

REPORT ON THE
WORK PERFORMED
**BY THE ACCOUNTS CHAMBER
OF THE RUSSIAN FEDERATION**
IN 2014



General

The fundamental legal principles of the establishment and operation of the Accounts Chamber of the Russian Federation (hereinafter the Accounts Chamber) are laid down in Article 101 of Constitution of the Russian Federation, which also specifies that, for the purposes of monitoring the federal budget performance, the Federation Council of the Federal Assembly of the Russian Federation (hereinafter the Federation Council), and the State Duma of the Federal Assembly of the Russian Federation (hereinafter the State Duma) establish the Accounts Chamber, a controlling body having a special constitutional status, accountable to the Russian Parliament, and via the people power mechanisms - to all the taxpayers.

Federal Law of the 5th of April 2013 No 41-FZ "Concerning the Accounts Chamber of the Russian Federation" (hereinafter the Federal Law "Concerning the Accounts Chamber of the Russian Federation") established the status of the Accounts Chamber as a permanent supreme institution authorized to conduct external public audit (control), and significantly extended the Accounts Chamber's scope of the tasks, functions, and powers.

In November 2013 the Accounts Chamber Board established the Action Strategy of the Accounts Chamber of the Russian Federation for 2013 - 2019 and the Key (Priority) Areas of the Accounts Chamber of the Russian Federation for 2014 - 2016.

The Report on the work performed by the Accounts Chamber of the Russian Federation in 2014 (hereinafter the Report) is submitted to the Federation Council and the State Duma in accordance with Article 31 of the Federal Law "Concerning the Accounts Chamber of the Russian Federation".

The Report has been reviewed and approved by the Accounts Chamber Board (Meeting Minutes dated the 17th of April 2015 No 15K (1026)).

The Report covers the operations of the Accounts Chamber aimed at fulfillment of the tasks set by the Russian Federation laws.

Status of the public audit (control)

Introduction in 2013 of the Federal Laws "Concerning the Accounts Chamber of the Russian Federation", "Concerning the Introduction of Amendments to the Budget Code of the Russian Federation and certain legislative acts of the Russian Federation", "On Parliamentary Control" marked a new phase in the development of public control in the Russian Federation, i.e. transfer from financial control to public audit. At the same time, the budget legislation and the laws concerning public financial control have been harmonized with the global best practices.

In November 2014 Federal Law No 341-FZ was introduced titled "Concerning the Introduction of Amendments to the Federal Law: "Concerning the Accounts Chamber of the Russian Federation" (hereinafter Federal Law No 341-FZ), with a view of further improving and enhancing the efficiency of the Accounts Chamber operation in the course of execution, within the mandate for external public audit (control), of the procedure for formation, management and disposal of the federal budget, the budgets of the state non-budgetary funds of the Russian Federation, of federal property and other resources. Federal Law No 341-FZ significantly extended the authorities of the Accounts Chamber.

During the reporting period the Accounts Chamber continued the work to develop proposals aimed at improvement of the legislation as regards organising and exercising the public and municipal control.

In 2014 the Accounts Chamber jointly with the Ministry of Finance of the Russian Federation worked on updating and approval of the draft federal law "Concerning the Introduction of Amendments to the Budget Code of the Russian Federation and Article 1 of the Federal Law "Concerning the Introduction of Amendments to the Budget Code of the Russian Federation" providing for improvement of exercising the



The Chairwoman of the Accounts Chamber, Tatyana Golikova

national (municipal) financial control. Said draft law includes, inter alia, amendments aimed at harmonizing the regulations of the Budget Code of the Russian Federation and the provisions of the Federal Law "Concerning the Accounts Chamber of the Russian Federation".

It is especially important to further improve the methodological basis of external public audit (control).

This concerns, in particular, such area of the Accounts Chamber's work as analysis of the status and efficiency of the internal finance audit conducted by Chief Budget Funds Administrators,

development of recommendations aimed at improving the efficiency, making proposals on improving economy and effectiveness of the public funds use.

Analysis of the efficiency of internal finance audit conducted at the audited (controlled) entities is one of the aims of the external review of the annual report on the implementation of the federal budget.

In 2014 the Accounts Chamber continued the work to develop and improve the standards concerning the issues of analysis and review of the efficiency of internal finance audit of audited (controlled) entities.

The key results of the
Accounts Chamber's work
in 2014

The key results of the
Accounts Chamber's operations

The key indicators of the performance of the Accounts Chamber of the Russian Federation in 2014

INDICATOR	REPORTING YEAR
Control and expert-analytical activities conducted,	445
out of which:	
control activities	349
expert-analytical activities	96
Control and expert-analytical activities conducted based on assignments,	114
applications and requests,	
out of which activities on the grounds of:	
resolutions and assignments of the Federation Council, applications and requests of the Federation Council's committees, commissions, and members	22
decrees, orders, and assignments of the State Duma, applications and requests of the State Duma committees, commissions, and members	29
Control activities conducted with participation of law-enforcement agencies and national security agencies, out of which with the participation of:	21
The General Office of Public Prosecutor of the Russian Federation	7
The Ministry of Internal Affairs of Russia	7
The Federal Security Agency of Russia	7
Joint and parallel control and expert-analytical activities conducted	
out of which:	28
with bodies of control and accounts of constituent entities of the Russian Federation	10
with supreme public audit (control) institutions of foreign states	18 ¹
The total number of discovered violations and non-compliances with respect to allocation and use of budget resources (billion RUR/number)	524,5/2587
including:	
violations of the budget legislation (billion RUR/number of violations)	342,8/950
violations of the Russian Federation Laws on taxes and levies, generation of extra-budgetary funds, banking and currency legislation (billion RUR/number of violations)	2,8/18
violations related to investment (billion RUR/number of violations)	7,8/51
violation of the laws of the Russian Federation on accounting and financial reporting (billion RUR/number of violations)	14,0/172
violation of the laws of the Russian Federation on placing orders for governmental and municipal needs (billion RUR/number of violations)	39,6/276
violations related to management and control of the governmental property (billion RUR/number of violations)	25,5/304
other violations discovered related to the use of the budget (billion RUR/number of violations)	92,0/816
The total number of discovered violations and non-compliances with respect to allocation and use of budget resources through unauthorized and inefficient use of budget resources (billion RUR/number)	182,2/285
including:	
unauthorized use of budget resources (billion RUR/number)	9,1/25
inefficient use of budget resources (billion RUR/number)	173,1/260

The key indicators of the performance of the Accounts Chamber of the Russian Federation in 2014

INDICATOR	REPORTING YEAR
Meetings of the Accounts Chamber's Board held	65
Issues reviewed at the Accounts Chamber Board meetings	941
The quantity of the materials generated following control and expert analytic activities forwarded to the Houses of the Russian Parliament by the decision of the Accounts Chamber Board	894
The quantity of the opinions prepared based on the findings of expert reviews of draft legislative and other enactments	559
The Accounts Chamber's submissions and instructions presented	435
including:	
the Accounts Chamber's submissions	416
the Accounts Chamber's instructions	19
The quantity of the information sheets submitted concerning the control activities findings	414
including:	
addressed to the President of the Russian Federation	22
addressed to committees and commissions of the Federation Council and the State Duma,	
to Federation Council and State Duma members	2
addressed to the Government of the Russian Federation	95
The quantity of the control activity materials submitted to prejudicial inquiry agencies and national security bodies	158
out of which:	
decisions made to initiate criminal case proceedings	24
included into prejudicial inquiry	26
decisions made to refuse to initiate criminal case proceedings	8
an inspection and investigation and search operations are being conducted	5
The quantity of the control activity materials submitted to the general Prosecutor's Office of the Russian Federation	95
following the examination of the submitted materials:	
submissions made stating that violations of law must be removed	152
illegal acts appealed	10
persons brought to account under disciplinary procedures	65
petitions arbitrated and referred (taken) to ordinary courts	80
damage repaired to the government (million rubles) as the result of the Prosecutor's reaction	309

The key indicators of the performance of the Accounts Chamber of the Russian Federation in 2014

INDICATOR	REPORTING YEAR
The quantity of the measures taken as the result of the control activities performed by the Accounts Chamber for bringing public individuals guilty of violation of the Russian Federation laws to account under disciplinary procedures	394
out of which:	
admonitions	63
warnings	7
reprimands	59
discharges	80
demotions	1
disqualification for bonus	59
other extra-legal penalty measures	125
Reports of administrative infractions drawn up by the Accounts Chamber inspectors	88
out of which:	
reports reviewed by the federal financial and budgetary supervision executive agency	69
reports reviewed by judicial authorities	3
The number of signed agreements for cooperation with public authorities, Corporate Social Responsibility	104
out of which:	
agreements signed with federal public authorities	20
with bodies of control and accounts of constituent entities of the Russian Federation	84
Financial support of the Accounts Chamber (billion rubles)	3,1
Accounts Chamber staff number	1263
including:	
Federal State Civil Servants (persons)	1189
Education level of the Accounts Chamber staff (persons/%):	
higher professional education	1057/99,1
vocational education	6/0,6
Education specialization of the Accounts Chamber staff (persons/%):	
finance and economics	536/50,2
legal	264/24,7
management	142/13,3
Coverage of the Accounts Chamber activities:	
the number of publications, spots, and communications	56 000
number of visits to the website	800 000
the number of TV and radio spots	1066

¹ The control activity "All Round Value for Money Audit of Implementation and Carrying out by the Arctic Council Member Countries of the Arctic Council Recommendations for Environmental Protection and Sustainable Development in the Arctic Region" was held with participation of the Supreme Audit Institutions of the Arctic States and by the bodies of control and accounts of the constituent entities of the Russian Federation that are situated in the Russian Federation arctic zone.



Meeting of the Accounts Chamber Board

In 2014 control and expert-analytical activities covered 690 entities in 72 constituent entities of the Russian Federation.

In accordance with the Federal Law "Concerning the Accounts Chamber of the Russian Federation", the Regulations of the Accounts Chamber of the Russian Federation, during the reporting period the results of all the control and expert-analytical activities were reviewed at Meetings of the Accounts Chamber Board. In 2014 a total of 65 Meetings of the Accounts Chamber Board were held, at which 941 issues were reviewed, which includes 429 issues related to the findings of control and expert-analytical activities, and the Accounts Chamber opinions on draft federal laws. The Accounts Chamber informed the Houses of the Russian Federation Parliament, and notified the heads of the competent public authorities, institutions, businesses, and organizations of the results of control and expert-analytical activities.

Critical results of control and expert-analytical activities were reported to the Head of the State. In 2014 the President of the Russian Federation was informed of results of a total of 60 control and expert-analytical activities, out of which:

monitoring of the sufficiency of financial resources needed to ensure absolute compliance with the decrees of the President of the Russian Federation dated the 7th of May 2012;

integrated analysis of governmental programmes of the Russian Federation, including estimation of balance of their objectives, tasks, indicators, actions, and financial resources, and whether these programmes are satisfactory for long-term social and economic development of the Russian Federation;

inspection of whether 468.6 million rubles from federal funds allocated under sub-programme "Supporting Infrastructure Development for Vostochny Space Launcher Complex" of the Federal Special Purpose Programme "Development of the Russian Space Launcher Complexes from 2006 through 2015" are used efficiently and in accordance with the purpose;

audit of the efficiency of public funds use by Federal State Unitary Enterprise "Civil Airports (Airfields) Management" while implementing federal special purpose programmes in the Far East Federal District, including evaluation of the quality and cost of the performed design and building and assembly works;



Violations and defects detected by the Accounts Chamber in the course of external public audit (control)

The total amount of discovered violations and defects with respect to allocation and use of budget resources is 524.5 billion rubles.

The biggest part of the discovered violations is violations of the budget legislation: **342.8 billion rubles (65.4% of the total amount of the violations)** and violations of the laws “Concerning the Placing of Orders for State and Municipal Requirements: **39.6 billion rubles (7.6% of the total amount of the violations).**

The amount of misused public funds is **9.1 billion rubles**, out of which **is 9.1 billion rubles**, out of which is **7.4 billion rubles** based on the results/findings of the audit of efficiency of federal funds and property use by businesses belonging to and corporate members of the “United Aircraft Corporation” Stock Company operating under the state defence order, federal special-purpose programmes, and upon examination of export shipments under defence contracts in 2010 - 2012. The reports based on the results/findings of the control activity have been duly submitted to the Russian Federation General Prosecutor's Office (now are being reviewed). Likewise, financial aid amounting to 0.3 billion rubles allocated from the federal budget to the government of the Republic of Karelia for the purposes of raising the payment for the labour in the public sector was used to cover the whole account of the budget of the Republic of Karelia.

audit of legality of the Russian Federal Fisheries Agency's auctions carried out in 2010 - 2012 for the sale of the right to enter into agreements for allowable quotas for production (catch) of crabs for the purposes of inshore fishing in the Primorye sub-area;

assessment of performance of the federal funds key spending units in terms of effectiveness and efficiency of spending the federal funds allocated in 2012 and 2013 for scientific research and development;

performance audit of using the Federal Compulsory Medical Insurance Fund budget intended to implement in 2011 - 2013 the health care system modernization programmes and activities;

audit of efficiency of using the funds allocated for implementation of a state automated system for assessment of financial and technological risks arising during fulfillment of state defence orders;

external public financial audit “Utilization by the State Unitary Enterprise “Kizlyar Cognac Distillery” of federal property and assets in the course of financial and operating activities and estimation of its assets book-value”.

The actions taken by the Accounts Chamber in the course and based on the results/findings of control and expert-analytical activities

The Accounts Chamber uses comprehensive efforts to eliminate violation of federal laws and other laws and regulations affecting both the interests of government agencies and those of other parties the budgetary process, including civil society institutions and broad population.

According to Articles 26 and 27 of Federal Law "Concerning the Accounts Chamber of the Russian Federation", based on the findings of the control activities, the Accounts Chamber presents to the public authorities of the Russian Federation, and to the heads of the audited institutions, businesses, and organizations submissions and instructions for corrective actions, actions to eliminate the identified deficiencies, actions aimed at reparation of the damage caused to the state, and at bringing to responsibility the officials guilty of violation of the Russian Federation legislation.

Following the results of the control activities, 416 submissions, 19 instructions, and 414 information letters were sent to the Ministry of Finance of Russia, the federal budget key spending units, other parties to the budgetary process. 22 information letters were sent to the President of the Russian Federation, and 95 information letters were sent to the Government of the Russian Federation.

135 materials based on the findings of the control activities were sent to prosecution authorities, pretrial investigation agencies, law enforcement agencies, and national security agencies by the decision of the Accounts Chamber Board. 23 additional materials were sent upon requests from the General Prosecutor's Office of the Russian Federation, the Investigation Committee of the Russian Federation, the Ministry for Internal Affairs of Russia, and the Federal Security Service of Russia.

During the reporting period the Accounts Chamber achieved return to the federal budget and the budget of the Common State of **1 034.7 million rubles**, out of which - **977 million rubles**

were returned to the federal budget, and **57.7 million rubles** to the budget of the Common State. At the same time 468.6 rubles were returned during the control activities, and upon completion of the control activities, following the examination of the Accounts Chamber's submissions, **566.1 million rubles** were returned.

In the course of implementation of the goals set by the federal legislation to ensure protection of the society's and state's legitimate economic interests from administrative infractions, the Accounts Chamber adequately exercised its power to initiate administrative proceedings. In 2014 the Accounts Chamber's controllers initiated **88 proceedings** of this category following the examination of which, including in 2015, 21 persons were held administratively liable for torts committed in the financial and budgetary sphere, the total amount of the imposed fines was **1,166.4 thousand rubles**.



The speech of Tatyana Golikova, Chairwoman of the Accounts Chamber, at the plenary meeting of the State Duma concerning the Opinion on enforcement of the Federal Law on the Federal Budget for 2013.



Implementation of the findings of the Accounts Chamber's control and expert analytical activities in 2014

Out of the total amount of the Accounts Chamber's submissions and instructions presented in 2014, (435) were fully or 312 partly implemented. As of the end of the reporting period 123 submissions and instructions were under consideration by the addressees.

Following the examination of the Accounts Chamber's submissions by the key spending unit, normative legal departmental (administrative) acts were adopted with regard to internal control, arrangement of work of contract services in the area of procurement, registration and keeping records of federal property, improvement of budgetary accounting.

Additionally actions were taken for bringing of office holders guilty of violation of the Russian Federation legislation to various kinds of responsibility. For the reporting period a total of 394 office holders were brought to responsibility as advised by the Accounts Chamber for violations of the Russian Federation legislation, out of which 80 persons were discharged. An important factor affecting the efficiency of execution of the Accounts Chamber's tasks is augmentation of the interaction of the Accounts Chamber with the General Prosecutor's Office of the Russian Federation, the Russian Federation Security Service, and other law enforcement agencies.

Based on the Accounts Chamber's reports, pretrial investigation agencies initiated 24 criminal case proceedings, in 6 cases the materials of control activity were used in investigation of initiated criminal case proceedings, 20 materials were used by units of security agencies in their operational procedures, verification activities of 5 cases haven't been completed by the investigatory agencies and decisions on them have not been made. Following the examination of 8 cases the investigators substantiated facts excluding criminal prosecution, therefore proceeding decisions were made to refuse to initiate criminal proceedings.

Control and expert-analytical activities conducted jointly (concurrently) with supreme public audit (control) institutions of foreign states

In 2014 cooperation with foreign supreme public audit (control) institutions (SAI) continued. One of the priority areas of the bilateral cooperation was carrying out joint and concurrent control activities. Based on findings of these audits, joint meetings were held of the Accounts Chamber Board, the Board of State Control Committee of the Republic of Belarus, the Board of Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan, the Board of the Court of Accounts of the Republic of Slovenia, the Board of Office of the Comptroller General of the Republic of Cuba and the Council of the Accounts Chamber of the Kyrgyz Republic.

As part of the management of the intergovernmental agreements in the area of international business activity, two concurrent control activities of the Accounts Chamber and the Office of the Comptroller General of the Republic of Cuba were organized.

By virtue of an Agreement signed between the Accounts Chamber of the Russian Federation and Office of the Comptroller General of the Republic of Cuba the following concurrent control activity was organized: "Audit of Implementation of the Agreement between the Government of the Russian Federation and the Government of the Republic of Cuba for granting to the Government of the Republic of Cuba of public credit for financing of supplies of Russian construction and agricultural machines dated the 28th of July 2009".

The subjects of the control activity were Government Owned Corporation "Bank for Development and Foreign Economic Affairs" ("Vnesheconombank"), Private Limited Company "Foreign Trade Company "KamAZ", Private Limited Company "KRANEKS Leasing", Private Limited Company "Chelyabinsk Road-building Machines", Public Limited Company "CHETRA-Industrial Vehicles", the Ministry of Finance of Russia, the Ministry of economic development and trade of the Russian Federation, OOO "Ivekta", the Ministry of Industry and Trade of Russia.

Based on the results of the inspection it was established that: the Russian and Cuban institutions' cooperation efficiency in negotiating and concluding agreements is poor; during the term of the Agreement the rate of the public credit use is low, and the credit use is inconsistent. Based on the findings of the inspection information letters were sent to the Ministry of Finance of Russia, the Ministry of economic development and trade of the Russian Federation, the Ministry of Industry and Trade of Russia, and Denis V. Manturov, the Chairman of the Russian Section of the of the Russian/Cuban Intergovernmental Commission for Trade, Economic, Scientific and Technological Cooperation.

Correcting the detected violations, the Ministry of Finance of Russia, due to the fact that settlements with exporters take a long time, made a decision, when preparing the draft financing agreements, to extend the period of payment for the Russian supplies from 6 to 10 business days. The Ministry of economic development and trade of the Russian Federation is planning that further cooperation with the authorized institution of the Republic of Cuba (The Ministry of International Trade and Foreign Investment of the Republic of Cuba) will be realized both via the Embassy of the Republic of Cuba in the Russian Federation, and through exchange of opinions in the course of monthly meetings within the framework of Russian/Cuban working group of experts in performance of intergovernmental Russian/Cuban credit agreements, including experts in solution of issues related to timely meeting of mutual commitments under agreements.

Audit of the progress of cooperation between the Government of the Russian Federation and the Government of the Republic of Cuba in the area of civil aviation was based on an Agreement between the Accounts Chamber of the Russian Federation and the Office of the Comptroller General of the Republic of Cuba for carrying out a concurrent control activity. The audited entities were the Ministry of Finance of Russian, the Ministry of Economic Development and Trade of the Russian Federation, the Ministry of Industry of Trade of Russia, Limited Liability Company "Roseximbank", Limited Liability Company "Ilyushin Finance Co."

The inspection found the following shortcomings in the work of the Cuban partners when operating the supplied aircraft, including long periods of sending parts to the repair workshop, delays in payments for deliveries of goods or performed work and rendered services Following the inspection an information letter was sent to the Ministry of Finance of Russia proposing, in view of the negative external influence on the banking sector environment,



Meeting of representatives of Supreme Audit Institutions of Russia and Norway

to consider providing, where possible and appropriate, of Russian ruble-denominated government guarantees, for Russia's export promotion.

In response to this letter the Ministry of Finance reported that the Accounts Chamber's proposals in January 2014 the Accounts Chamber summarized the control activity "International Coordinated Audit of Use of Budget Funds Allocated for Natural Fires Prevention and Response in 2011 - 2012 and in the period elapsed from the beginning of 2013".

Said control activity was implemented as part of the work of a EUROSAI special team auditing resources allotted to disaster prevention and response. Accounts Chamber of the Russian Federation acted as coordinator of the project for conducting concurrent issue-related audits by the Supreme Audit Institutions of the Russian Federation, Bulgaria, and Ukraine, and preparation of a joint report.

As a result of the implemented control activity it was established that the causes of the majority of the natural fires on the territory of the Russian Federation were agricultural burning, careless handling of fire in the forest, and lightning discharges. In 2011 in Russia there were 21.1 thousand forest fires, out of which 12.1 thousand were due to the fault of individuals (57.6%). In can be practically implemented through incorporation into the Programme of government guarantees of the

Russian Federation for 2015 and a planned period of 2016 and 2017 of new (complementary) form of guarantee support of industrial exports by means of relevant transfer of other forms of government guarantee support provided for by said Programme, or as part of the scope of the following budget cycle. 2012 on the territory of the Russian Federation there were 20.2 thousand forest fires, including 8.9 thousand due to the fault of individuals (43.8%).

Prevention and putting out of natural fires are financed out of the federal budget funds, using the funds of the constituent entities of the Russian Federation, the funds of the local self-governing authorities and other sources. The public funds out of the Russian Federation budget system allocated to prevention and putting out natural fires were generally spent efficiently and according to the intended purpose.

Despite some problematic issues concerning the level of provision of the fire-fighting unit involved in the extinguishing of the natural fires with fire-fighting equipment and special extinguishing systems, the aviation fuel status, some equipment components having been in service over 20 years, a review of material and technical supply of fire fighting units proved sufficiency of this type of supply for the purposes of the functions assigned to the units.

Substandard work on keeping records of research and development deliverables in the state register and untimely execution of engineering phase in documentation can be classified as areas of concern found in the course of the performed research and development analysis. Failure to comply with requirements to governmental accounting of deliverables of research and development makes it impossible to fully commercialize all the intellectual property items that were created by the EMERCOM of Russia for the following purposes: manufacture of competitive domestic high-specification products, increase of export potential of the Russian economy, increase in federal budget revenue derived from use of intellectual property items, Russian Federation technological, economic, and environmental safety, and the government effective performance in the field of protection of the population and areas against natural and man-made emergencies.

In accordance with the findings of the control activity the Accounts Chamber's opinion was sent to the Russian Federation EMERCOM. Within the activity aimed at enforcing the Accounts Chamber's opinions, the Russian Federation EMERCOM took the following actions:

- in order to improve the operations of the voluntary fire protection team, the Russian Federation EMERCOM, in an initiative manner, developed a draft Federal Law "Concerning the Introduction of Amendments to Federal Law "Concerning Voluntary Fire Protection Teams", which is currently being finalized based on the results of coordination with the concerned public authorities;

- the following Russian Federation Government Resolution No 1332 was drafted and approved on the 6th of December 2014: "Concerning Adoption of the Policy for Grants from the Federal Budget for Socially Responsible Non-for-Profit Organizations Operating in the Field of Protection of the Population and Areas from Emergency Situations, Ensuring the Fire Safety and Water Safety";

- in order to phase in prototypes, a package of documents was sent to the Federal Agency for Intellectual Property for obtaining patents for utility model "Pumping Hose Fire-Fighting Wagon" (R&D code "Potok"); "Modular Pumping Hose Appliance" (R&D code "Shkval"), "Integrated Pumping Hose Fire-Fighting Wagon Equipped with a Tank" (R&D code "Magistral");

- work has been organized and is being carried out with the Russian Federation EMERCOM, for a total amount of 256.1 million rubles, to implement the R&D deliverables and for the purposes of governmental accounting of R&D deliverables.

In accordance with an Agreement with the Accounts Chamber and the State Audit Office of the Republic of Latvia, the following control activity was implemented: "Concurrent Auditing of Implementation of the Agreement between the Government of the Russian Federation and the Government of the Republic of Latvia on International Motor Service dated the 22nd of February 1995".

The audit revealed inefficient use of the public funds with regards to a grant to Federal State-Funded Institution "Mechanical Road Transport Agency" in 2012 for financial support of the state order for rendering of services for the state requirements (performance of work) for an amount of 30.7 million rubles because of non-fulfillment of the assignment of the government order.

It was also established that foreign carriers that commit violations of the Russian regulatory approval system also neglect some of their obligations to pay the fines imposed on them under administrative law. The total open federal budget amount relating to foreign carriers in consequence of failure to pay the fines imposed under administrative law for 2010 - 2012 and 6 months of 2013 was 51.1 million rubles. At the same time the Ministry of Transportation of Russia failed to properly organize the cooperation with the competent authority of the Latvian Republic for the purposes of prevention of such violations.

In violation of the Resolution of the Government of the Russian Federation dated the 24th of May 2012 No 505 "Concerning the Introduction of Amendments to the Regulations on the International Road Carriage Permit Granting to Russian Carriers", the Ministry of Transportation of the Russian Federation failed to introduce amendments to the Federal Transportation Oversight Agency Administrative Rules, as approved by Resolution No 186 dated the 18th of July 2011 of the Ministry of Transportation of Russia, governing the Rendering of State Service of International Road Carriage Permit Granting to the Russian Carriers.

The content of the documents required for the Russian carriers international road carriage permit has not been approved. The controlling authorities' calling for excessive documents from carriers complicated the Russian carriers' obtaining permit for international road carriage. The audit demonstrated that further development of international road carriage is impacted by the following factors: all the types of control, which include prior notification and application of interdepartmental reporting system, are not automated;

- insufficient promptitude of the procedures applied by the controlling authorities at the car checkpoints;
- required equipment missing at stationary weight

and dimension control points located at federal-aid highways of the Russian Federation, and other factors.

By resolution of the Accounts Chamber's board opinions have been sent to the Ministry of Transportation of Russia, and an information letter has been sent to the Federal Transportation Inspection Service. A report on the findings of the control activity has been sent to the Government of the Russian Federation, and a brief report has been sent to the State Audit Office of the Republic of Latvia.

In pursuance of the Accounts Chamber's submission, amendments and supplements have been introduced to laws and regulations of the Ministry of Transportation of Russia, including to the Federal Transportation Inspection Administrative Regulation for Rendering of State Service for the Russian Carriers International Road Carriage Permit. In addition to that, amendments have been introduced to the government's assignment to the Federal State-Funded Institution "Rosavtotrans" and the agreement on the procedure for a grant, for the purposes of revision of performance indicators of the state-funded institution.

In 2014, jointly with the Accounts Chamber of the Kyrgyz Republic, an audit was conducted of the use of federal funds allocated in 2012 - 2013 for maintenance of a Russian air-base located on the territory of the Kyrgyz Republic.

Based on the findings of the control activity, financial violations were discovered for a total amount of 45.9 million rubles, out of which 36.0 million rubles were reimbursed.

Based on the findings of the activity it was discovered that the current issues of the operation of the air base located on the territory of the Kyrgyz Republic arising in connection with implementation of international contracts (agreements) were not resolved, and there was no permanent committee of representatives of the Russia's and Kyrgyz Republic's competent authorities.

No actions have been taken to issue the documents of title with state registration of the title of the Russian Federation to 18 items of immovable property built on the territory of the air base in 2004 - 2008 at the expense of the Russian Federation budget, including 11 items in the residential barracks area of military town Kant, 7 items on the territory of the aerodrome area, in accordance with an intergovernmental agreement.

Additionally, no actions have been taken to reissue the certificates for temporary use until 2018 of 5 land plots of the total area of 367.1 hectares and 1 land plot of the area of 62.9 thousand

square meters granted to the air base in 2003, in order to extend their validity terms.

In July 2014 the Ministry of Defence of Russia established a Russian/Kyrgyz Conciliation Commission for implementation of the Agreement on the Status and terms of stay of the combined Russian military base on the territory of the Kyrgyz Republic dated the 20th of September 2012; at a meeting of the Conciliation Commission the records were studied of a joint inventory taken in 2013 by the ministries of defense of the Kyrgyz Republic and of the Russian Federation of items of immovable property both built by Russia and being property of the Kyrgyz Republic handed over for free use by the Russian air-base, with the required technical documents and transfer-and-acceptance certificates issued. Records of the air-base items were adjusted in accordance with the taken inventory.

In addition, in 2014, jointly with the State Control Committee of the Republic of Belarus and the Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan, two audits were conducted of compliance in 2012 and 2013 by the competent authorities of the Republic of Belarus, Republic of Kazakhstan, and the Russian Federation with the Agreement on the Establishment and Application by the Customs Union of the Procedure for Receipt and Distribution of Import Customs Duties (Other Duties, Taxes, and Levies having Equivalent Effect).

Reports on the findings of the control activities were approved at joint meetings of the boards of the State Control Committee of the Republic of Belarus, the Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan, and the Board of the Accounts Chamber, and were sent to the Government of the Russian Federation.

Based on the findings of the audit of compliance with the Agreement, in 2013, an opinion was sent to the Federal Customs Service of Russia, and an information letter was sent to the Ministry of Finance of Russia, both documents are being implemented.

The Accounts Chamber's International Cooperation

The Accounts Chamber's International activity was carried out in accordance with article 38 of the Federal Law "Concerning the Accounts Chamber of the Russian Federation", the foreign policy of the country's top leadership, the provisions of the Lima and the Mexico Declaration of the International Organization of Supreme Audit Institutions (INTOSAI), and was based on the Plan of Action to Support the Russian Federation Accounts Chamber International Activity in 2014.

The main goals in the reporting period were promotion of the Accounts Chamber's standing in the international audit community, consolidation, within the powers and authorized capacity, of the Russian Federation's position in the world arena, development and improvement of arrangements with the SAI of the foreign countries and the international organizations that unite them.

The main tasks of the reporting period were the following:

- ensure Russia is represented keeping a high profile in the international organizations and other multi-lateral associations of SAI, promoting activities aimed at consolidation of Russia's authority in the world arena, and prevention of the authority weakening due to unfavorable international environment;

- implementation of joint control activities and holding joint meetings of the Board, as provided for by the plans of bilateral cooperation of the Accounts Committee and SAIs of the foreign states;

- horizontal escalation of the Accounts Chamber's cooperation with the SAIs of the world's countries in accordance with the instructions of the Ministry of Foreign Affairs of the Russian Federation;

- preparation of large-scale and important activities planned to be implemented in the Russian Federation in the near term.

At the same time during the reporting period it was important to preserve the trend toward increase in the volume of the problems resolved, especially against the background of the world situation due to the events in Ukraine.

The most important event in 2014 was the 2nd joint conference of EUROSAI/ASOSAI, which took place on the 25th - 26th of September in Moscow. The forum was attended by around 100 members of



The second joint conference of EUROSAI/ASOSAI

SAIs from over 20 European and Asian countries.

The main topic of the conference, "The Lessons learned from the Experience of Application of the INTOSAI International Standards, and their Future Implementation", has been and still remains one of the most pressing challenges for all the auditors' community. Thorough methodologies, in the opinion of the participants, are the foundation of SAIs efficiency, and they have a direct effect on shaping the conditions of SAIs independence, SAIs capacity building and general development of the system of public external control.

High quality of SAIs' operations is an indispensable condition for development of progressive development of processes targeted at improvement of state administration, that is, at the major problem currently facing the auditor community. The forum participants were all at one in thinking that this problem can be resolved, in particular, by means of continuous control process based on an efficient methodological support system.

Taking into account the criticality of the problem



and the changes taking place in the area of the INTOSAI standards, the question of energizing the SAIs' cooperation is becoming ever more topical. At the same time it is becoming obvious that it is necessary to shift the focus towards looking for mechanisms of further improvement of SAIs' operating efficiency. In this regard the participants of the forum emphasized that these principles must appear on the United Nations "Post-2015 Development Agenda". Summarizing the results of the forum, the Conference participants unanimously approved the final "Moscow Statement".

One of the key priorities of the international cooperation is active participation in practical activities that make it possible to maximum effect to make good use of the gained international experience, and also to share one's knowledge and skills.

On that basis, in 2014 special attention was given to organization of joint and concurrent control activities. Thus, in particular, during an official visit of the Chairman of the Accounts Chamber to the

Republic of Slovenia, the results of the concurrent audit in respect to the Memorandum between the Government of the Russian Federation and the Government of the Republic of Slovenia signed in 2010 and concerning important projects targeted at further development of the bilateral economic cooperation were reviewed.

In 2014 the administration of the Accounts Chamber took part in six meetings of the boards jointly with their respective counterparts: heads of the SAIs of Belarus, Kazakhstan, and Kirghizia. In the course of those activities the outcomes of the joint and concurrent control activities implemented by the Accounts Chamber and the SAIs of the above-mentioned countries and concerning such critical problems as the budget of the Union State, the Agreements on Establishment and Application in the Customs Union of the Procedure for Receipt and Distribution of the Import Customs Duties (other duties, taxes, and levies having equivalent effect), operation of Russian military facilities abroad, construction of power stations etc. were reviewed.



The Supreme Audit Institutions of Russia and the Netherlands 'entered into an Agreement for

Meetings of the Chairwoman of the Accounts Chamber and the heads of the SAIs of the former Soviet Republics were held on a regular basis. Thus, in particular, last year official visits were paid in Moscow by the heads of the Kazakhstan, Armenia, Belarus, Kazakhstan, Moldavia, Tajikistan. During the meetings crucial decisions were taken on development of bilateral cooperation, the object-matters and the timing of joint and concurrent control activities were finalized, actions to improve the methodological procedures were defined.

For the purposes of development of this area of activity, in 2014 Agreements were signed for cooperation with the SAIs of Vietnam, the Netherlands, Tajikistan. In the future this will serve as the foundation for organization of joint and concurrent control activities in partnership with the SAIs of those countries.

Work was continued in the framework of the most important integrated format of cooperation: Council of Heads of the SAIs of the CIS Member Countries. At present this is one of the most efficient platforms for exchange of experience in the audit community of the post-Soviet area: under the auspices of the Council, meetings are held on a regular basis of a Working group developing standards of public finance control

for the CIS member countries and of an Expert Group on Key National Indicators of the Council of Heads of the SAIs of the CIS Member Countries; workshops, round tables, and conferences are held on the key problems of the external finance public control. In addition, the Council is a powerful tool for solution of the most important questions of the day relating to further development. Thus for instance in the course of the 14th session of the Council of Heads of the SAIs of the CIS Member Countries, which took place on the 3rd of October 2014 in Chisinau, the positions were agreed on organizing the involvement in the Eurasian Economic Union (hereinafter EEU), which became framework for practical resolution of the problems facing the audit institutions of the EEU Agreement countries.

The year 2014 was marked by emergence of a new cooperation format, namely interaction within the context of the Eurasian Economic Union. Ambitious and large-scaled tasks were assigned to the audit corps of Russia, Armenia, Belarus, and Kazakhstan that must be approached in as short a time as possible.

In this respect new formats of arrangements were used, in particular, Skype conferences, enabling as promptly as possible and at minimum cost to conduct

meetings of members of the SAI of the EEU member countries. The first such conference, at which specific steps were agreed to prepare documents under the Agreement on the Eurasian Economic Union, took place on the 9th of December 2014.

A special attention in the international activity of the Accounts Chamber was paid to consolidation of the Russia's stand in the global audit community by means of active involvement in the actions of the governing bodies of international organizations of SAs: INTOSAI, ASOSAI, and EUROSAL.

Thus the Accounts Chamber's delegation headed by the Chairwoman of the Accounts Chamber participated in EUROSAL X Congress (the Hague, 15-20th of June), the topic of which was "Innovations in the Actions of Supreme Audit Institutions".

In September 2014 in Moscow at the Accounts Chamber's venue the 47th meeting of the ASOSAI Governing Board took place, which was timed to coincide with the 2nd ASOSAI/EUROSAL joint conference. During the event the Chairwoman of the Accounts Chamber delivered a number of reports.

In November 2014 the Accounts Chamber's delegation took part in a meeting of the INTOSAI Governing Board (Vienna, 5-7th of November), during which the official standing of the Russian language at this international audit institution was practically implemented.

A very important area of the Accounts Chamber's operations is fight against corruption. The Russian SAI dominates in the 10th research project of ASOSAI "Audit as a tool against corruption and money laundering", the last seventh meeting of which took place in December 2014 in Tehran. During the meeting the final version of the report was agreed, to be further reviewed at the ASOSAI Assembly.

Additionally, on the 24th - 25th of April 2014 traditionally in the Accounts Chamber's building the third Eurasian Anti-Corruption Forum "Up-to-date Anti-Corruption Technology and Standards" took place. The purposes of the event were to join efforts of the scientific and the expert community to solve the urgent problems of fighting corruption in the Eurasian Region, and to consolidate the Eurasian Community in this area.

Throughout the whole 2014 the Accounts Chamber continued its activity as planned with the governing and operating bodies of the INTOSAI, ASOSAI, and EUROSAL. The Accounts Chamber is currently the only supreme audit institution represented at the Governing Boards of all the three international audit institutions, presiding in two Working Groups of INTOSAI and sitting on 20 committees, subcommittees, and participating in other bodies of the INTOSAI, ASOSAI, and EUROSAL.

Thus, in February 2014, the Accounts Chamber's delegation headed by the Accounts Chamber's auditor T.N. Manuylova, took part in the organization of the seventh meeting of the INTOSAI Working Group dedicated to key national indicators, in the Republic of Indonesia (Kuta).

In October 2014, the Accounts Chamber's delegation took part in a regular meeting of the INTOSAI Working Group, which was dedicated to public debt audit in the Republic of Korea (Seoul), and during which the Accounts Chamber's auditor T.N. Manuylova delivered a speech on the topic "The Main Approaches to the Public Debt Management Audit in the Conditions of Application of the Federal Budget Program Planning and Compliance Method".

Following the visit, it was proposed to continue the cooperation with the Working Group members on a basis of exchange of experience and methodology in the area of public debt audit. The Accounts Chamber's auditor B. Zh. Zhambalnimbuev took part in an international workshop on control (audit) of funds allocated to support the agriculture. In his speech B. Zh. Zhambalnimbuev emphasized that it was necessary to resolve a number of priority problems, including issues related to the Customs Union's regulatory standardization concerning technical regulation of circulation of food products to ensure its safety and quality, and compliance with the WTO regulations.

In June 2014 the Accounts Chamber hosted a Russian/Chinese workshop, at which issues were discussed related to the SAs' powers to assist in organization of the system of internal audit at controlled facilities, financial audit management, forming and operation of international financial centers.

Significant work has been performed in terms of coverage of the results of international activity of the Accounts Chamber. Thus in particular information is permanently published on the Russian SAI's official website about the events that take place in the global auditor community and about the Russian representatives participating in them.

The main areas of the Accounts Chamber's activity in 2015

The main areas of the Accounts Chamber's activity in 2015 have been formed in accordance with the tasks and functions the responsibility for which is devolved on the Accounts Chamber by the Constitution of the Russian Federation, the Federal Law "Concerning the Accounts Chamber of the Russian Federation", and the Budget Code of the Russian Federation.

The Accounts Chamber is a constitutional institute, a supreme external public audit (control) institution permanently acting on behalf and in the interests of the society and the state, and not only is one of the key elements of the modern control model, but also promotes Russia's international standing, strengthening its investment appeal by demonstrating that the Russian Federation public authorities aim for transparency and openness.

Within the scope of the exercise of powers, one of the priority missions of the Accounts Chamber is to ensure and further develop the audit of the generation and control over implementation of the federal budget, the budgets of State non-budgetary funds, control over the implementation of production sharing agreement, appraisal of draft laws and regulations that imply federal budget expenditures.

A new revision of the Federal Law "Concerning the Accounts Chamber of the Russian Federation", and the provisions of the Federal Law "Concerning Contract System for Supplies of Goods, the Performance of Work and the Rendering of Services for State and Municipal Requirements" placed within the competence of the Accounts Chamber conduct of audit of procurement of goods, work, and services by the audited (controlled) entities. This area of the Accounts Chamber's audit affects a considerable part of budget expenses and therefore is extremely important for improvement of the efficiency of the entire system of national resources reallocation. One of the problems facing the Accounts Chamber is corruption risk mitigation in the sphere of government procurement.

In order to support the Russian Federation social and economic development objectives defined by the government, secure sustainable growth in prosperity of the Russian Federation citizens, for national security and dynamic development and modernization of the economy, consolidation of Russia's positions in the world, and improving its competitiveness, are significantly associated with efficiency and quality of the Accounts Chamber's activity.

The current situation places the Accounts Chamber before new challenges. Today under the conditions of new economic challenges the role and significance of public control over the efficiency of spending of budgetary funds are growing in importance.

At an enlarged meeting of the Accounts Chamber's Board, dedicated to the 20th anniversary of the institution foundation, that took place on the 28th of January 2015, the President of the Russian Federation gave the Accounts Chamber a task to monitor, as a matter of priority, the progress on the plan prepared by the Government of the Russian Federation for sustainable development of the economy and social stability in 2015, to tighten control over the use of the resources that will be allocated to the banking system, and to set day-to-day control over utilization of regional budgets.

In fulfillment of the orders of the President of the Russian Federation, the Accounts Chamber set itself the following tasks for 2015:

1) to monitor the progress of implementation of the plan of priority action to ensure the sustainable development of the economy and social stability of the Russian Federation in 2015 by the following functions:

- stimulating growth of domestic industry, allocating funds out of the federal budget to targeted support;

- implementation of imported goods replacement (substitution) policy in the industry, agriculture, and other branches of the Russian economy;

2) to ensure:

- control over the use of the funds allocated to the banking system (lending to the real economy at an accessible rate of interest, justifiability of provision of funds and their subsequent use);

- operational control over the efficiency of the use of local budgets, federal aid, of the grade of the total debt, with the involvement of bodies of control and accounts of the constituent entities of the Russian Federation, and municipal control authorities;

- control over the compliance by the federal executive authorities, government corporations, and companies partially owned by the government with the Russian Federation legislation governing



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the contract system in the sphere of the procurement, taking into account the necessity of promoting openness of procedures of procurement of goods, work, and services through competitive tenders and auctions in electronic form, requests for quotation, control over the progress of implementation of investment projects included into the governmental programmes of the Russian Federation: capital construction and efficiency of public resources use, taking note of construction in progress; control over the implementation of the decision of the establishment of the system of integrated customer that centralizes standard project preparation, construction documents preparation, and the selection of a contractor;

3) to analyze:

the compliance of the figures of the Russian Federation government programmes with the strategic aims, accuracy of making priorities; timeliness and consistency of funding throughout the year;

4) to tighten control over the measures

taken with a view to strengthening the fiscal discipline; if it is necessary, to request for regulatory change proposals;

5) to ensure efficient cooperation with the law-enforcement agencies.

Monitoring by the Accounts Chamber of the Russian Federation Government of the progress of the Anti-Crisis Plan implementation is a critical activity and very difficult work, one of the new lines of which is forming Accounts Chamber/Russian Federation Government constructive interoperability to minimize the Anti-Crisis Plan actions risks.

The work plan of the Accounts Chamber of the Russian Federation for 2015 envisages and requests for proposal, so as to minimize the spending of the public funds; package of audit and expert-analytical arrangements to verify and analyze the progress of the plan of priority actions to ensure sustainable development of the economy and social stability in 2015, which includes quarterly preparation of information for the State Duma and reports to the President of the Russian Federation within the time limits set.

This work is inextricably connected with the Accounts Chamber's control over implementation of the Russian Federation's strategic aims and priorities at the federal level, including monitoring of implementation of Federal Law dated the 28th of June 2014 No 172-FZ "Concerning Strategic Planning in the Russian Federation", expert examination of the plans of preparation of the regulations in support of enforcement of the said Federal Law, monitoring of execution of strategic planning documents that are developed as part of industry-based objectives definition, inspection of formation and implementation of strategic planning documents developed as part of planning and programming, audit of government programs of the Russian Federation in such significant areas as "The New Quality of Life", "Innovative Development and Modernization of the Economy", "National Security Protection", "Sustainable Regional Development", "Efficient Government".

As part of control of strategic planning document implementation, the Accounts Chamber will accomplish a package of audit and analysis

control activities over execution of decrees of the President of the Russian Federation dated 7th of May 2012 No 594, No 596 - 606, and analysis of efficiency of the use of federal funds allocated for the implementation of the decrees of the President of the Russian Federation through execution of Federal Law "Concerning Federal Budget for 2014 and for the Planning Period of 2015 and 2016", and through accomplishment of the purposes and objectives defined by the government ordinances.

In 2015 the Accounts Chamber will resume the work to estimate the efficiency of planned expenses integrated into government programs of the Russian Federation, at the same time effort will be focused on designing a transparent and clearly defined mechanism of use of budget resources and making them immediately available to the addressees. Within the scope of this work, a check will be carried out on execution in 2014 of the Russian Federation government programmes, in particular federal special-purpose programmes, including an estimate of efficiency and effectiveness of utilization of the budgetary provisions for the programmes implementation, achievement of the target values (indicators), implementation of the key measures, and auditing activities.

Implementing the task to reinforce control over the utilization of the resources allocated to the banking system, the Accounts Chamber will effect an audit of the efficiency of the governmental support, including utilization of public financial assets appropriated for implementation of crisis-response measures, and evaluation of their effects on the condition of the financial market, banking system, labour market, and branches of economy of the Russian Federation. At the same time a number of control activities will be performed to monitor implementation of the measures aimed at ensuring sustainable operation of the banking and payment and account system, including on the territory of the Republic of Crimea and City of federal importance Sevastopol.

An essential pool of issues considered by the Accounts Chamber is related to management of efficiency of expenditures within the local budgets. In liaison with the bodies of control and accounts of the constituent entities of the Russian Federation a check will be carried out on sufficiency of financial resources appropriated for ensuring the expenditure obligations of the constituent entity of the Russian Federation on execution of the powers established by laws and regulations, for assessment of the budget balance problems, monitoring and analysis of utilization of the budget resources (public funds) by local operators in the implementation of their functions.

Other essential components of the Accounts Chamber's work are ensuring the methodological uniformity and improving in quality of the auditing and expert analytical work. The Accounts Chamber is planning to prepare a methodology for establishment and assessment of key national indicators of the social and economic development of the Russian Federation. As part of this effort, the Accounts Chamber is developing proposals for building a scorecard of key national indicators of the level and quality of the social and economic development, and selecting the criteria and assessment methods. At the same time, the target and current (achieved) values of the key national indicators are analyzed, which reflect the degree and quality of implementation of the social-and-economic effect and the cumulative effect of the Russian Federation social and economic development.

The Accounts Chamber will continue to strengthen its positions in international cooperation. Russia is presently the only country in the world whose supreme audit institution is represented in governing boards of the International, European, and Asian organizations of SAIs, which indicates that the Accounts Chamber is regarded as an authority in the global auditors' community.

Within the scope of implementation of the Agreement on the Eurasian Economic Union, the Accounts Chamber, being a coordinator of the efforts to institutionalize auditing and control bodies, will continue to participate in the effort to establish an external audit regulatory framework, in the format of this cooperation.

T. A. Golikova, Chairwoman of the Accounts Chamber of the Russian Federation