACTIVITIES

OF THE ACCOUNTS CHAMBER

OF THE RUSSIAN FEDERATION

IN 2016

Explanatory Note

to the Report on the Activities of the Accounts Chamber of the Russian Federation in 2016

1. In 2016 the Accounts Chamber of the Russian Federation (hereinafter referred to as the Accounts Chamber) paid greater attention to monitoring the implementation of decrees of the President of the Russian Federation issued on May 2012 and the implementation of measures taken by the Government of the Russian Federation aimed at ensuring a stable, social and economic development of Russia and using the National Wealth Fund resources invested in self-sufficient infrastructure projects, the list of which was approved by the Government of the Russian Federation, as well as monitoring the activities of public procurement.

The priorities in 2016 focused on the formation and execution of the federal budget and the budgets of federal extra-budgetary funds, the provision of expert evaluation and assessment of the bills on the federal budget, the budgets of federal extra-budgetary funds of the Russian Federation and amendments thereto, and the state programs of the Russian Federation.

The Accounts Chamber adheres to the principle of information openness before the Russian society. Every month the Accounts Chamber releases to the public an official edition – a monthly bulletin of the Accounts Chamber of the Russian Federation wherein the Chamber makes reports on control and expert analysis activities.

A report on the activities of the Accounts Chamber of the Russian Federation (hereinafter referred to as the Report) is annually presented to the Houses of the Federal Assembly of the Russian Federation.

The Chairwoman of the Accounts Chamber and auditors of the Accounts Chamber hold regular meetings with the representatives of mass media. In 2016 the Accounts Chamber expanded its presence in social networking. In addition to its accounts on Facebook, Twitter and Youtube, the Accounts Chamber has opened accounts in OK, V Kontakte and Instagram.

The Accounts Chamber's full-fledged presence in the most popular social media allows all concerned users to immediately get information on the Chamber's activities through the most convenient platform, ask a question of general interest and get the answer, express an opinion and be heard.

In 2016 the National and Municipal Fiscal Audit Portal launched the Poll service, which enabled the public to interact with supervisory bodies and audit authorities. Conducting the polls makes it possible to obtain an independent opinion of the society on the quality of activities carried out by supervisory agencies and state (municipal) audit bodies and rendering services to the population.

The Accounts Chamber actively uses the Polls service during control and expert analysis activities: 20 polls were conducted in 2016 by the Accounts Chamber. The polls' results were used both in planning control and expert analysis activities, and while holding them.

2. During the period under consideration the Accounts Chamber carried out control and expert analysis activities on 321 occasions¹.

In total, 3,211² entities were covered by control and expert analysis activities in 2016.

3. Following the results of control activities 376 representation letters, 58 improvement notices of the Accounts Chamber were sent to the participants in the budgetary process. As of the reporting date a total of 316 letters and notices have been accomplished in its entirety or partially.

In addition, 476 information letters were sent. Among them 11 letters were sent to the President of the Russian Federation and 85 letters were sent to the Government of the Russian Federation.

4. The total amount of violations and deficiencies revealed upon receipt and use of budget funds made up RUR965.8 billion. The utmost ratio in the total amount of violations revealed accounts on violations in forming and executing the budgets, making public (municipal) procurement and keeping accounting records. During the course of performing the Accounts Chamber's improvement notices, a total of RUR8.816,8 million were returned to the federal budget.

5. In 2016 inspectors of the Accounts Chamber opened 411 administrative cases in response to breaches of administrative legislation. As a result 234 officials were obliged to pay penalties amounting to RUR33.3 million.

6. A total of 131 files with findings made in the course of control activities were sent to the prosecutor's office, preliminary investigation authorities, police and state security agencies.

7. Following the results of hearing the materials of control activities carried out by the Accounts Chamber the Russian prosecutor's office issued improvement notices to 264 competent officials, made seven warnings about contraventions committed, initiated legal proceedings on 112 cases of administrative contraventions. A total of 368 claims were filed in courts to protect the state's economic interests.

As a result of the regulatory inspections conducted by the Prosecutor's Office on the basis of the findings made by the Accounts Chamber and pursuant to Article 37 of the Criminal Procedure Code of the Russian Federation prosecutor's offices referred 91 cases to the criminal investigation agencies which opens 32 criminal cases, made four decisions on refusal to institute a criminal case; 55 cases are still under investigation.

The investigative authorities instituted criminal proceedings on 13 cases, 18 cases of control activities were entered into case files to use them as evidence in the course of a pre-trial procedure. Fourteen cases are being used by units of the Russian Federal Security Service and the Russian

¹ The lists of the most important control and expert analysis activities carried out by the Audit Chamber in 2016 and the activities carried out on grounds of the Russian president's instructions, addresses and requests, resolutions of the Federation Council and the State Duma, requests of the committees and commissions of both Houses of the Federal Assembly, addresses and requests of members of the Federation Council and deputies of the State Duma can be found in Appendix 1 and Appendix 2 to the Report.

² Including the organizations that the requests for getting reference data have been sent to.

Interior Affairs Ministry in their activities.

Totally, in 2016 law enforcement agencies and state security opened 45 criminal cases³ on the materials of the Accounts Chamber's control activities.

8. The recommendations summarizing the findings of control and expert analysis activities, which the Accounts Chamber sent to the federal executive bodies in 2016, materialized into laws and regulations of the Russian Federation: 248 regulatory legal enactments and other laws and regulations, including six federal laws, 25 regulatory legal enactments of the Government of the Russian Federation and 217 departmental regulatory legal enactments. Twenty two regulatory and legal enactments were declared to be no longer in force. A total of 24 regulatory and legal enactments were being developed (as of the reporting date).

Key issues for regulating the mentioned enactments are related to tax legislation, price formation and costing standards in the sphere of urban development, using funds of the federal budget, problems in social welfare and healthcare⁴.

9. In 2016 the Accounts Chamber carried out a package of control and expert analysis activities to prepare its opinions on the draft federal laws on the federal budget, budgets of federal extra-budgetary funds for 2017 and for the schedule period of 2018 and 2019, the statements on the execution of the federal budget and budgets of extra-budgetary funds for 2015, quarterly operation statements on the course of executing the federal budget and budgets of federal extra-budgetary funds in 2016. To this end, 215 control and expert analysis activities were carried out.

10. In 2016 within carrying out control and expert analysis activities the Accounts Chamber continued its work to control and consider the implementation of the measures provided for by the Russian President's decrees adopted on May 7, 2012.

Further to the execution of tasks specified in the Russian President's decrees adopted on May 7, 2012 the positive changes in such priority spheres as healthcare, education, culture and housing utilities sector are on the rise as a whole.

11. The audit of the state programs of the Russian Federation (hereinafter referred to as state programs) is carried out by the Accounts Chamber on the annual basis in a comprehensive manner comprising three stages and includes the review of draft state programs and draft amendments to state programs, monitoring of the implementation of state programs on a regular basis, as well as an annual audit of state programs with visits to auditees.

³ Summary data on the measures taken by the Accounts Chamber in 2016 following the results of control and expert analysis activities and the results of consideration of the Accounts Chamber findings by law enforcement agencies and state security authorities in the context of control activities facilities can be found in Appendix 4 to the Report.

⁴ Summary data on the amendments to the Russian laws, regulatory legal enactments of the Government of the Russian Federation, orders of corresponding federal executive authorities initiated on grounds of representation letters and improvement notices of the Accounts Chamber sent based on the findings of control and expert analysis activities in 2016 can be found in Appendix 5 to the Report.

In 2016 within audit of the execution of state programs the Accounts Chamber carried out a package of control and expert analysis measures to check and analyze the implementation of certain measures and reach state programs goals. A total of 40 programs are monitored monthly on grounds of which the Federal Law, “On 2016 Federal Budget”.

The formation of the federal budget for 2017 and for the period of 2018 and 2019 has been checked and analyzed.

12. In 2016 the Accounts Chamber considered nearly 2.000 drafts regulatory and legal enactments and prepared 1.000 opinions, as well as letters with comments and proposals referring to draft of federal laws and other regulatory and legal enactments: 926 comments with the respect of drafts legislative and other regulatory and legal acts; 59 comments with the respect of drafts regulatory and legal enactments making amendments to state programs of the Russian Federation; and 15 comments with the respect of drafts international treaties⁵.

13. In 2016 the Accounts Chamber registered and considered 2.405 complaints, applications, appeals and proposals submitted by citizens, including by legal entities, including 1,468 addresses in electronic form through the “Public Reception Office” interactive service at the Accounts Chamber website.

In total, 4,248 letters were prepared and sent out as response actions. In 2016 the Accounts Chamber Public Reception Office carried out personal reception of 49 citizens and representatives of organizations. A total of 26 written appeals were received from citizens.

The information from the appeals was dealt with due regard for the preparation of control and expert analysis activities. In 2016 within control activities the Accounts Chamber checked information on 31 appeals from citizens and organizations.

14. The major tasks in the international cooperation activity of the Accounts Chamber in 2016 were as follows:

- to enhance the authority of the Accounts Chamber in the international audit community;
- to preserve and increase the level and quality of interaction with Supreme Audit Institutions (SAI) of foreign countries and international audit organizations.

For the benefit of implementing these goals the Accounts Chamber worked in the following directions:

- to ensure Russia’s representation on key positions in international organizations and other multilateral associations of Supreme Audit Institutions (SAI);

- to contribute to the processes aimed at strengthening Russia’s authority on the world arena, to prevent the dilution of Russia’s prestige due to the international situation and the occurrence of new

⁵ The list of the Audit Chamber opinions prepared in 2016 following the results of auditing drafts legislative and other regulatory and legal enactments of the Russian Federation can be found in Appendix 3 to the Report.

threats to national security;

to take part in joint and parallel control and expert analysis activities with foreign SAI that make possible to effectively use international experience in conducting audits and share their knowledge and skills in this sphere;

to use international experience in increasing the SAI role for improving the public administration system;

to expand formats of cooperation and areas of interaction within the audit community.

The international audit corps' decision taken at the XXII INTOSAI Congress (UAE, Abu Dhabi, on December 7-11, 2016) to approve the Russian Federation as a host country of the XXIII INTOSAI Congress was one of the most significant results of the international activity of the Accounts Chamber. This major event in the world audit community will be held in Moscow in 2019 and will gather SAI leaders from all world countries.

15. Pursuant to the tasks legislatively assigned to the Accounts Chamber and set by the President of the Russian Federation the Accounts Chamber planned 319 control and expert analysis activities⁶ due to be held in 2019 (in 2016 321 activities were conducted).

Among one of the priorities the Accounts Chamber considers ensuring and further developing audit of the formation and control over the execution of the federal budget, budgets of federal extra-budgetary funds of the Russian Federation, control over the implementation of a production sharing agreement and the appraisal of drafts regulatory and legal enactments.

In 2017 the Accounts Chamber will continue monitoring and control over the implementation of the decrees of the President of the Russian Federation issued on May 7, 2012, plans of action of the Government of the Russian Federation aimed at ensuring the sustainable economic development and social stability.

Within the efforts aimed at facilitating the implementation of strategic planning documents of the Russian Federation in 2017 the Accounts Chamber makes monitoring and control over the development and implementation of priority projects and programs on key directions of the strategic development of the Russian Federation: "Healthcare", "Education", "Mono-cities", "Safe and Qualitative Roads", "Housing Utilities and City Environment", "Mortgage and Rental Housing", "Environment", "Small Business and Support for Sole Entrepreneurship Initiative", "International Cooperation and Export", "Labor Productivity", "Reform of Control and Supervisory Activities".

⁶ Including the measures carried out within operative control over the execution of the federal budget that have no status of control and expert analysis activities.