

The image shows the exterior of a large, modern building with a grey stone facade and many windows. The Russian flag is flying on a tall pole in front of the building. The text is overlaid on the image.

THE ACCOUNTS CHAMBER OF THE RUSSIAN FEDERATION

СЧЁТНАЯ ПАЛАТА
РОССИЙСКОЙ ФЕДЕРАЦИИ

THE RESULTS OF THE WORK OF THE ACCOUNTS CHAMBER OF THE RUSSIAN FEDERATION IN 2011 AND THE BASIC AREAS OF ACTIVITIES IN 2012

MOSCOW
2012



"It is necessary to complete the development of amendments and amend the Budget Code of the Russian Federation to the extent of governmental and municipal financial control, as well as the enforcement of responsibility for violations of budgetary legislation of the Russian Federation.

In such cases, the control over the use of budget funds and other property of the state should be aimed at ensuring their targeted use and the legitimacy of actions of appropriate organizations."

D.A. Medvedev

From the Budget Message of the President of the Russian Federation to the Federal Assembly of the Russian Federation, "On the Budget Policy in 2010–2012"



S.V. Stepashin, the Chairman of the Accounts Chamber of the Russian Federation

Dear deputies of the State Duma and members of the Council of Federation!

We are offering to your attention the results of the work of the Accounts Chamber of the Russian Federation in 2011 and the basic areas of its activities in 2012 prepared on the basis of the materials from the Statement of Work of the Accounts Chamber of the Russian Federation in 2011 and the Plan of Work of the Accounts Chamber of the Russian Federation in 2012.

The Accounts Chamber of the Russian Federation is the only constitutional supervisory body, which is external to the executive branch of power and executes control in the name of the society over the activities of the authorities in the sphere of managing public finance and property referred to the jurisdiction of the Russian Federation.

The results of the reporting year prove that today the Accounts Chamber has the potential required for the unrestrained accomplishment of objectives and functions assigned by the Constitution of the Russian Federation, legal acts of the Russian Federation, messages of the President of the Russian Federation, instructions of the Chambers of the Federal Assembly of the Russian Federation and the top leadership of the country.

The Accounts Chamber has become an agency able to provide the President of the Russian Federation, the State Duma, the Council of Federation and the whole society with objective and independent information on forming and executing the federal budget and public extrabudgetary funds, the state of the budget system of the Russian Federation, the legality and effectiveness of the activities of executive authorities in managing and using public finance and property, the reasons for and consequences of violations identified and the possibilities of their elimination.

The Accounts Chamber has rightly been included into the rank of the most important governmental agencies of the country that actively influence the improvement of quality and culture of public finance management; it has achieved the modern level of development relevant to present-day requirements and challenges and decently represents the Russian Federation in the world community of public comptrollers and auditors.

In the reporting year, the audit and expert-analytical activities of the Accounts Chamber focused on the issues of minimizing the consequences of the financial crisis, the recovery of the banking sector and the support for certain sectors of economy, the implementation of national priority projects, the reform of the pension system, the guarantees of sustainable economic growth, the comprehensive analysis of inter-budgetary relations, the formation of potential for growth and improvement of the international prestige of the Russian Federation.

In the frame of the implementation of the National Anti-Corruption Plan the activities of the Accounts Chamber has become an important governmental tool aimed at minimizing corruption risks.

The modernization of virtually all spheres of the state activities, the substantial extension of its participation in the implementation of major investment and innovative projects require further improvement of the legal regulation of activities of both the Accounts Chamber and control and accounting bodies of the constituent entities of the Russian Federation and municipal entities, which, in their turn, are required to improve the forms and methods of control and enhance the quality of control and expert-analytical activities. That is why the Accounts Chamber, apart from time-tested forms of control, focuses its efforts on performance audit and is also actively introducing a new type of public control – strategic audit aimed at the assessment of the effectiveness of the current economic policy in the most important areas.

The systemic application of strategic audit, performance audit and financial audit allows improving the quality of management of public resources.

I believe that in 2012 it is necessary to go on working towards further strengthening and developing the unified system of governmental financial control, focusing the control activities on the implementation of priority strategies and programmes aimed at the modernization of the most important spheres of economy.

It is necessary to improve the efficiency of the efforts of the Accounts Chamber, the quality of its interaction with control and accounting bodies of the constituent entities of the Russian Federation and municipal entities, their legal, scientific and methodological support.

Undoubtedly, the effectiveness of the Accounts Chamber in the future will largely depend on the efficiency of its interaction with the Federal Assembly of the Russian Federation.

Being a body of governmental external financial control, the Accounts Chamber actually exercises the function of feedback between the Chambers of the Federal Assembly of the Russian Federation (and whole society it represents) and executive authorities. Therefore, in order to improve the quality of control activities it is necessary to improve the mechanisms of interaction both with executive authorities and organizations, which are the objects of control, and with the Chambers of the Federal Assembly of the Russian Federation, massmedia and civil society, which are the main users of the results of this control.

To that end, the implementation of the Federal Law "On the Basic Principles of Organization and Activities of Control and Accounting Agencies of Constituent Entities of the Russian Federation and Municipal Entities" adopted upon the initiative of D.A. Medvedev, the President of the Russian Federation, will be crucial. I also suppose that the time is ripe for a new version of the Federal Law "On the Accounts Chamber of the Russian Federation".



S.V. Stepashin



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Introductory provisions



1 INTRODUCTORY PROVISIONS

The Results of the Work of the Accounts Chamber of the Russian Federation in 2011 and the Basic Areas of its Activities in 2012 have been prepared on the basis of the materials of the Statement of Work of the Accounts Chamber of the Russian Federation in 2011 and the Plan of Work of the Accounts Chamber of the Russian Federation in 2012, which reflect the efforts of the Accounts Chamber of the Russian Federation (hereinafter referred to as the Accounts Chamber) to accomplish the objectives assigned by the legislation of the Russian Federation.

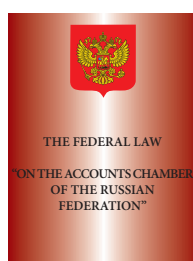
1.1. Objectives and functions of the Accounts Chamber

The objectives and functions of the Accounts Chamber are determined by the Constitution of the Russian Federation, the Federal Law "On the Accounts Chamber of the Russian Federation" and the Budget Code of the Russian Federation.

According to Article 101 of the Constitution of the Russian Federation, the Federal Assembly of the Russian Federation forms the Accounts Chamber to exercise control over the execution of the federal budget.

The Federal Law "On the Accounts Chamber of the Russian Federation" provides that the Accounts Chamber is a standing body of state financial control with the following objectives:

- ▶ to organize and exercise control over timely execution of income and expenditure items of the federal budget and the budgets of federal extra-budgetary funds in terms of volume, structure and purpose;
- ▶ to determine the effectiveness and expediency of disbursement of state funds and use of federal property;
- ▶ to evaluate the validity of income and expenditure items of drafts federal budgets and the budgets of federal extra-budgetary funds;
- ▶ to carry out financial examination of draft federal laws, as well as of standard bylaws of federal bodies of state power providing for expenditures to be covered by the federal budget funds or influencing the formation and execution of the federal budget and the budgets of federal extra-budgetary funds;
- ▶ to analyze the identified deviations from the established parameters of the federal budget and the budgets of federal extra-budgetary funds and prepare proposals aimed at the elimination thereof, as well as at the improvement of the budgetary process as a whole;





► to exercise control over the legality and timeliness of the flow of federal budget funds and the budgets of federal extra-budgetary funds in the Central Bank of the Russian Federation, authorized banks and other financial and credit institutions of the Russian Federation;

► to regularly submit information on the progress of the federal budget execution and the results of control activities performed to the Council of Federation and the State Duma.

When accomplishing the tasks set forth in the said Federal Law, the Accounts Chamber carries out audit, expert and analytical, informational and other activities, ensures the unified system of control over the execution of the federal budget and the budgets of federal extra-budgetary funds, which suggest carrying out an integral and interconnected set of control and expert and analytical activities.

Supervisory powers of the Accounts Chamber extend to all governmental agencies and institutions in the Russian Federation, federal extra-budgetary funds, state corporations and state companies, as well as local self-government bodies, enterprises, organizations, banks, insurance companies and other financial institutions, their unions, associations and other unions irrespective of types and forms of property, if they receive, remit, use funds from the federal budget or use or manage federal property, as well as if they enjoy tax, cus-

toms and other exemptions and privileges granted by the federal legislation or federal authorities.

Supervisory power of the Accounts Chamber extend to the activities of non-governmental associations, funds and other non-governmental and non-commercial organizations to the extent of their reception, remittance or use of funds from the federal budget, their use or management of federal property, as well as to the extent of tax, customs and other exemptions and privileges granted to them by the federal legislation or federal authorities.

According to the Budget Code of the Russian Federation the Accounts Chamber is a participant of the budget process with budget powers. Being a standing body of state financial control, the Accounts Chamber exercises preliminary, operational and follow-up control. It checks the formation and execution of the federal budget and public extra-budgetary funds. Based on the results of audits, the Accounts Chamber prepares opinions on the draft federal laws on the federal budget and the budgets of federal extra-budgetary funds for the next financial year and the planning period and on the statements on the execution of the federal budget and the budgets of federal extra-budgetary funds for the reporting financial year; it also carries out the external audit of annual budget statements of chief administrators of federal budget funds and the statements of the execution of the bud-



Control powers of the Accounts Chamber

in full

Federal executive authorities
and institutios
of the Russian Federation

State extra-budgetary funds,
state corporation
and state companies

to the extent of the receipt, remittance or use of budgetary funds,
and managment of the federal property, availability of tax,
customs or other exemptions and privileges

Bodies of state power
of constituent entities
of the Russian Federation,
bodies of local
self-government

Enterprises, organization,
institutions and their
associations regardless
of the types and forms
of ownership

Public associations,
non-state funds
and other non-state
organizations

stage of preliminary control over draft budgets for the next financial year; the stage of operational control directly in the course of executing of the current financial year's budgets; and the stage of follow-up control over the executed budgets for the reporting financial year.

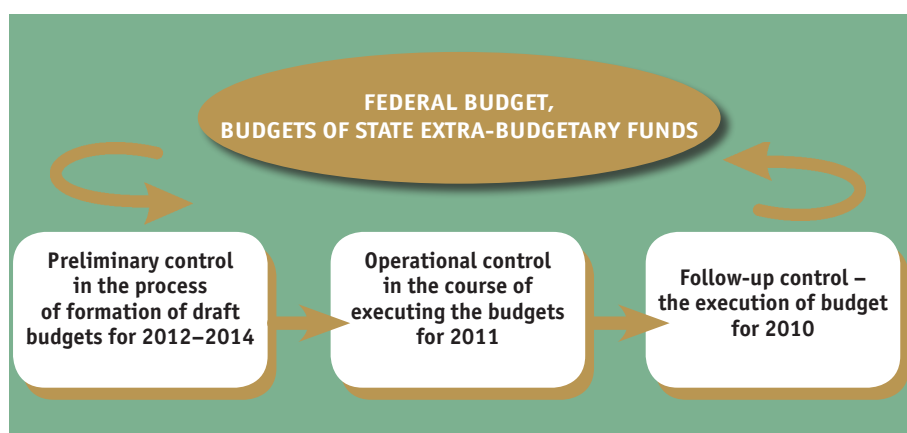
In 2011, the Accounts Chamber concurrently exercised control over the federal budget and the budgets of federal extra-budgetary funds: for 2012 and for the planning period of 2013 and

gets of federal extra-budgetary funds for the reporting financial year.

2014 (at the stage of formation), for 2011 (current execution) and for 2010 (execution for the reporting financial year).

According to the Federal Law "On the Accounts Chamber of the Russian Federation" and the Budget Code of the Russian Federation, this system of control is integrated into the main components of the budgetary process and suggests a continuous three-year cycle of control over the execution of budgets of every financial year realized at three consecutive stages: the

The complex of control, expert and analytical activities carried out in the framework of preliminary, operational and follow-up control constitute a unified system of control of the Accounts Chamber over forming and executing the federal budget and the budgets of federal extra-budgetary funds. It is substantially complemented by thematic audits and expert and analytical activities carried out in accordance with the Plan of work of the Accounts Chamber, upon the instructions of the Chambers of the Federal Assembly of the Russian Federation and the inquiries of the members of the Council of Federation and the deputies of the State Duma.





1.2. Basic areas of activities of the Accounts Chamber in 2011



S.V. Stepashin, the Chairman of the Accounts Chamber, spoke at the plenary meeting of the State Duma on the draft federal budget for 2012–2014

According to the Article 9 of the Federal Law “On the Accounts Chamber of the Russian Federation”, in the course of implementing its tasks the Accounts Chamber carries out control and audit, expert analytical, informational, and other types of activities.

In 2011, the Accounts Chamber conducted its work in accordance with the provisions of the Message of the President of the Russian Federation to the Federal Assembly of the Russian Federation and the Budget Message of the President of the Russian Federation. The priorities of the Accounts Chamber are to ensure the transparency of the budget process, to improve the efficiency of the use of budget resources and to eliminate the system causes of corruption with simultaneous reduction of administrative pressure on the economy.

In accordance with the tasks set in the Message of the President of the Russian Federation to the Federal Assembly of the Russian Federation dated November 30, 2010, in the 2011 the Accounts Chamber carried out a set of control and audit and expert analytical activities, the results of which allowed assessing the effectiveness of measures taken by executive authorities, checking the efficiency of the use of budget resources allocated for: the modernization of healthcare, including the development of children’s healthcare; the technological modernization of children’s medical centres and hospitals; providing profound health survey of children and adolescents; the implementation of the new strategy of the Russian pharmaceutical sector development; the expansion of vaccine-prevention, providing children and adolescents with access to quality medicines and their early di-



V.P. Goreglyad, the Deputy Head of the Accounts Chamber, at the Parliament hearings in the Council of Federation under the chairmanship of V.I. Matvienko. The discussion of the Federal Law "On the Federal Budget for 2012 and the Planning Period of 2013 and 2014"

agnosis of tuberculosis, cancer and other dangerous diseases; the minimization of negative impact on the environment and improvement of the quality of the environment.

The Accounts Chamber audited the issues related to innovations and the modernization of economy, the support for the Skolkovo innovation centre, the strengthening of the aerospace defence of

the country, the equipment of the Armed Forces of the Russian Federation with the most advanced weapons, the implementation of measures to ensure the Customs Union operation, the formation of the Common Economic Space in the frame of EurAsEC, the development of international cooperation in the sphere of security.

In accordance with the objectives and functions of the Accounts Chamber determined by the legislation of the Russian Federation, as well as taking into account the guidelines specified in the decrees of the Council of Federation and the State Duma of the Federal Assembly of the Russian Federation, the activities of the Accounts Chamber in the reporting period were aimed at:

- providing and further development of the unified system of preliminary, operational and follow-up control over forming and executing the federal budget and the budgets of federal extra-budgetary funds;

- carrying out a set of paramount control and audit and expert analytical activi-



The signing of the final Memorandum on the parallel audit of radiation safety carried out in cooperation with the Office of the Auditor General of Norway



S.V. Stepashin, the Chairman of the Accounts Chamber, visited the Tver nuclear submarine cruiser in the course of control activities to ensure the effectiveness of measures for the implementation of the National Security Strategy of the Russian Federation until 2020

ties, the results of which allow assessing the degree of achievement of strategic goals and implementation of the priorities of the Russian Federation determined by the President of the Russian Federation, the Federal Assembly of the Russian Federation and federal executive authorities;

ensuring control over the effectiveness of measures taken to implement the Concept of Long-term Socio-economic Development of the Russian Federation until 2020; the Strategy of National Security of the Russian Federation until 2020; the Programme of the Government of the Russian Federation to Improve the Efficiency of Budget Expenditures until 2012, as well as a number of other fundamental concepts, strategies and programmes of the Government of the Russian Federation and federal executive authorities;

ensuring control over the implementation of the Energy Strategy of Russia until 2030, assessing the effectiveness of investment projects, the degree of their innovativeness and focus on the modernization of industrial economy, as well as the analysis of energy efficiency and

energy-saving measures taken in certain spheres of the real sector of economy, the efficiency of reforms in energy industry.

In the context of building up an effective state, a set of measures was undertaken to monitor the implementation of the Concept of Management of State Property and Privatization in the Russian Federation, the Concept of Building a Unified Federal System of State Registration of Ownership and State Cadastral Registration of Immovable Property.

In the reporting period, the Accounts Chamber focused its efforts on evaluating the efficiency of the tax and customs tariff policy of the Russian Federation and the budget legislation; identifying systemic reasons for shortfalls to the budget; the analysis of debt sustainability of the economy (in the budget and corporate spheres); improving the effectiveness of the use of debt instruments; checking the effectiveness of the use of state property and budget funds allocated for the implementation of priority national projects, the reform of the pension system for citi-



zens of the Russian Federation, ensuring the sustainable economy growth, building up the development potential and improving of the international prestige of the Russian Federation, strengthening the defence capability and security of the country, the implementation of the functions of the judiciary.

One of the priorities in the activities of the Accounts Chamber was control over the implementation of the most important international projects:

preparation for and holding of the 22nd Winter Olympic Games and 11th Para-

lympic Winter Games 2014 in Sochi, the 27th World Summer Universiade Kazan in 2013;

preparation for and holding of the Asia-Pacific Economic Cooperation Forum in Vladivostok in 2012, the regional integration of Russia into the economic space of the Asia-Pacific region.

Among the priorities there were the analysis of the implementation of programmes, measures and activities undertaken by federal state bodies in order to implement the National Anti-Corruption Plan approved by the President of the Russian Federation on July 31, 2008, No. Pr-1568; the prevention and termination of corrupt practices in the budget sphere and the sphere of management of state resources. The Accounts Chamber carried out a set of control and audit and expert analytical activities aimed at identifying corruption risks in budget management, as well as at developing proposals on improving legislation for the purpose of combating corruption and deliberate and fictitious bankruptcy.

In the sphere of interbudget relations, the potential of the Accounts Chamber was focused on the complex analysis, control over the implementation of the Concept of Interbudget Relations, the development of guidelines on harmonious development of the budget system of the Russian Federation both at the federal level and at the level of constituent entities of the Russian Federation and municipal entities for the purpose of solving crucial regional tasks and problems.

Special attention was paid to monitoring and assessment of the effectiveness of management of funds and state property in constituent entities of the Russian Federation, above all, in the North Caucasus, the Southern and Far Eastern Federal Districts. The analysis of the balance of resources provision for the main areas of socio-economic policy in the regions in the conditions of strategic plan-



Examination of the project for the closure of the existing solid waste landfill in the resort town of Sochi



The discussion of the progress of construction schedule of the object for the APEC Summit



ning implementation was carried out for the first time.

A separate objective was to continue improving the efficiency of the work of the Accounts Chamber as a standing body of the state financial control, to improve

methodological, legal and information technology support of its activities, to expand interaction with law enforcement and control and accounting agencies of the constituent entities of the Russian Federation and municipal entities.

1.3. Main results of the work of the Accounts Chamber in 2011

In 2011, the Accounts Chamber carried out 501 control and expert-analytical activities, including 370 control activities and 131 expert-analytical activities, which involved 1150 objects in 83 constituent entities of the Russian Federation. In particular, the following number of control activities were carried out upon the instructions of:

the President of the Russian Federation – 5; the Chambers of the Federal Assembly of the Russian Federation, the inquiries of the members of the Council of Federation and the deputies of the State Duma – 27.

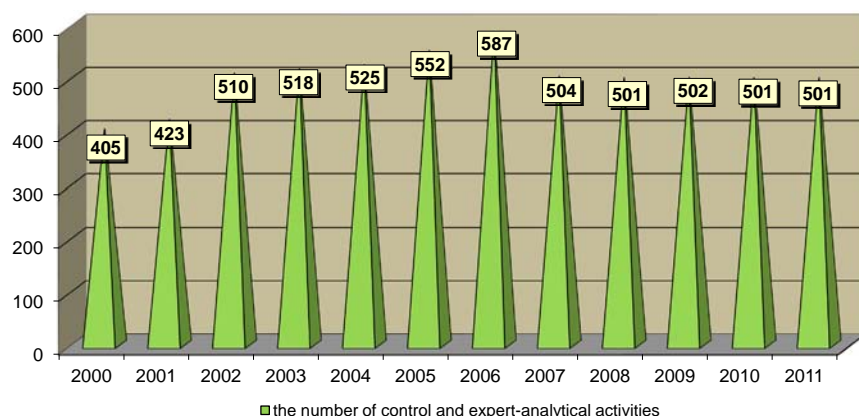
The information provided by citizens in their appeals was taken into account in carrying out control activities.



The members of the Collegium of the Accounts Chamber attending the plenary meeting of the State Duma. The discussion of the Statement of Work of the Accounts Chamber in 2010



Dynamics of the number of control and expert-analytical activities carried out by the Accounts Chamber in 2000–2011



In accordance with the Federal Law "On the Accounts Chamber of the Russian Federation" and the Regulations on the Accounts Chamber of the Russian Federation, the results of all control and expert-analytical activities were considered at the meetings of the Collegium of the Accounts Chamber in the reporting period. Altogether, in 2011, there were 66 meetings of the Collegium of the Accounts Chamber; their participants considered 908 questions. The Accounts Chamber informed the Chambers of the Federal Assembly of the Russian Federation about the results of control and expert-analytical activities, communicated them to the heads of relevant governmental bodies, enterprises, institutions and organizations.

The opportunity to regularly inform the President of the Russian Federation D.A. Medvedev and the Chairman of the Government of the Russian Federation V.V. Putin about the main results of its activities provides a positive effect on improving the effectiveness of the work of the Accounts Chamber.

In the reporting period, the Accounts Chamber carried out control activities upon the instructions of President of the Russian Federation D.A. Medvedev, including:

the audit of the use of financial resources allocated to the implementation of the Federal Target Program "The Global Navigation System".

The Russian State Register is preparing proposals based on the results of the control activity about introducing required amendments and supplements to the Federal Target Program "The Global Navigation System", in particular, pertaining to improving 5 of 12 indicators of the Programme effectiveness, as well as pertaining to changing the amount of funding of a number of its activities. Proposals are being developed to amend effective regulatory legal

acts aimed at ensuring the preservation of the state geodetic network;

the audit of the target and effective use of funds allocated to the development and maintenance of the transport complex of Moscow.

The findings of the audit showed that the efforts of Moscow executive authorities in respect of performing the functions of the state customer for the development and maintenance of the urban transport system were not effective enough.

For the last three years, the legal acts of the Moscow Government have changed state customers in the sphere of metro construction six times.

The excessive administration from the part of the heads of Moscow executive authorities, on the one hand, and the disordered structure of state bodies in the absence of specification of their powers, on the other hand, have created the conditions that put the budget allocations in the amount of 75,411.6 million roubles into the zone of corruption risks.

In the absence of legal grounds, subsidies from the city budget were provided to the Mosavtotrans State Unitary Enterprise, the Vnukovo Airport Open Joint Stock Company, the AK Atlant-Soyuz Open Joint Stock Company for the total amount of 7,127.1 million roubles.

The cost of one kilometre at certain space intervals of the Moscow Metro lines



studied during the audit was between 3.4 billion roubles and 6.9 billion roubles (on the base of expenses incurred). The cost of construction of one kilometre of shallow bedding metro system of the Mitino-Strogino line was analyzed in the course of the audit: unduly inflated and paid cost of works performed totalled 301.1 million roubles or 17.4% of the audited funds.

The analysis of the cost of one kilometre of a automobile road construction in the capital showed that it varies from 1.5 billion roubles to 4.8 billion roubles.

The materials of the audit of the target and efficient use of funds allocated to the development and maintenance of the transport system of Moscow became the basis for initiating a criminal case under Article 201, Part 1, of the Criminal Code of the Russian Federation upon the fact that the Aircompany Atlant-Soyuz Open Joint Stock Company had used budget funds inappropriately;

the audit of the use of budgetary funds for the development of physical culture and sports in the Republic of Dagestan.

The findings of the control activity established the fact that the funds in the

amount of 63.6 million roubles had been transferred from the republican budget to the Football Club "Anji" Limited Liability Company to finance the expenditures of the club.

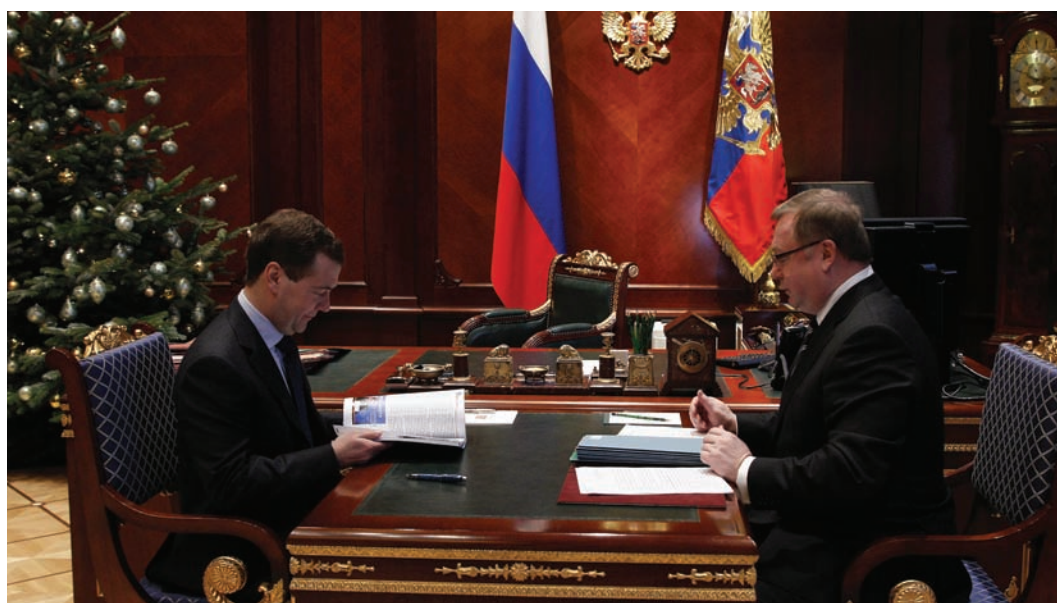
The transfer of the said funds was carried out in the framework of the Republican Target Programme "The Development of Football in the Republic of Dagestan in 2011–2013" approved by the Law of the Republic of Dagestan, the main objective of which is the development of children's, youth and mass football.

In the course of the control activity, the Football Club "Anji" Limited Liability Company returned the funds in the amount of 63.6 million roubles to the republican budget;

the audit of the efficiency of the use of public funds allocated to the development of special economic zones in 2006–2011;

the audit of the efficiency of the use of subsidies from the federal budget granted to shiprepairing facilities of the Ministry of Defence of Russia.

Particularly important results of control and expert-analytical activities were reported to the head of state at the work-



S.V. Stepashin, the Chairman of the Accounts Chamber, reports about the results of the work of the Accounts Chamber in 2010 and the main areas of activities of the Accounts Chamber in 2011 to the President of the Russian Federation D.A. Medvedev



ing meetings of the President of the Russian Federation with the Chairman of the Accounts Chamber. In particular, the following reports were presented: on the results of the comprehensive audit of compliance with legislation and the effectiveness of the use of budget funds in execution of the budget of a constituent entity of the Russian Federation and local budgets – the recipients of interbudget transfers from the federal budget in the Kabardino-Balkar Republic;

on the efficiency of use of budget funds allocated to procurement of goods (works and services) for state and municipal needs;

on the results of the audit of the efficiency of use of budget funds allocated to ensuring anti-terrorist protection of transport infrastructure under the current system of transport safety;

on the efficiency of use of budget funds allocated to applied scientific research in the field of security and law enforcement activities;

on the results of the audit of efficiency of the use of budget allocations granted in 2009–2010 to state corporations;

on the results of the monitoring and analysis of the comparison of G20 countries' development;

on the results of the audit of the use of property released in the process of liquidation and reorganization, as well as in course of activities of federal institutions, enterprises and other organization in the spheres of science, education, sports, tourism, culture, cinema and mass-media in 1992–2010 and 2011 to date;

on the results of the audit of efficiency of applicable legislation in respect of the state support of agricultural insurance in 2009 and 2010.

In the reporting period a number of working meetings were held by the Chairman of the Government of the Russian Federation V.V. Putin with the Chairman of the Accounts Chamber S.V. Stepashin, who discussed the issues concerning the implementation of the programme to improve the effectiveness of the use of budget funds and the control over the effectiveness of use of budget funds allocated to the implementation of federal target programmes. Special attention



A working meeting of the Chairman of the Government of the Russian Federation V.V. Putin and the Chairman of the Accounts Chamber S.V. Stepashin. The issues of tariff policies in the housing and public utilities sphere and the effectiveness of the use of funds allocated to the sowing campaign and the development of farm machinery leasing are discussed



was paid to the issues of tariff policy in the sphere of housing and public utilities, the efficiency of the use of funds allocated to the sowing campaign and the development of farm machinery leasing, and the assessment of the effectiveness of the programmes to counteract corruption.

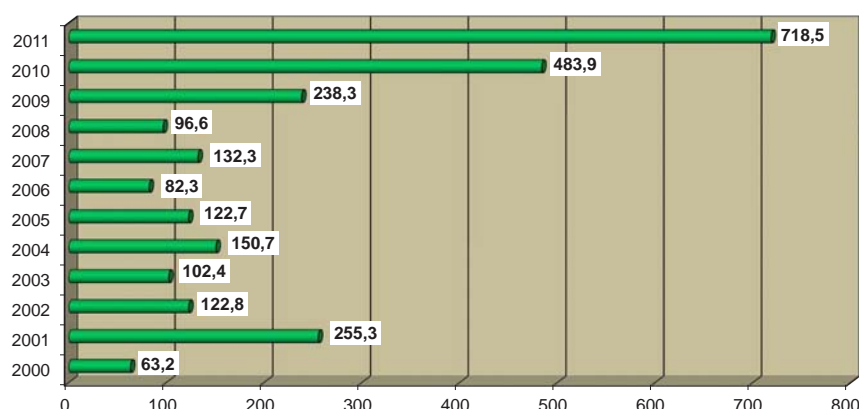
In 2011, the identified violations in the fiscal sphere of the Russian Federation amounted to 718.5 billion roubles. The largest share of the violations identified falls within non-performance of the requirements of the Budget Code of the Russian Federation (356.3 billion roubles). The audits identified violations of the legislation concerning the placement of orders for state and municipal needs, which totalled 238.5 billion roubles. Violations in the sphere of treasury and federal property turnover amounted to 15.6 billion roubles; violations of the legislation on accounting and financial reporting totalled 65.5 billion roubles, etc. The amount of non-target use of budget funds totalled 1,181.4 million roubles.

Inefficient use budget funds amounted to 511.4 billion roubles.

336 submissions of the Accounts Chamber and 410 information letters were sent to the Government of the Russian Federation, the Finance Ministry of the Russian Federation, key spending units of the federal budget funds and other participants of the budget process. 20 information letters were sent to the President of the Russian Federation. 111 information letters were sent to the Government of the Russian Federation.

The guidelines of the Accounts Chamber prepared on the base of the results of control activities in the sphere of environment protection were taken into account of the Ministry of Natural Resources of Russia in the development of the draft Federal Law "On Amending Cer-

*Violations of legislation identified in the fiscal sphere in 2000–2011,
billion roubles*



tain Legal Acts of the Russian Federation Pertaining to Improving Regulations in the Sphere of Environment Protection and Taking Measures of Economical Motivation of Business Entities to Introduce Best Technologies".

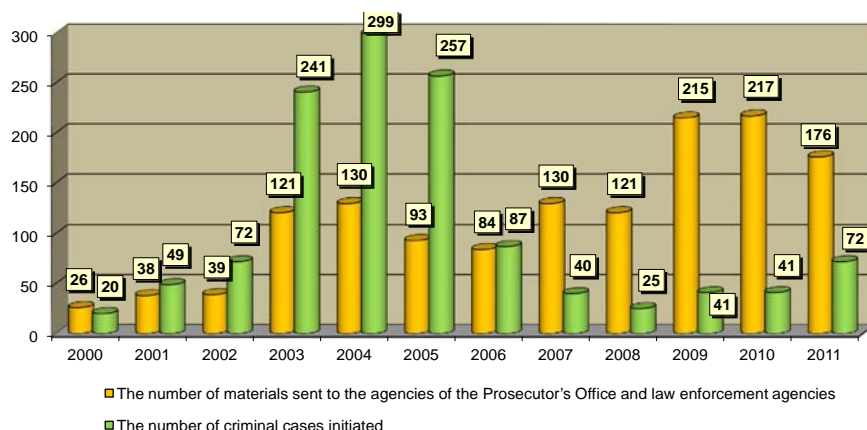
The results of control activities to check the use of federal budget funds allocated to the exercise of certain powers in the forestry affairs were taken into consideration in the development of the draft Decree of the Government of the Russian Federation "On Approval of the Method for Distributing between Constituent Entities of the Russian Federation Subventions from the Federal Budget to Exercise Certain Powers of the Russian Federation in the Sphere of Forestry Affairs, the Exercise of which Has Been Passed to State Authorities of Constituent Entities of the Russian Federation".

An important factor contributing to the positive dynamics of the implementation of the submissions of the Accounts Chamber was the strengthening of interaction between the Accounts Chamber and the General Prosecutor's Office of the Russian Federation and other law enforcement agencies.

In 2011, 176 findings of the audits carried out by the Accounts Chamber were sent to the General Prosecutor's Office of the Russian Federation and other law enforcement agencies, including 63 materials to the agencies of the Prosecu-



Responses from Law Enforcement Agencies in 2000–2011



tor's Office, 31 materials to the Investigation Committee of the Russian Federation, 40 materials to the Ministry of the Interior of Russia, and 42 materials to the Federal Security Service of Russia.

72 criminal cases were initiated based on the findings of control activities of the Accounts Chamber, 4 materials were attached to criminal cases. In addition, 23 cases on administrative violations were initiated.

The findings of the audit of the use of budget funds by the Administration of the town of Korolyov in the Moscow Region gave rise to initiating a criminal case against A.F. Morozenko, the Head of the town. The Korolyov Town Court of the Moscow Region found A.F. Morozenko guilty in committing crime under Article 287, Part 1, and Article 2851, Part 2, paragraph "b" of the Criminal Code of the Russian Federation; he was sentenced to deprivation of the right to occupy a post of a municipal official for the term of 3 years, a penalty in the amount of 500,000 roubles and a suspended imprisonment for the term of three years.

The findings of the thematic audit of the Federal State Educational Institution of Secondary Professional Education, the Anapa Agricultural College, gave rise to initiating a criminal case based on corpus delicti under Article 286, Part 1 of the Criminal Code of the Russian Federation;

the property of the College was claimed from others' illegal possession (the Yug-Status Limited Liability Company voluntarily returned the property) and other measures were taken.

Administrative measures, such as warning, reprimand, loss of bonuses and termination were applied to executive officials in the reporting period. The submissions made by the Accounts Chamber in the reporting period gave rise to 765

administrative enforcements; in particular, 62 people were dismissed.

Based on the findings of the audit of the Accounts Chamber, the President of the Kabardino-Balkar Republic sent the Government of the Republic to resign on April 4, 2011.

While executing supervision of compliance with environmental and other legislation the agencies of the Prosecutor's Office brought 70 executive officials to disciplinary actions, held 130 administratively liable and warned 51 people about the inadmissibility of violations of law basing on the findings of the audit of the use of federal budget funds allocated in 2009 to ensuring the monitoring of the state of environment and environment protection measures related to the preparation and holding of the 22nd Olympic Winter Games and the 11th Paralympic Winter Games in Sochi in 2014, which was carried out by the Accounts Chamber.

While the Accounts Chamber was carrying out the audit of local agencies of the Federal Tax Service in the Irkutsk, Saratov and Leningrad Regions, the heads of the enlisted Directorates of the Federal Tax were dismissed due to the facts of violation, which was reported by K.V. Yankov, the Deputy Head of the Federal Tax Service, at the meeting of the Collegium of the Accounts Chamber.



The main indicators characterizing the work of the Accounts Chamber in 2011 are given in the table below.

Indicator	2011	2010	2009
The number of control and expert-analytical activities	501	501	502
The number of expert-analytical activities	131	130	127
The number of control activities:	370	371	375
Including: upon instructions and appeals of the chambers of the Federal Assembly of the Russian Federation, including:	27	33	12
upon instructions of the Council of Federation and appeals of the member of the Council of Federation	17	20	6
upon instructions of the State Duma and appeals of the members of the State Duma	10	13	6
The number of the meetings of the Collegium of the Accounts Chamber	66	64	65
The number of issues considered at the meetings of the Collegium of the Accounts Chamber	908	891	921
The number of violations of law in the fiscal sphere identified (billion roubles):	718.5	483.9	238.3
including inappropriate use funds identified (billion roubles)	1,2	1,58	3,8
Actual costs of the maintenance of the Accounts Chamber (billion roubles)	2,1	2,0	1,9
The number of submissions and instructions sent	336	333	320
The number of materials sent to the agencies of the Prosecutor's Office and other law enforcement agencies	176	217	215
The number of criminal cases initiated	72	41	41
The number of administrative measures	765	352	341
The number of agreements with control and accounting agencies of constituent entities of the Russian Federation	83	83	83
The educational structure of the staff of the Accounts Chamber (persons/%):			
Higher professional education	1144/97,9	1191/98,1	1173/97,4
Secondary professional education			15/1,3
Professional education of the staff of the Accounts Chamber (persons/%):			
financial and economical	550/48,1	570/47	608/49,1
juridical	249/21,8	238/19,6	239/19,3
management	117/10,2	105/8,7	103/8,3
Informational presence of the Accounts Chamber:			
Number of publications	2200	2400	2100
Number of visits to the website (thousand)	500	400	432
Number of TV and radio covers	1410	1070	905



1.4. The implementation of proposals of the Accounts Chamber on the results of control and expert-analytical activities

In accordance with the Article 23 of the Federal Law "On the Accounts Chamber of the Russian Federation", the Accounts Chamber shall send submissions based on the findings of its control activities to bodies of the state power of the Russian Federation, heads of the audited entities, institutions and organizations to take measures to eliminate the violations identified, reimburse the damage to the state and hold liable officials responsible for violations of the legislation of the Russian Federation and mismanagement.

Informational and analytical materials about the performance of submissions of the Accounts Chamber are sent on a quarterly basis to the chambers of the Federal Assembly of the Russian Federation, which regularly consider them, involving representatives of the Accounts Chamber and heads of executive authorities responsible for the performance of the submissions.

In 2011, the Accounts Chamber additionally analyzed how federal executive authorities implement the recommendations of the Accounts Chamber based

on the set of control activities to check compliance with the Federal Law "On the Federal Budget for 2009 and the Planning Period of 2010 and 2011"

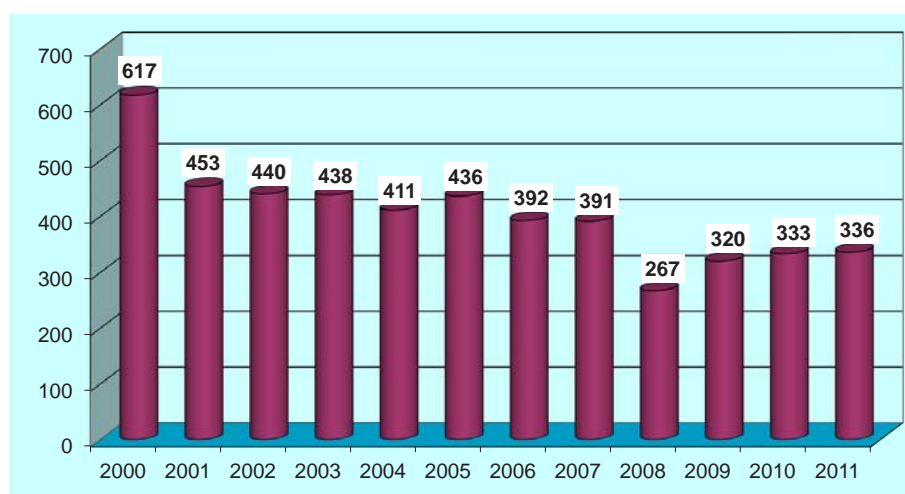
The analysis showed that federal executive authorities took appropriate measures to implement the proposals of the Accounts Chamber based on the findings of the set of control activities to check compliance with the Federal Law "On the Federal Budget for 2009 and the Planning Period of 2010 and 2011" and the budget reporting on the federal budget execution in 2009.

The proposals of the Accounts Chamber sent to the Government of the Russian Federation and the Finance Ministry of the Russian Federation were basically taken into account. Of 56 proposals and comments of the Accounts Chamber, measures have been taken or are being taken on 44 proposals and comments (78.6%), no measures have been taken on 12 proposals (21.4%).

Based on the proposals of the Accounts Chamber, the procedures of accounting for the amounts of interests accrued due to the violation of the maturity of taxes, fees, custom duties and advance payments by the budget revenue classification codes of the Russian Federation were determined in the Federal Law "On the Federal Budget for 2011 and the Planning Period of 2012 and 2013".

The Federal Tax Service approved the Procedure of Cancellation of Arrears and

Number of submissions and instructions of the Accounts Chamber sent in 2000–2011





Debts on Fines, Penalties and Interests Recognized to Be Uncollectible; amended the Rules for Granting State Guarantees of the Russian Federation in Foreign Currency to Provide State Support to the Export of Industrial Products (Goods, Works, Services), aimed at improving the procedure of granting state guarantees of the Russian Federation in foreign currency to provide state support to the export of industrial products (Decree of the Government of the Russian Federation No. 919, dated November 15, 2010); as of January 1, 2011, 110 regulatory legal acts (RLA) had been prepared, as was provided in the schedule of RLA preparation to the said date, etc.

In order to implement the proposals on elaborating the system of measures aimed at the development of the capacities of the budget system of the Russian Federation, the Government of the Russian Federation, when calculating the parameters of the draft federal budget for 2011 and the planning period of 2012 and 2013, took into consideration the need to increase the revenues of the federal budget, in particular, through the indexation of specific excise rates on excisable goods (ethyl alcohol from all kinds of raw materials, tobacco products, cars and motorcycles), the indexation of the Mineral Extraction Tax (MET) on oil, combustion and natural gas, etc.

At the same time, the Government of the Russian Federation should continue to develop the revenue potential of the budget system of the Russian Federation to the amounts the allow ensuring long-term balance and sustainability of the budget system and to create and maintain required financial reserves; in particular, to solve the problem of VAT refund, improve tax control over transfer pricing, to shift to specific tax rates in collecting MET, differentiated depending on the types of mineral resources and the conditions of their mining, etc.

In the conditions of liberalization of tax legislation there are no effective instruments of tax control over the correctness of calculations, fullness and timeliness of income tax payment, which leads to the loss of federal budget revenues.

The proposal of the Accounts Chamber regarding the need to identify the expenditures for preparation and holding of Olympiad 2014 was taken into account. The Federal Law "On the Federal Budget for 2011 and the Planning Period of 2012 and 2013" and the Guidelines on the Procedure of Application of the Budgetary Classification of the Russian Federation (Order of the Finance Ministry of Russia No. 190n, dated December 28, 2010) provide for target item of expenditures

550 00 00 "Organizing and Holding of the 22nd Olympic Winter Games and the 11th Paralympic Winter Games in Sochi in 2014 and the Development of Sochi as an Alpine Climatic Resort" and types of expenditures 550, 553, 554, 557, 558 (which had not been included into the said target item to separate the budget allocation.

Certain measures to improve the maintenance of the federal property register were taken in respect of the accounting of federal property in accordance with the recommendations of the Accounts Chamber. However, the objects of property were not fully recorded in the federal property register.

The Methodological Recommendations to determine the position of the shareholder – the Russian Federation in Joint Stock Companies in respect of payment of dividends provided for in clause 2 of the Order of the Government of the Russian Federation No. 774-r, dated May 29, 2006, were not approved.

The proposal to timely amend current federal target programmes (FTP) has not been implemented. As in the previ-



ous years, current FTPs were amended at the end of the financial year or after the end thereof based on the fact of the implementation of FTPs. The amount of budget allocations for FTPs is not always consistent with passports of FTPs. State customers adjust most FTPs in violation of the time limits established, basing on the fact of carrying out activities and achieving performance indicators.

Not all required measures to enhance control over the implementation of the state armament program and the state defence order have been taken. The assignments of the defence year were not fully accomplished in the reporting year.

The analysis proves an ongoing trend of introducing a significant number of amendments into the original approved amounts of budget allocations, which prevents budget recipients from planning their expenditures for a long period. Communicating budget figures to budget recipients at the end of the financial year creates risks of failure to use allocated budget funds.

The enhancement of the interaction of the Accounts Chamber with pro-

file committees and commissions of the Chambers of the Federal Assembly of the Russian Federation in respect of implementing the submissions of the Accounts Chamber will ensure their implementation in a more operative and full manner and will contribute to improving transparency in fiscal sphere.

In order to exercise its powers in identifying, preventing and eliminating the facts of illegal, non-target, inefficient use of state financial resources and state property, in 2011 the Accounts Chamber sent 336 submissions to key spending units of the federal budget funds and other participants of the budget process.

Thanks to the active interaction with the Prosecutor General's Office of the Russian Federation, other law enforcement agencies and control and accounting bodies of constituent entities of the Russian Federation, as well as the attention of the Federal Assembly of the Russian Federation, all submissions of the Accounts Chamber with maturity period expired have been performed, with the exception of 2 submissions, the maturity period has not expired yet.



Control over formation and execution of the federal budget And budgets of federal extra-budgetary funds



2

**CONTROL OVER FORMATION AND EXECUTION
OF THE FEDERAL BUDGET AND BUDGETS
OF FEDERAL EXTRA-BUDGETARY FUNDS**

Chairman of the Accounts Chamber S.V. Stepashin

The control over the formation and execution of the federal budget and the budgets of federal extra-budgetary funds was governed by S.V. Stepashin, the Chairman of the Accounts Chamber.



Deputy Chairman of the Accounts Chamber V.P. Goreglyad

In 2011, the Accounts Chamber carried out a required complex of control and expert-analytical activities to prepare its opinions on the draft federal laws on the federal budget, budgets of federal extra-budgetary funds for 2012–2014, the statements on the execution of the federal budget, buds of federal extra-budgetary funds in 2010, quarterly operation statements on

the progress of the execution the federal budget, buds of federal extra-budgetary funds sor 2011. 227 control and expert-analytical activities were carried out to directly accomplish these tasks.

The coordination and organization of carrying out the said complex of control and expert-analytical activities to prepare the opinions of the Accounts Chamber on the draft Federal Law “On the Federal Budget for 2012 and the Planning Period of 2013 and 2014” and the statement on the execution of the federal budget for 2010 were imposed on V.P. Goreglyad, the Deputy Chairman of the Accounts Chamber.



2.1. Preliminary control

The preliminary control involved the analysis of the indicators of the draft Federal Law “On the Federal Budget for 2012 and the Planning Period of 2013 and 2014” (hereinafter referred to as the draft law), as well as the key parameters of the budget system of the Russian Federation (hereinafter referred to as the budget system) in 2010–2014, which showed that the draft law focuses on accomplishing the paramount objectives connected with ensuring macroeconomic stability and budget sustainability, improving the living standards of citizens, reforming and reequipping the Armed Forces of the Russian Federation and law enforcement agencies, modernizing the economy, supporting the innovation development.

According to the Accounts Chamber, in accomplishing these tasks, special attention should be paid to systemic risks connected with possible crisis manifestations in the world markets, the high dependence of the Russian economy and the

budget system on the foreign economic situation, limited domestic financial resources and insufficient development of financial infrastructure.

In these conditions, the system of measures aimed at improving the efficiency of budget expenditures and budget discipline, enhancing control over the use of public funds, becomes especially relevant.

The Accounts Chamber has repeatedly highlighted in its conclusions, that, along with the implementation of the Programme of the Government of the Russian Federation on improving the effectiveness of budget expenses in the period until 2012, it is necessary to prepare and implement a set of measures to develop the revenue capacity of the budget system of the Russian Federation in the amount that would ensure sustainable funding of governmental expenditures and reduction in the federal dependence on the revenues from the current economic situation.



The discussion of the opinion of the Accounts Chamber on the draft law on the federal budget for 2012 and the planning period of 2013 and 2014 at the meeting of the State Duma Committee on budget and taxes.



According to the Federal Law "On the Accounts Chamber of the Russian Federation", the Budget Code of the Russian Federation and other legal acts of the Russian Federation, the Conclusion of the Accounts Chamber of the Russian Federation on the draft Federal Law "On the Federal Budget for 2012 and the Planning Period of 2013 and 2014" (hereinafter referred to as the Conclusion) was prepared in 2011.

The results of 42 control and expert-analytical activities, which analyzed the substantiation of the indicators of the draft three-year federal budget and the state of the standard and methodical base for formation thereof, conducted in 62 subjects of budget planning, key spending units of the federal budget funds and other participants of the budget process, were used in preparation of the Conclusion. 84 certificates (conclusions) were drawn up based on the findings of these activities. The Ministry of Economic Development of Russia conducted an audit and analysis of the substantiation and trustworthiness of key macroeconomic indicators of the forecast of the socio-economic development

of the Russian Federation for 2012 and the planning period of 2013 and 2014 (hereinafter referred to as the forecast).

After the Conclusion had been duly considered and approved by the Collegium of the Accounts Chamber, it was sent to the Council of Federation and the State Duma.

It was stated in the Conclusion that the draft law was generally based on the Budget Message of the President of the Russian Federation on the budget policy in 2012–2014 (hereinafter referred to as the Budget Message). At the same time, no legal framework was created for the transition to budget formation on the basis of the Management by Objectives principle, which is not consistent with the provisions of the Budget Message. No amendments have been introduced into the tax legislation in respect of creating a consolidated group of taxpayers, the real estate tax; the work on the inventory and classification of tax benefits is not active enough.

The Conclusion stated that the macroeconomic conditions for the forecast development are characterized by the ongoing recovery growth of the econo-



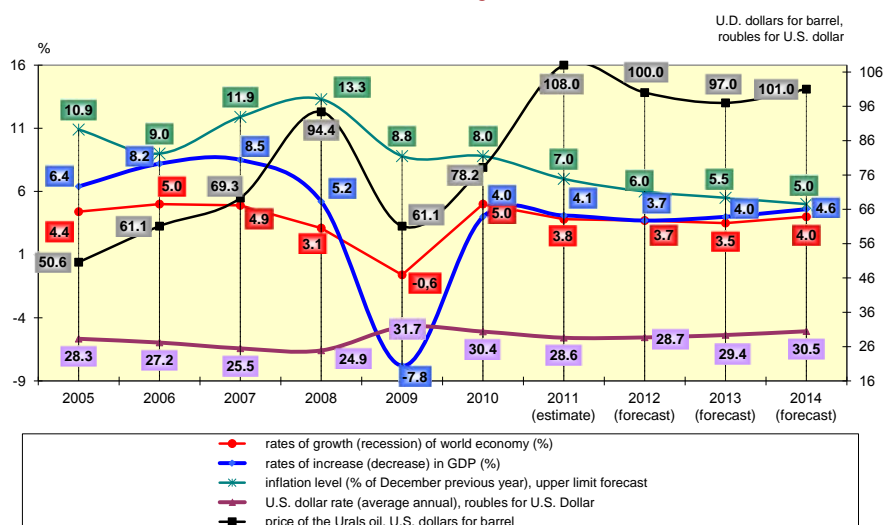
Members of the Council of Federation, Deputy Chairman of the Accounts Chamber V.P. Goreglyad and auditors of the Accounts Chamber discuss the draft Federal Law "On the Federal Budget for 2012 and the planning period of 2013 and 2014" at the meeting of the Committee for Budget and Financial Markets of the Council of Federation under the chairmanship of E.V. Bushmin



my, maintenance of high prices for main Russian export goods, slowing of the growth rate of consumer prices. At the same time, the significant capital outflow from the country remained in 2011; the strengthening of the rouble rate against the U.S. dollar was replaced by the weakening thereof in August-September 2011.

Macroeconomic conditions for formation of the forecast of socio-economic development until 2014 are represented in the following diagram.

*Macroeconomic conditions for formation of the forecast
and the draft federal budget in 2012–2014*



The Conclusion notes that main risks in achieving the anticipated parameters of the volume, growth rates and the GDP deflator-index are connected with the provision of the anticipated growth in investments into capital stock and the strengthening of the influence of the growing import volume on the competitiveness of Russian goods, with continuing high dependence of the Russian economy on the situation at the world raw material and capital markets and declining world oil prices below the anticipated level.

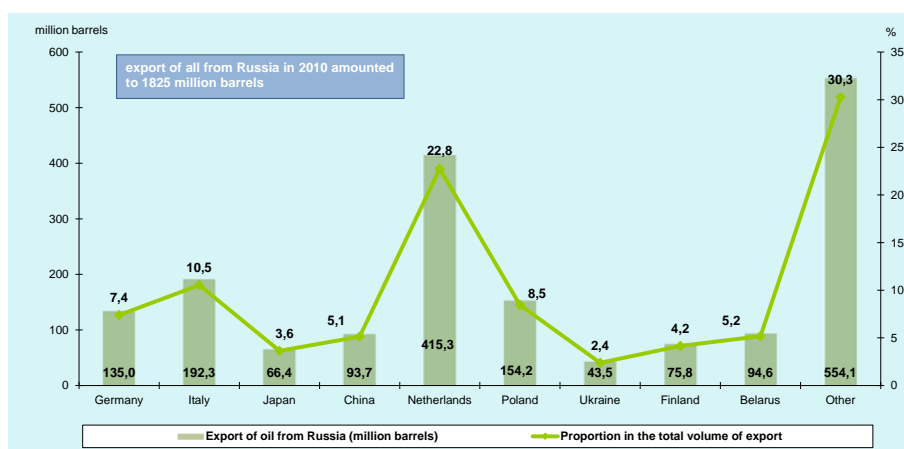
According to the Accounts Chamber, the Russian Federation, which ensures about 15% of the world oil trade and delivers over 50% of its oil export to the European markets, must have a deeply thought-out and coordinated national strategy of behaviour at the global oil market and effective forms of influence in this key area.

The export of raw oil from the Russian Federation in 2010 with breakdown to consuming countries is represented in the following diagram.

It is necessary to implement the elaborated system of measures to diversify the ways of delivery of energy resources, improve the quality of exported oil, introduce deep conversion of raw materials in the territory of the Russian Federation.

The analysis represented in the Conclusion shows that, in order to ensure the forecast economy growth rates, non-financial corporations and the state management sector will need to dramatically increase the attraction of debt funds, including foreign ones.

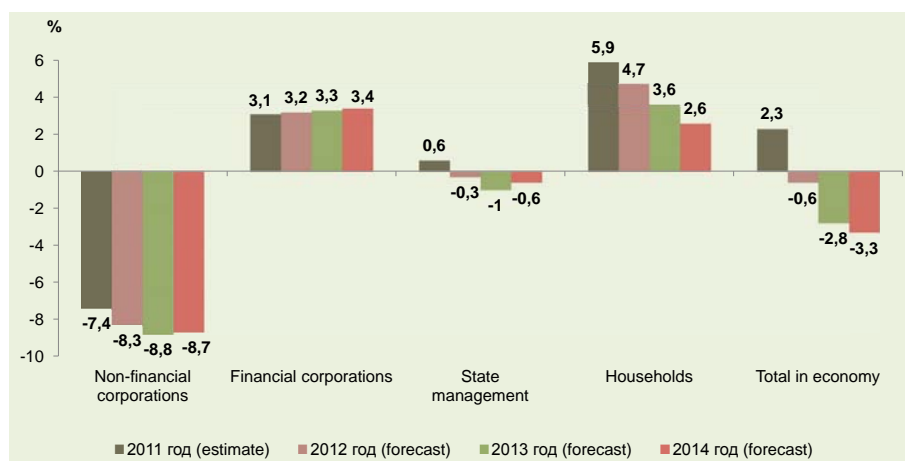
Export of oil from Russia in 2010 with breakdown to consuming countries





The amounts of lending (+), net borrowing (-) by sectors of economy are represented in the following diagram.

*Net lending (+) / net borrowing (-) by sectors of economy in 2011–2014
(% to the GDP volume)*

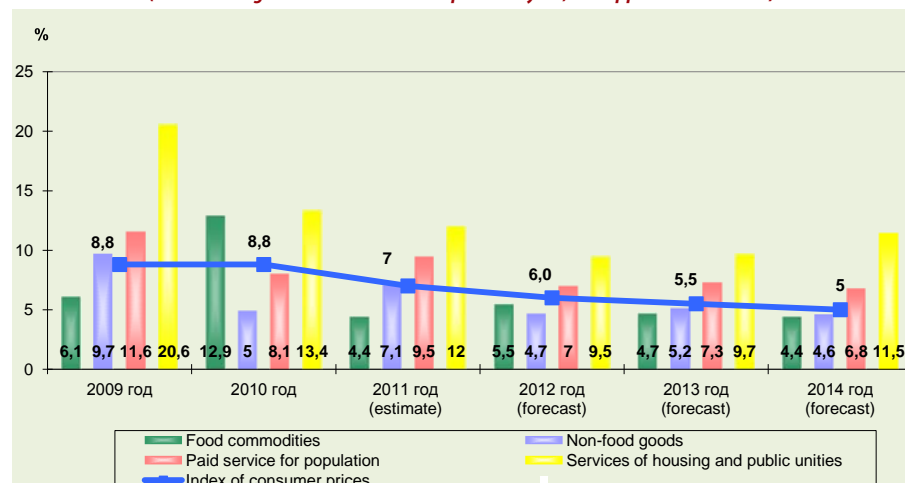


The Conclusion noted that the forecast of the consumer price index for 2012–2014 is of purposive character and may only be achieved in the event of coordinated actions of the Government of the Russian Federation and the Central Bank of the Russian Federation.

In the midterm period the forecast provides for gradual decline in the target inflation parameter (December against December of the previous year) from 5% – 6% in 2012 to 4.5% – 5.5% in 2013 and to 4% – 5% in 2014.

In 2012–2014, the slowdown in consumer price growth will be caused by the slower growth of prices (tariffs) in most major segments observed in the process of the inflation level calculation (except for the tariffs for services of housing and public utilities).

*Dynamics of the growth in consumer prices in 2009–2014
(December against December of the previous year, the upper limit forecast)*



The dynamics of growth of consumer prices in major commodity groups is represented in the following diagram.

According to the Accounts Chamber, high dependence of the economic growth on the debt volumes may suggest the existence of risks in achieving planned volumes of investments and GDP, unless borrowings abroad in the right amounts and on acceptable terms can be arranged, since domestic savings for capital stock formation will have been completely exhausted by 2014 (according to the forecast).

According to the Accounts Chamber, there are certain risks in achieving target inflation levels in 2012–2014 connected with the anticipated weakening of the rouble rate against U.S. dollar, as well as the with the remaining uncertainty of the trends of dynamics of prices for food commodities, which depends on the development of situation at world food markets.

The growth in prices (tariffs) for products (services) of natural monopolies,



which is planned to be substantially higher than the anticipated average annual consumer price index, significantly affects the level of inflation.

In conclusion, it was noted that in the conditions when it was necessary to implement the Management by Objectives principle in planning and executing the budget, the requirements to the quality of the forecast of socio-economic development for the next financial year and the planning period are tightened. Not only should such forecast be highly reliable in determining the initial conditions to develop the draft federal budget, but it should also be of purposive character, i.e. reflect the results of the implementation of the set goals and objectives in the mid-term.

A substantial portion of the Conclusion is dedicated to the analysis of inter-budget relations, first of all, to the problem of the balance of consolidated budgets of constituent entities of the Russian Federation.

The data regarding the deficit of consolidated budgets of constituent entities of the Russian Federation in 2008–2014 are given in the following diagram.

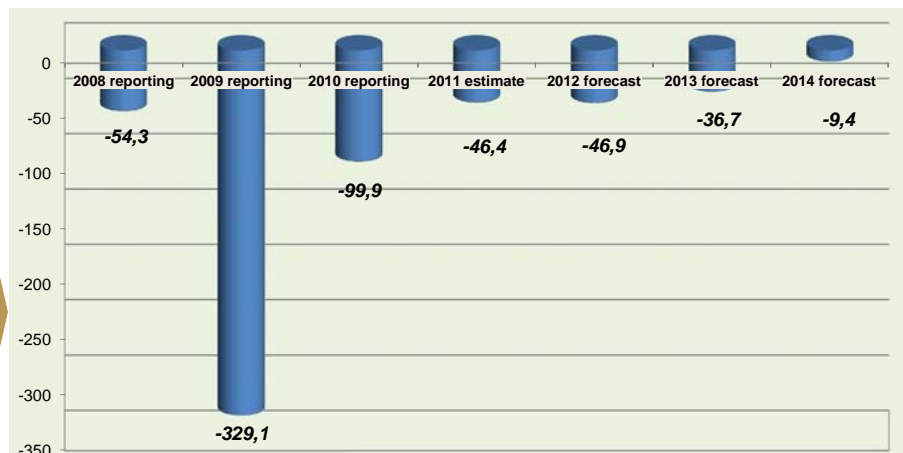
According to the Accounts Chamber, risks still exist in ensuring sustainability of regional and local budgets, which are connected with a significant amount of debts and the increase in pressure on budgets for the return of budgetary credits previously granted. Thus, the volume of government debts of constituent entities of the Russian Federation as of January 1, 2011, was 1,095.2 billion roubles, while the volume of debt of municipal entities was 169.3 billion roubles. Regional authorities will have to find additional sources of budget revenues or increase borrowings from credit

institutions in order to ensure timely repayment of their debt obligations.

The Conclusion draws attention to the fact that the draft federal budget for 2012–2014 was formed with deficit, which is planned to be reduced from 876,6 billion roubles (1.5% of GDP) in 2012 to 491.1 billion roubles (0.7% of GDP) in 2014; the amount of the budgeted domestic borrowings to cover it is significant for the Russian market: in 2014 it will exceed the factual amounts of appropriate borrowings in 2010 (857.2 billion roubles, or 79% of the planned amount) by 2.2 times.

At the same time, the attractiveness of federal loan bonds (hereinafter referred to as FLB) for Russian investors is not sustainable. In comparison with the market of corporate securities, the volume of the secondary market and the liquidity of FLBs are small; the average annual turn-

*Deficit of consolidated budgets of constituent entities of the Russian Federation in 2008–2014
(billion roubles)*



over of secondary bids in corporate securities amounts to 24.7 billion roubles, in FLBs – 13.1 billion roubles. According to the Accounts Chamber, there are risks of non-attraction of funds to finance the federal budget deficit through placing public security at the domestic market in the announced amounts and on the announced terms.

It is noted in the Conclusion that the volume of the government debt of the Russ (hereinafter referred to as the gov-



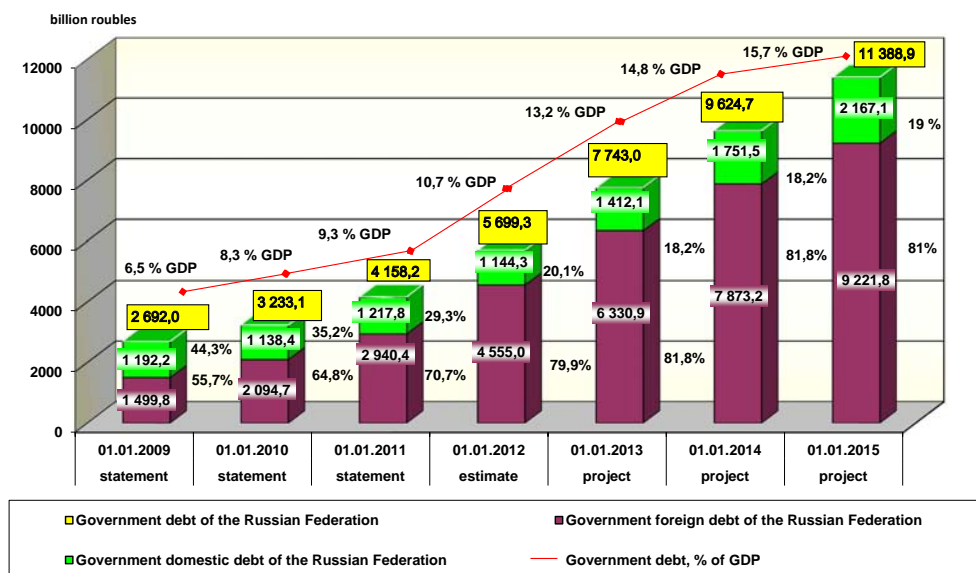
ernment debt) will increase from 13.2% of GDP in 2012 to 15.7% of GDP in 2014 and amount to 11.4 trillion roubles. The increase in the government debt will occur mainly at the expense of the growth in government domestic debt from 6.33 trillion roubles (10.8 % of GDP) in 2012 to 9.22 trillion roubles (12.7 % of GDP) in 2014.

The dynamics of the volume and structure of the government debt of the Russian Federation in 2008–2014 is represented in the following diagram.

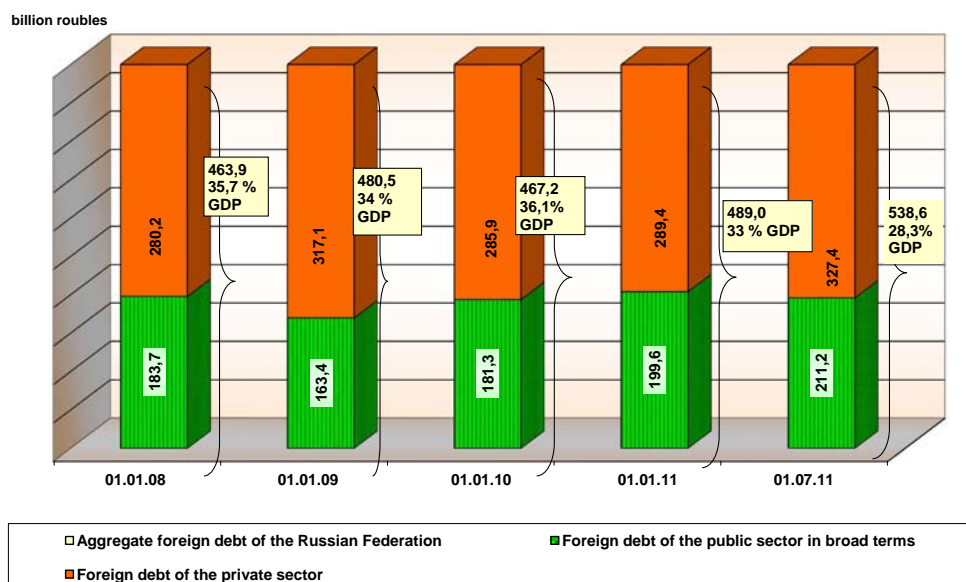
The cost of the service of the government debt will increase from 350.7 billion roubles (0.7 % of GDP) in 2011 to 579.2 billion (0.8 % GDP) in 2014, or 1.7 times. The amount of the said expenses will substantially exceed budget allocations designated in 2014 for housing and public utilities, environment protection, culture, cinema, physical education and sports, massmedia on the whole (273,3 billion rouble), education (499.5 billion roubles), health care (461.8 billion roubles), interbudget transfers (494.7 billion roubles).

Substantial amount of the aggregate foreign debt of the Russian Federation is observed; according to the estimate of the Bank of Russia, as of July 1, 2011, is amounted to 538.6 billion U.S. dollars (28.3% of GDP) and exceeded the amount of international reserves of the Russian Federation by 14.1 billion U.S. dollars.

Dynamics of the volume and structure of the government debt of the Russian Federation in 2008–2014



Dynamics of the volume and structure of the aggregate foreign debt of the Russian Federation broken down by the types of ownership in 2007–2011



The dynamics of the volume and structure of the aggregate foreign debt of the Russian Federation broken down to the types of ownership in 2007–2011 is shown in the following diagram.



In the frame of preliminary control the Accounts Chamber carried the examination of and prepared conclusions for following draft laws: "On the Budget of the Pension Fund of the Russian Federation for 2012 and the Planning Period 2013 and 2014", "On the Budget of the Social Insurance Fund of the Russian Federation for 2012 and the Planning Period 2013 and 2014" and "On the Budget of the Compulsory Medical Insurance Fund of the Russian Federation for 2012 and the Planning Period 2013 and 2014", which were considered by the Collegium of the Accounts Chamber and sent to the State Duma and the Council of Federation in the prescribed manner.

In the course of the examination of the draft Law "On the Budget of the Pension Fund of the Russian Federation for 2012 and the Planning Period 2013 and 2014" it was established that the Government of the Russian Federation had not adopted the procedure for placing insurance premium funds in rouble deposits in Russian credit institutions developed by the Pension Fund of the Russian Federation (hereinafter referred to as the PFR). The PFR expenditures related to sending notifications to insured persons on the status of the social part of their individual personal accounts are inefficient, taking into account the possibility to provide information contained in their individual personal accounts free of charge (in electronic format) upon personal request.

In its conclusion on the draft Law "On the Budget of the Social Insurance Fund of the Russian Federation for 2012 and the Planning Period 2013 and 2014" the Accounts Chamber noted that the Law did not determine the procedure for returning the funds of insurance reserve for compulsory social insurance against industrial ac-



E.V. Bushmin, the Chairman of the Committee for Budget and Financial Markets of the Council of Federation, S.A. Afanasyev, the Chairman of the Social Insurance Fund of the Russian Federation, A.V. Yurn, the Chairman of the Compulsory Medical Insurance Fund of the Russian Federation, and A.V. Drozdov, the Chairman of the Management Board of the Pension Fund of the Russian Federation at the meeting of the Collegium of the Accounts Chamber discuss the conclusions of the Accounts Chamber on the draft federal budget, as well as on draft laws on the budget of federal extra-budgetary funds for 2012 and the planning period of 2013 and 2014

cidents and professional diseases, which are designated to cover the deficit of funds for compulsory social insurance in the event of temporary disability and due to maternity, as well as the term of repayment and the source of funding for the reimbursement of insurance reserve funds.

The examination of the draft Law "On the Budget of the Compulsory Medical Insurance Fund of the Russian Federation for 2012 and the Planning Period 2013 and 2014" showed that the amount of the federal budget funds transferred to the budget of the Federal Compulsory Medical Insurance Fund (hereinafter referred to as the FCMIF) in the form of interbudget transfers will reduce from 51.81 billion roubles in 2012 to 50.43 billion roubles in 2013 (by 2.7%) and to 18.81 billion roubles in 2014 (by 62.7%).



2.2. Operational control

Article 14 of the Federal Law "On the Accounts Chamber of the Russian Federation" sets forth that the Accounts Chamber shall exercise operational control over the execution of the federal budget, exercise control of the fullness and promptitude of incomings, actual ex-penditure of budgetary allocations as against the legally authorized indicators in the federal budget, reveal discrepancies and breaches, carry out analysis thereof, initiate proposals on elimination thereof.

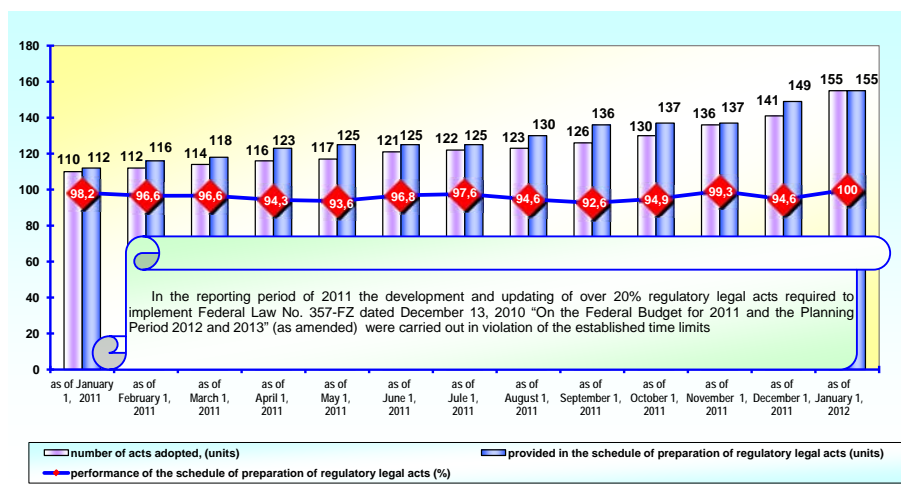
In 2011, the operational control was carried out using the database of the Accounts Chamber formed on the basis of settlement documents, which were the ground for operations involving the federal budget funds, the information on bringing and distributing budget allocations and the limits of budgetary commitments, budget reporting submitted by key spending units of budgetary funds, the Federal Treasury reporting, as well as the results of control activities.

The organization of the implementation of the Federal Law "On the Federal Budget for 2011 and the Planning Period of 2012 and 2013" was analyzed taking into account the evaluation of the cash budget for the federal budget execution, the quality of management of public finance by key spending units of the federal budget funds. Besides, the following issues were analysed: the performance of the text articles of the Federal Law "On the Federal Budget for 2011 and the Planning Period of 2012 and 2013" and the timeliness of preparation and adoption by the Government of the Russian Federation of regulatory legal acts to ensure the implementation of the former.

It should be noted that prior to the beginning of the financial year 110 of 112 regulatory legal acts had been adopted, which constitutes 98.2% regulatory acts provided for in the schedule of preparation thereof as of January 1, 2011, and 84% of the total number of regulatory acts required to implement Federal Law No. 357-FZ dated December 13, 2010 "On the Federal Budget for 2011 and the Planning Period 2012 and 2013" (hereinafter referred to as Federal Law No. 357-FZ).

One fifth of regulatory legal acts required to implement Federal Law No. 357-FZ (as amended) were adopted in violation of the time limits established for preparation thereof, from one to seven months. The preparation of departmental regulatory acts by certain federal executive authorities was carried

Dynamics of adoption by the Government of the Russian Federation of regulatory legal acts required to implement Federal Law No. 357-FZ dated December 13, 2010 "On the Federal Budget for 2011 and the Planning Period 2012 and 2013" (as amended)





out untimely as well, which eventually downgraded the execution of the federal budget. A number of federal executive authorities had not ensured the amendment of the articles of association of federal budget and treasury institutions before June 1, 2011.

The audit of the observance of time limits for approving and communicating the indicators of the consolidated budget revenue and expenditure list, the limits of budgetary obligations, the compliance of the consolidated budget revenue and expenditure list, of the federal budget for 2011 and the planning period of 2012 and 2013 with the Federal Law "On the Federal Budget for 2011 and the Planning Period of 2012 and 2013" were audited in the framework of the operational control.

The preparation of the information on the statements of the federal budget execution for 2010, six months and nine months of 2011 was ensured.

In accordance with the provisions of the Federal Law "On the Accounts Chamber of the Russian Federation", 4 operational statements on the progress of the federal budget execution were sent to the chambers of the Federal Assembly of the Russian Federation according to the form approved by the State Duma and agreed by the Council of Federation.

The findings of the audit of the use of the federal budget funds allocated to overcoming the consequences of the financial and economic crisis provided the basis for the preparation by the Accounts Chamber of the conclusion on the implementation of measures to support the financial market, the banking system, the labour market, the industries of the Russian Federation, to ensure social security of the population and other measures of the social policy in 2010, which recommended the Government of the Russian Federation to continue, in cooperation with the Bank of Russia, the

work for further strengthening social stability, ensuring sustainable operation of the financial and banking systems, modernizing the economy subject to the conditions created as a result of the implementation of anticrisis measures; taking into consideration the priority of the issues of innovative development of the country, to take under special control the issues the completeness and effectiveness of the use public funds allocated to innovations; to carry out profound analysis of the causes and factors that influenced the failure to achieve the target results.

In accordance with the Budget Code of the Russian Federation, in 2011 the Accounts Chamber prepared 2 conclusions of the Accounts Chamber on the draft Federal Laws: "On Amending the Federal Law "On the Federal Budget for 2011 and the Planning Period of 2012 and 2013" (reports on the status of the income of revenues and borrowed funds to the federal budget).

The analysis of the main parameters and text articles of the of the Federal Law "On the Federal Budget for 2011 and the Planning Period of 2012 and 2013" (as amended) showed that in 2011 the said Federal Law was amended 3 times by Federal Laws No. 105-FZ, dated June 1, 2011, No. 251-FZ, dated July 20, 2011, and No. 302-FZ, dated November 6, 2011; besides the laws adopted in June and November 2011 adjusted the key parameters of the federal budget for 2011.

The main parameters of the federal budget for 2011 authorized by Federal Laws No. 357-FZ, dated December 13, 2010, No. 105-FZ, dated June 1, 2011, and No. 302-FZ, dated November 6, 2011, are given in the following table.



(billion roubles)

Indicators	Federal Law No. 357-FZ dated December 13, 2010	Federal Law No. 357-FZ dated December 13, 2010 (as amended)	
		as of June 1, 2011	as of November 6, 2011
Projected volume of GDP	50,389.0	53,274.0	53,332.0
Inflation level (December 2011 against December 2010), not more than (%)	6.5	6.5	6.5
Projected total level of the federal budget revenues	8,844.6	10,303.4	11,121.4
Total volume of federal budget expenditures	10,658.6	11,022.5	11,121.4
Upper limit for the government domestic debt of the Russian Federation as of January 1, 2012	5,148.4	4,732.3	4,555.0
Upper limit for the government foreign debt of the Russian Federation as of January 1, 2012, billion U.S. dollars	55.6	43.8	40.8
Deficit (–) of the federal budget	(–) 1,814	(–) 719.1	0.0

The revenues of the federal budget in 2011 exceeded the legally authorized projected total volume of revenues due to the oil price dynamics, which was high than the projected one, and additional inflow of a number of revenues. Besides, the expenditures of the federal budget in 2011 were lower than the legally authorized level.

The Accounts Chamber has repeatedly highlighted the possible overfulfilment of the projected volume of income and the existence of the risks of nonperformance of budget allocations in 2011 in legally authorized amounts.

The problem of the quality of planning the federal budget expenditures was still relevant in 2011. The results of control over and analysis of the validity of amending the consolidated budget revenue and expenditure list showed that in 2011, despite the reduction in the number of amendments in comparison with 2010, the total amount amendments was still significant.

In 2011, the federal budget expenditures were not executed rhythmically enough. The largest amount of the federal

budget expenditures fell on December, the smallest – on May 2011.

Throughout 2011, the cash execution of the expenditures on the implementation of a number of FTPs was insufficient. The FTP does not fully serve as a catalyst for the development of industrial and social infrastructure, encouraging innovative and investment activities.

Due to overfulfilment of revenues and non-fulfilment of expenditures of the federal budget authorized by the Law in equal amounts, the federal budget surplus occurred according to the results of the year.

Due to large-scale borrowings in 2009–2011, the government debt of the Russian Federation has significantly increased, mainly at the expense of the domestic debt growth, with, in its turn, resulted in the growth in the cost of servicing thereof comparable with the total amount of the federal budget expenditures in the sections of “Housing and Public Utilities”, “Culture, Cinema” and “Environment Protection”.

The increase in the government debt volume demands the improvement of forecasting the indicators of the pro-



grammes for domestic and foreign borrowings and their agreement with the results of the federal budget execution and attracting other sources of funding the federal budget deficit.

The monitoring of the quality of public finance management showed insufficiently high level of the budget process organization by key spending units of the federal budget and the application of the instrument of result-oriented budgeting.

The quality of the federal budget execution by revenues suggests that most key spending units undervalue the revenue forecast figures, which results in their over-fulfilment.

The monitoring of the quality of the federal budget execution by expenditures established that over 30% of the budget assignments in 2011, as in the previous year, were executed in Q4 of the financial year.

The Accounts Chamber has repeatedly highlighted the need to improve the quality of the budget process organization. In order to improve the quality of the public finance management, as well as the efficiency of the use of the federal budget funds, the Finance Ministry of Russia systematically analyzes the materials provided by the Accounts Chamber and takes measures to eliminate the drawbacks specified therein and implement the proposals of the Accounts Chamber.

In the framework of the operational control over the execution of the budgets of federal extra-budgetary funds, in 2011 the Accounts Chamber carried out a set of control and expert-analytical activities that allow ensuring control over the progress of the execution of the budgets of the PFR, the Social Insurance Fund of the Russian Federation (hereinafter referred to as the SIF) and the FCMIF.

2.3. Follow-up control

According to Article 264⁹ of the Budget Code of the Russian Federation, the Collegium of the Accounts Chamber considered and approved the conclusions of the Accounts Chamber for 109 key spending units of the federal budget on the results of the external audit of the compliance with the Federal Law "On the Federal Budget for 2010 and the Planning Period of 2011 and 2012" and budget reporting on the federal budget execution in 2010.

According to Article 264⁹ of the Budget Code of the Russian Federation, Articles 2 and 9 of the Federal Law "On the Accounts Chamber of the Russian Federa-



The execution of the federal budget in 2010 is being discussed at the plenary meeting of the State Duma



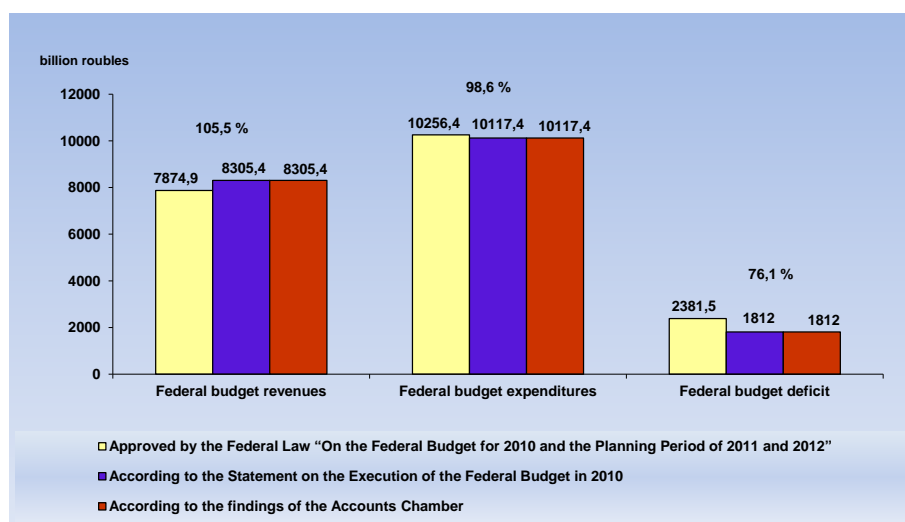
tion”, the Accounts Chamber of the Russian Federation prepared the Conclusion on the Statement of the Execution of the Federal Budget in 2010. After being considered and approved by the Collegium of the Accounts Chamber, this Conclusion was submitted to the Council of Federation and the State Duma and sent to the Government of the Russian Federation and the Finance Ministry of Russia.

The Conclusion emphasizes that the accomplishment of a number of objectives set in the Budget Message of the President of the Russian Federation dated May 25, 2009, had not been fully ensured.

The draft federal law on the governmental strategic planning setting forth the legal framework for the strategic planning of the socio-economic development of the Russian Federation had not been introduced to the State Duma. The Tax Code of the Russian Federation had not been amended in respect of optimizing regional and local tax benefits.

The Conclusion states that the findings of these audits of the Accounts Chamber complied with the Statement on the Execution of the Federal Budget in 2010, which is represented in the following diagram.

Compliance of the findings of the audits of the Accounts Chamber with the Statement on the Execution of the State Budget in 2010



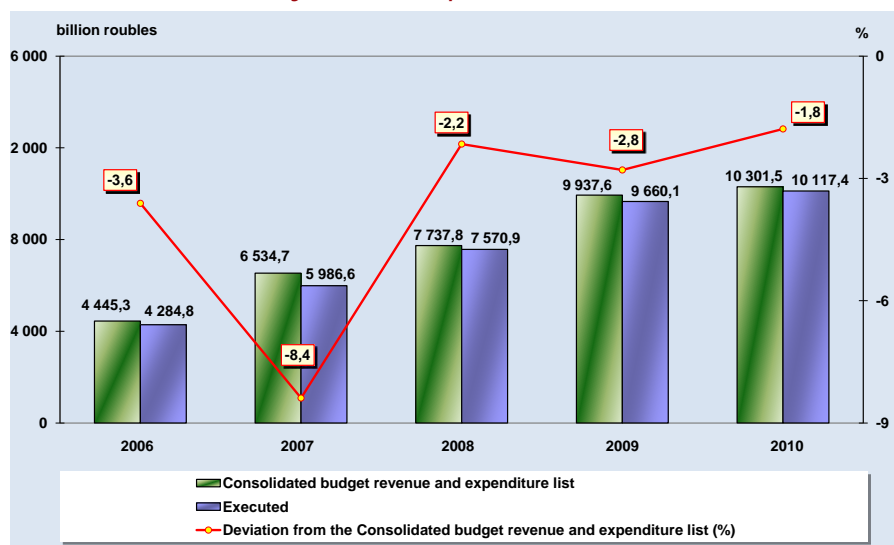
At the same time, the Conclusion notes that in 2010 the figures of the revenue amounts by a number of tax and non-tax incomes, projected by the updated forecast, were not executed in full, and not all available reserves of additional revenues to the federal budget were used.

With regard to the amendments, the consolidated budget revenue and expenditure list determined the federal budget expenditures in the amount of 10,301.5 billion roubles, which exceeds the amount of budget assignments set forth in Article 1 of Federal Law No. 308-FZ dated December 2, 2009 (as amended), by 45.1 billion roubles or 0.4%.

In 2010 the cash execution of the federal budget expenditures amounted to 10,117.4 billion roubles, which is by 139.0 billion roubles less than the legally authorized figures.

The total amount of non-executed federal bud-

Dynamics of the execution of cash expenditures of the federal budget in comparison with the expenditures set forth in the budget revenue and expenditure list as amended in 2006–2010





get expenditures against those set forth in the consolidated budget revenue and expenditure list as amended in 2010 was 184.1 billion roubles or 1.8%.

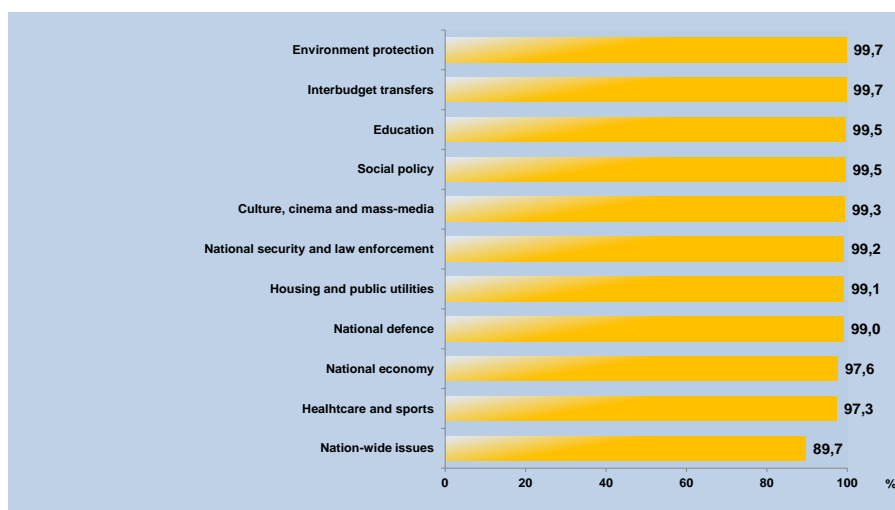
The degree of the execution of federal budget expenditures was influenced by: the failure of the Russian Federation to contribute to the Anticrisis Fund of the Eurasian Economic Community because there was not need in financial resources (59.8 billion roubles); the absence of demand in the federal budget funds reserved by the Finance Ministry for repayment of enforcement orders on any claims to the Treasury of the Russian Federation and for the implementation of the decisions taken by the President of the Russian Federation and the Government of the Russian Federation (29.7 billion roubles); reduction in the cost of servicing the government debt (24.96 billion roubles); failure to grant subsidies to legal entities in the transport sphere (8.3 billion roubles); failure to use the funds allocated to the implementation of federal target programmes (8.0 billion roubles); failure to use federal budget funds based for the results of tenders in the sphere of procurement of medicines (6.7 billion roubles); failure to use funds allocated to the implementation of investment projects (3.8 billion roubles).

The execution of legally authorized non-interest expenditures did not reach 100% in 6 of 11 sections of expenditure classification and in 46 of 113 key spending units of the federal budget.

The degree of execution of the federal budget expenditures in 2010 with breakdown to the sections of expenditure classification of the budgets of the Russian Federation set forth in the consolidated budget revenue and expenditure list, as

amended, is represented in the following diagram.

Degree of execution of the federal budget expenditures set forth in the consolidated budget revenue and expenditure list, as amended, %

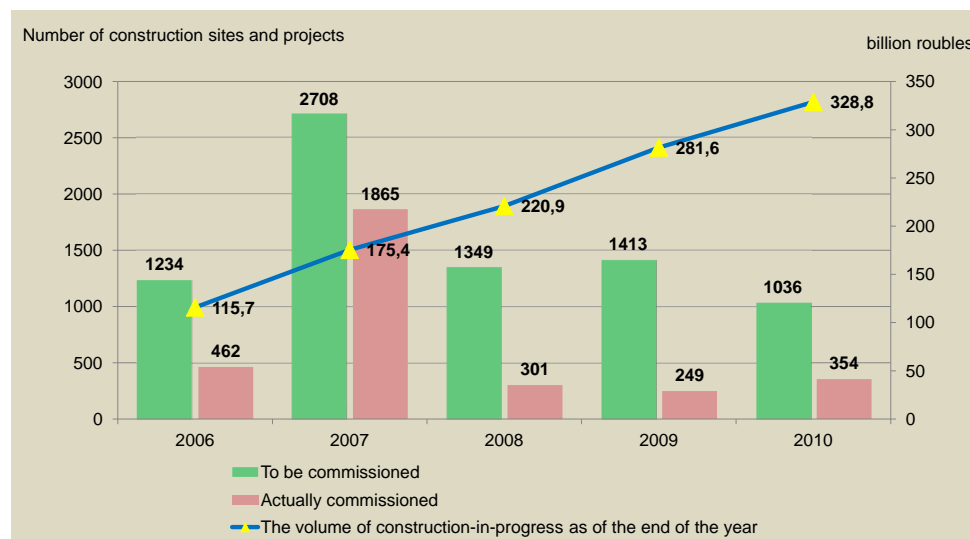


The results of the audit of the federal budget execution suggest the need to further improve the quality of public finance management from the part of the Finance Ministry of Russia and key spending units of the federal budget funds. Despite the reduction in the number of amendments made in the consolidated budget revenue and expenditure list in comparison with the last year, in 2010 it remained significant. As of the end of 2010, non-executed budget assignments provided in the consolidated budget revenue and expenditure list, as amended, had 79 key spending units of the federal budget funds (71.8% of the total number). The facts of uneven spending of the federal budget funds were established. Certain drawbacks and violations in the organization of the implementation of the budget law were identified in the treasury system the federal budget execution.

The audit of the implementation of FTPs established the failure to achieve the planned goals, tasks and results within approved time limits. Of 1,036 construction sites and projects of the Federal Target Investment Programme (hereinafter referred to as the FTIP) to be commissioned in 2010, 354 construction sites or projects



Dynamics of commissioning construction sites and projects of the FTIP and the volumes of construction-in-progress



were commissioned, which is 34.2% of the total number thereof; besides, 1,345 construction sites and projects, or 66%, had the technical readiness under 50%.

In 2010, the number of constituent entities of the Russian Federation with consolidated budgets executed with deficit increased (from 62 to 63).

The degree of difference in economical development rates, main indicators of personal income, the volumes of investments into capital stock, the unemployment level is still high. The degree of interregional differences in fiscal capacities of constituent entities of the Russian Federation is also high. At the same time, the gap in growth rates of the major socio-economic indicators of industrial regions and regions with low and very low development levels increased again in 2010 in the conditions of overcoming financial and economic crisis.

There is still low level of repayment of debts under granted budget credits and budget loans and a significant volume of arrears on them (1264.1 billion roubles); the sums of debts under budget credits (loans), account payable and receivable, unsatisfied recoveries under judgments remained substantial.

The audits established the facts inappropriate use of the federal budget funds made by key spending units of federal budget funds in the amount of 192.8 million roubles and other violations in the amount of 145,056.4 million roubles.

The volume of the government debt of the Russian Federation as of January 1, 2011, in comparison with January 1, 2010, increased by 28.6% and amounted to 9.3% of the GDP. The volume of the consolidated foreign debt of the Russian Federation also increased (according to the Bank of Russia, by 21.8 billion U.S. dollars, or by 4.7% in 2010) and amounted to 489.0 billion U.S. dollars as of January 1, 2011.

Of 24 articles of the Federal Law "On the Federal Budget for 2010 and the Planning Period of 2011 and 2012" (as amended) provisions of 20 articles (over three fourths of the total number thereof) were executed, certain provisions of 4 articles (less than one fourth of the total number) were not executed or executed partially.

The Accounts Chamber identified the facts of violations of certain regulations of the Budget Code of the Russian Federation, the Civil Code of the Russian Federation, the Tax Code of the Russian



Federation, the Customs Code of the Russian Federation, the Federal Laws: "On Accounting" and "On the Placing of Orders for Supplies of Goods, the Performance of Works and the Provision of Services for State and Municipal Requirements", and other regulatory legal acts.

The Accounts Chamber sent information letters to the President of the Russian Federation, the Government of the Russian Federation and submissions to the Finance Ministry of Russia, key spending units of the federal budget funds based on the results of the audits of budget reporting of key spending units of the federal budget funds and the compliance with the Federal Law "On the Federal Budget for 2010 and the Planning Period of 2011 and 2012" and the statement on federal budget execution in 2010, for the purpose of taking measures to eliminate identified violations committed in the course of the federal budget execution in 2010.

In the frame of the follow-up control the Accounts Chamber checked the statements on the execution of the budgets of the PFR, SIF and FCMIF for 2010; the conclusion of the Accounts Chamber on the statements on the execution of the budgets of the said federal extrabudget funds for 2010 based on the results of the audits were sent to the State Duma and the Council Federation within legally authorized time limits.

The audit of the execution of the PFR budget identified financial violations and inefficient spending of funds in the total amount of 296.41 billion roubles. In particular, it was established that in violation of the applicable legislation, there were

no temporary investments of insurance premium funds on the funded component of the labour pension and additional insurance premiums in the total amount of 136.52 billion roubles. The securities of the 2008 portfolio in the amount of 30.33 billion roubles were sold In January 2010, with the right to carry out operations on the transfer of securities and cash between investment portfolios of various financial years, which resulted in a shortfall of revenues in the amount of 0.23 billion roubles.

The PFR did not comply with the requirements of the Federal Law "On Non-governmental Pension Funds" to send before March 31, 2010, notification to non-governmental pension funds (hereinafter referred to as NPFs) demanding to introduce amendments to the unified register of insured persons (which resulted in untimely transfer of pension accruals of PFR to NPFs in the total amount of 1.05 billion roubles) and to timely transfer insurance premium funds for the first six years of 2010 in the total amount 132.95 billion roubles to management companies and NPFs. The transfer of pensions accruals to NPFs upon applications of insured persons filed in 2009, in the amount of 24.7 billion roubles.

The audit of the execution of the SIF budget established that in 2010, only 0.19 billion roubles (28.4%) was spent of capital investments provided for construction of the projects of civil use (administrative buildings) in the amount of 0.67 billion roubles due to failure to solve the problems with allocating land for construction, developing design and estimate documentation and competitive selection of construction organizations.



2.4. Main results of preliminary, operational and follow-up control of the federal budget and the budgets of federal extra-budgetary funds

The results of preliminary, operational and follow-up control of the federal budget and the budgets of federal extra-budgetary funds in 2011 show that, despite measures to improve the budget process taken by the Government of the Russian Federation, a number of problems of systemic nature remains unsolved:

- insufficient quality of public finance management executed by key spending units of budgetary funds;

- substantial number of amendments introduced into the consolidated budget revenue and expenditure list in the course of the federal budget execution and failure to execute the expenditures of the federal budget in the approved amounts;

- insufficient implementation of measures to development the income capacity of the budgetary system of the Russian Federation;

- uneven execution of revenues and expenditures of the federal budget throughout the year, insufficiently effective use of budgetary funds, low level of implementation of a number of FTPs and separate activities in the frame of priority national projects;

- substantial growth in the government debt and the cost of servicing thereof;

- insufficiency of financial resources in the budgets of constituent entities of the Russian Federation and local budgets to completely fulfil their obligations;

- substantial volumes of deficit in the budgets of the PFR and SIF and their high dependence on transfers from the federal budget.

During the follow-up control of the statements on the execution of the federal budget and the budgets of federal extra-budgetary funds for 2010, the revenues were audited in the amount of 13,481.1 billion roubles, including the federal budget revenues – 8,305.4 billion roubles, the revenues of the budgets of federal extra-budgetary funds – 5,175.7 billion roubles; expenditures in the amount of 14,966.9 billion roubles, including the federal budget expenditures – 10,117.4 billion roubles, the expenditures of the budgets of federal extrabudgetary funds – 4,849.5 billion roubles; sources of financing the deficit (balance) of: the federal budget – 1,812 billion roubles, the budget of PFR – minus 360.8 billion roubles, SIF – 27.4 billion roubles, FCMIF – 7.3 billion roubles.



Control over the use of the funds of the federal budget and the budgets of federal extra-budgetary funds allocated to the implementation of priority national projects and the state programme for developing agriculture and regulating the markets of agricultural products, raw materials and food for 2008–2012



3

CONTROL OVER THE USE OF THE FUNDS OF THE FEDERAL BUDGET AND THE BUDGETS OF FEDERAL EXTRA-BUDGETARY FUNDS ALLOCATED TO THE IMPLEMENTATION OF PRIORITY NATIONAL PROJECTS AND THE STATE PROGRAMME FOR DEVELOPING AGRICULTURE AND REGULATING THE MARKETS OF AGRICULTURAL PRODUCTS, RAW MATERIALS AND FOOD FOR 2008–2012



of the federal budget and the budgets of federal extra-budgetary funds allocated to the implementation of priority national projects (hereinafter referred to as PNPs) "Healthcare", "Education", "Accessible and Comfortable Housing to Russian Citizens", the total amount of which, according to Federal Law No. 357-FZ (as amended), is 353.8 billion roubles (estimates).



357-FZ (as amended), amounted to 27.3 billion roubles (estimates). The implementation of measures to develop professional education as a basis for building up the economy of knowledge, as well as the

3.1. In 2011 the Accounts Chamber carried out a set of control and expert-analytical activities to audit the use of the funds

activities in the framework of the national educational initiative, "Our New School", continued in 2011 in the framework of the "Education" PNP.

The financial support of the programmes of development of six federal universities approved by the Government of the Russian Federation, as well as the programmes of development of Lomonosov Moscow State University and Saint Petersburg State University was provided in the frame of the event entitled "The Development of a Network of National Universities and Other Educational Institutions". The Siberian and Southern Federal Universities implement their development programmes without attracting the federal budget funds.

The Ministry of Education entered into agreements with all constituent entities of the Russian Federation on granting subsidies for the payment of remuneration for classroom management.

In the frame of the activity entitled "Encouraging Best Teachers" the results of regional competitions were summed up and agreements were concluded with



S.V. Stepashin, the Chairman of the Accounts Chamber, visited Stavropol President's Cadet College

constituent entities of the Russian Federation. The money for the payment of incentives to the best teachers was transferred to the regions in its entirety (200.0 million roubles).

In the framework of the activity entitled "State Support for Talented Youth" prizes are awarded annually to 5,350 winners and prizewinners of international, All-Russian and regional competitions at the age from 14 to and including 25, including: 1,250 winners of All-Russian and international events receive prizes in the amount of 60,000 roubles; 2,500 prizewinners of All-Russian events and 1,600 winners of regional and interregional events receive prizes in the amount of 30,000 roubles.

The activity entitled "Development of Distance Education for Handicapped Children" required determining the average cost of sets of equipment needed to furnish workplaces for handicapped children and teachers and the average cost of services to deliver, install and equip workplaces and connect them to the Internet, in order to calculate the amounts of subsidies provided to constituent entities of the

Russian Federation. In accordance with the time limits established in the updated network diagram, the Ministry of Education of Russia entered into agreements on providing subsidies with all constituent entities of the Russian Federation. Budget assignments for the said purposes were sent to the regions in its entirety (2,500.0 million roubles).

For the purpose of improving the organization of meals for children studying in state institutions of general education, the Ministry of Education of Russia entered into 28 agreements on providing subsidies from the federal budget to constituent entities of the Russian Federation that had won the competitive selection in 2011. Budget assignments for the said purposes were sent in its entirety (300.0 million roubles) to the regions that had won the contest.

According to the agreements concluded, conditions to provide hot meals to schoolchildren twice a day (hot breakfasts and lunches) were to be created in all constituent entities of the Russian Federation taking part in the experi-



ment by September 1, 2011. According to the Ministry of Education of Russia, the said conditions had been created in all schools participating in the experiment only in 7 constituent entities of the Russian Federation.

The expenditures on the construction and reconstruction of facilities for the accommodation of the Higher School of Management of the Federal State Educational Institution of Higher Professional Education "Saint Petersburg State University" were executed at a low level throughout 2011, which is connected with the late adoption of the Decree of the Government of the Russian Federation No. 773, dated September 14, 2011 "On Budget Investments in the Capital Construction Projects of the Federal State Educational Institution of Higher Professional Education "Saint Petersburg State University", which determined the procedure for design, reconstruction (customization) and construction in 2011–2013.



In 2011, the volume of expenditures on the implementation of the "Healthcare" PNP, according to Federal Law No. 357-FZ

(as amended), amounted to 132.0 billion roubles (estimates). The implementation of the "Healthcare" PNP was carried out in the frame of 4 existing areas: forming a healthy life style, developing the primary medical and sanitary aid and improving disease prevention, improving accessibility and quality of specialized medical aid, including high-tech medical aid, as well as improving medical aid to mothers and children, including continuing the "Birth Certificate" programme.

The implementation of four new activities is provided for in the frame of the area of improving medical aid to mothers



Head of the Federal Treasury R.E. Artyukhin is attending the meeting of the Collegium of the Accounts Chamber. The participants are discussing the issue of the priority national project "Healthcare"



and children since 2011: nursing infants with low and extremely low birth weight; professional training of health workers in the field of obstetrics, gynecology, neonatology and pediatrics; creating training simulation centers; improving the effectiveness of treatment of infertility in marriage using reproductive technologies; developing neonatal surgery.

The expenditures on providing high-tech medical aid to the population (33.4%) and money payments to medical personnel (24.2%) were the largest portion in the total structure of expenditures in the frame of the "Healthcare" PNP.

In 2011, the subsidies from the federal budget were allocated in full for the activities in the areas of perinatal diagnostics, forming a healthy life style and providing the population with high-tech medical aid.

Throughout 2011, the expenditures were executed at a low level in respect of the activities for the development of the blood supply service; the construction of medical centers for providing specialized medical aid in the area of obstetrics, gynecology and neonatology (perinatal centres); centralized procurement in the frame of the national calendar of preventive vaccination; the activities aimed at the examination of the population in order to identify tuberculosis, treat tuberculosis patients and carry out preventive work.

The tendency of violating the time limits for construction and commissioning of centres of high medical technologies and perinatal centres continued in 2011. Thus, of the five federal high medical technology centers (in Perm, Kaliningrad, Novosibirsk, Barnaul and Smolensk) planned to be commissioned in 2011 only centres in Perm and Kaliningrad had a high level of readiness.

The implementation of measures provided for in the Concept of Demo-

graphic Police of the Russian Federation till 2025 and the Plan of Measures to the Implementation thereof in 2011-2015, approved by the Order of the Government of the Russian Federation No. 367-r dated March 10, 2011, went on in the frame of the "Healthcare" PNP.

Certain provisions of the said Plan of Measures had not been realized implemented in full. Thus, amendments had not been introduced into the State Programme to Assist the Voluntary Resettlement to the Russian Federation of Compatriots Living Abroad, approved by the Decree of the President of the Russian Federation No. 637, dated June 22, 2006, although they were to be introduced in the first six months of 2011.

The amount of the maternity (family) capital in 2011 was 365,700 roubles.

Almost half of constituent entities of the Russian Federation took positive decisions on introducing regional maternity capital funded at the expense of the funds of the budgets of constituent entities of the Russian Federation.

Federal Law No. 138-FZ dated June 14, 2011 "On Amending Article 16 of the Federal Law "On Assisting in the Development of Residential Construction" and the Land Code of the Russian Federation" was adopted in 2011; it provides that citizens with three and more children have the right to acquire free of cost land plots owned by the state or municipalities in the events and according to the procedure established by the laws of constituent entities of the Russian Federation, in particular for individual housing construction, without tenders and preliminary approval of locations.

The monitoring of the implementation of measures in the frame of the "Healthcare" PNP for a number of years shows that budget expenditures on the implementation of certain measures are not executed in a rhythmical manner (the



lowest level of their execution is observed in the first six months of a year, which is caused by the schedule of delivery of material values and the payment of government contracts upon the fact of delivery in Q4, conducting the training and career enhancement of the personnel of federal centres of high medical technologies in the second half of the year, the long period of preparation and holding of tender procedures, violations by certain constituent entities of the Russian Federation of the terms of agreements concluded). Uneven execution of expenditures provided for the implementation of the "Healthcare" PNP increases the risks of inefficient use of the federal budget funds at the end of the year and creates the preconditions of possible failure to implement certain activities in the frame of the PNP.



In 2011 the volume of expenditures on the implementation of the "Accessible and Comfortable

Housing to Russian Citizens" PNP, according to Federal Law No. 357-FZ (as amended), amounted to 194.5 billion roubles (estimates).

The implementation of three existing areas ("Promoting the Development of Housing", "Supporting Effective Demand for Housing, including through Mortgage Lending", "Performing Governmental Obligations on Providing Housing to Certain Categories of Citizens") and one new area, "Energy Efficiency and Resource-Saving", continued in 2011 in the framework of the "Accessible and Comfortable Housing to Russian Citizens" PNP; the latter area suggests the implementation of measures to equip consumers with metering devices and encourage consumers to save and duly pay for energy resources; to improve energy efficiency for the population in housing facilities stock, including new construction; to implement regional and municipal programmes in the field of energy saving and improving energy efficiency.

The Order of the Ministry of Regional Development No. 161 dated April 8, 2011 approved the Regulations for Determining Classes of Energy Efficiency in Apartment Houses.

The Order of the Ministry of Regional Development No. 299 dated June 23, 2011 approved the rate of the cost of 1 square meter of the net floor area of housing in the Russian Federation in the second half of 2011 in the amount of 30,000 roubles.

Budgetary assignments for activities on construction and acquisition of housing for permanent residence of military service personnel of the federal ex-



S.M. Mironov, the leader of the Just Russia Party, took place in the opening of the outpatient hospital of the Altai Territorial Oncological Center in Barnaul and addressed the Accounts Chamber with the request to strengthen control over the use of budgetary funds allocated to the implementation of the federal oncological programme in the frame of the "Healthcare" National Priority Programme



A.I. Demidov, the Chairman of the Accounts Chamber of the Republic of Tatarstan, and A.R. Valeyev, and auditor of the Accounts Chamber of the Republic of Tatarstan, are attending the meeting of the Collegium of the Accounts Chamber. The participants are discussing the development of housing infrastructure in the Republic of Tatarstan

ecutive authorities, in which military service is provided by law, are determined in the amount of 78.8 billion roubles; the assignments in the amount of 15.8 billion roubles are determined to provide military personnel with residential premises and residential premises in hostels.

Budgetary assignments in the amount of 46.1 billion roubles are allocated for 2011 to implement measures to provide veterans of the Great Patriotic War with housing.

3.2. The Decree of the Government of the Russian Federation No. 446 dated July 14, 2007, provided for allocating 125.0 billion roubles, and the consolidated budget revenue and expenditure list, as amended, provided for allocating 120.5 billion roubles (apart from the funds of the "Rural Social Development until 2012" FTP allocated to the implementation of measures to provide housing to citizens

of the Russian Federation living in rural areas in the amount 4.5 billion roubles) for the implementation in 2011 of the State Programme for Developing Agriculture and Regulating the Markets of Agricultural Products, Raw Materials and Food for 2008–2012 (hereinafter referred to as the State Programme).

In 2011 the expenditures of the federal budget under the State Programme were executed in the following areas: "Achieving Financial Sustainability of Agriculture", "Regulating the Markets of Agricultural Products, Raw Materials and Food", "Sustainable Development of Rural Areas", "Development of Priority Subindustries of Agriculture", "Creating Common Operating Conditions for Agriculture".

The largest portion (about 60%) in the total volume of budget assignments for the support of the agricultural com-



G.A. Zyuganov, the Deputy of the State Duma and the Head of the faction of the Communist Party of the Russian Federation, took part in the meeting of the Collegium of the Accounts Chamber and discussed with the members of the Collegium the implementation of the State Programme for Developing Agriculture and Regulating the Markets of Agricultural Products, Raw Materials and Food, as well as the social development of rural areas and the volumes of the distribution of subsidies by the types of governmental support

plex in 2011 consisted of subsidies to reimburse a part of expenses on payment of interests on credits received by agricultural manufacturers, organizations of agricultural complex and farm households as one of the most effective forms of state support of agriculture, subsidies for conducting procurement and commodity interventions of agricultural products and mortgage operations.

The low level of budget assignments throughout the year in certain areas of the State Programme is associated with the payment for activities in the sphere of agricultural industry upon the fact of work performance within the time limits established in state contracts, as well as with the long period of preparing regulatory documents governing the provision of subsidies to support economically important regional programmes.



The most important control measures of the accounts chamber



4

THE MOST IMPORTANT CONTROL MEASURES OF THE ACCOUNTS CHAMBER

In accordance with article 9 of the Federal Law "About Accounts Chamber of the Russian Federation" the Accounts Chamber in the process of implementation of tasks vested on it performs the control and revision activity.



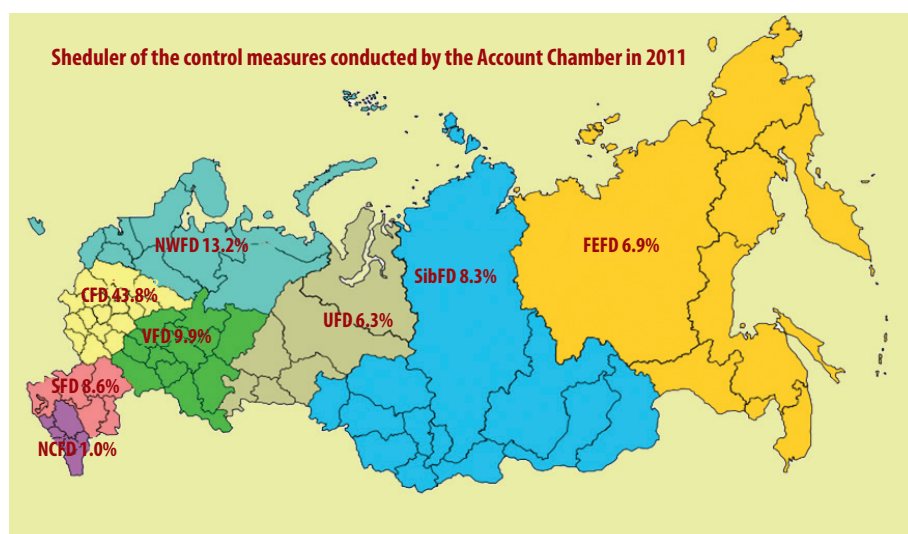
Chairman of the Accounts Chamber S.V. Stepashin and Deputy Chairman of the State Duma V.V. Zhirinovsky discuss the results of inspection of the effective and purpose-oriented use of funds of the federal budget, allocated to the Directorate for construction of the transport by-pass of St. Petersburg, conducted upon appeal of the Liberal and Democratic Party of Russia

Control and revision activity in 2011 has been performed in all directions of activity, headed by auditors of the Accounts Chamber, in accordance with the Plan of works of the Accounts Chamber of the Russian Federation for the year 2011, approved by the Panel of the Accounts Chamber.

In the reporting period, the Accounts Chamber has conducted 501 control and expert and analytical measures, out of them 227 in scope of provision of preliminary, operative, and subsequent control of the federal budget and budgets of the state extrabudgetary funds.

Complex of the indicated measures was significantly extended by the subject inspections, expert and analytical measures conducted both by order of chambers of the Federal Assembly of the Russian Federation and appellations of members of the Federation Council and deputies of the State Duma, appellations of citizens and organizations, and upon initiative of the Accounts Chamber itself.

The control measures have been conducted by the Accounts Chamber in the federal bodies of the state power and power bodies of subjects of the Russian Federation, on enterprises, in institutions, organizations, banks, and financial and credit institutions, associations and





unions irrespective of types and forms of ownership, which obtain and use funds of the federal budget, using the federal property or managing it as well as having tax, customs, and other financial benefits and advantages provided by the federal laws or federal executive bodies.

The most control measures has been conducted in the Ministry of Finances of Russia (48), Ministry of Defense of Russia (31), Federal Taxation Service (27), Minis-

try of the Regional Development of Russia (22), Federal Treasury (21).

The control measures have been conducted in 83 subjects of the Russian Federation, many of them – with participation of law enforcement bodies, supreme bodies of financial control of foreign states and countries – members of the Commonwealth of Independent States as well as the control and accounts bodies of subjects of the Russian Federation.

4.1. Control of usage of funds of the federal budget, allocated to preparation and conduction of the XXIIInd Olympic Winter Games and XIth Paralympic Winter Games 2014 in Sochi and XXVIIth Worldwide Summer Student Games 2013 in Kazan



The suprenational management dedicates the primary attention to development of the mass sports. One of the most important directions to solve that issue, which will simultaneously give a powerful impulse to the social and economic development of many Russian regions, is arrangement and conduction of such large-scale international sports forums as Winter Olympic Games in Sochi in 2014, Student Games in Kazan in 2013, Football World Cup in 2018. Constant control over effective implementation of those projects is one of the priority directions in the work of the Accounts Chamber.

The Accounts Chamber in 2011 has continued the work to control the usage of funds to prepare the XXIIInd Olympic Winter Games and XIth Paralympic Win-

ter Games 2014 in Sochi (hereinafter referred to as Olympic Games in Sochi in 2014).

On meeting of Panel of the Accounts Chamber were prepared and considered three issues of the Composite analytical report "Evaluation of effectiveness of usage of the state resources for the purpose of preparation of the XXIIInd Olympic Winter Games and XIth Paralympic Winter Games 2014 and development of Sochi as a resort with mountain climate", which reflect the most actual aspects of arrangement and resource provision of the Olympic project. The report has been sent to the key members of the Olympic project.

The main feature of implementation of the Olympic project in 2011 was the high rates of usage of the financial resources and subsequently the active growth of large Olympic objects. The



total value of object construction and fulfillment of measures pursuant to the Construction Program of Olympic objects and Development of Sochi as a resort with mountain climate (hereinafter referred to as Construction Program) as of 1 October 2011 has made 1,316.2 billion Roubles. In the active course are works to create objects of engineering, transport, social infrastructure, engineering protection of Imereti lowland, provision of security.

Implementation of the main objects of the Construction Program, related to solution of the systematic problem of treatment of the solid domestic waste in the resort city of Sochi, is planned in 2013 whereas the terms to close (demolition and recultivation) the existing waste disposals are set on 2010–2011. Already on the planning stage of measures were set the negative trends in the area of provision of the environmental safety: the implementation area of the Olympic project “Sochi-2014” may remain without active arranged SDW treatment areas. Critical state of the considered problem of SDW treatment in the resort city of Sochi according to criterion “preparation terms for Olympic games” creates a real threat to provision of the declared by the Russian Federation systematic requirement of the IOC “zero waste” during time which remains until 2014.

After appellation of the Accounts Chamber to Chairman of the State Duma regarding deterioration of environmental situation in the resort city of Sochi due to problems of utilization of the production waste and consummation the following measures were taken:

Committee of the State Duma for natural resources, natural use and environmental protection declared the initiative to solve the considered waste utilization problems in the resort city of Sochi in the scope of the environmental project of the “United Russia”;

in October 2011, the group of deputies has conducted the analysis of situation in the area of treatment of the household and production waste in Sochi;

jointly with city administration of Sochi, the deputies offer to recycle the waste beyond the “Olympic” territory, e.g., on treatment areas in Dinskaya district of Krasnodar region.

It is extremely important that the State Duma takes the indicated measures to improve the environmental situation in the resort city of Sochi, including the problem of waste utilization, as soon as possible.

To objectively evaluate the state of affairs and implementation of modern possibilities to overcome the ecological risks of development of the famous Russian resort Sochi by the profile ministries of Russia the corresponding proposals of the Accounts Chamber were sent to Chairman of Government of the Russian Federation.

In October 2011 took place a visiting meeting of the Chairman of the Accounts Chamber S.V.Stepashin regarding control coordination of the Olympic project in Sochi. In the meeting took place the auditors of the Accounts Chamber A.A.Piskunov and M.I. Beskhmel'nitsin.

The inspection has been conducted regarding the targeted and effective use of budget funds for arrangement and conduction of the XXIInd Olympic Winter Games and XIth Paralympic Winter Games 2014 in Sochi and development of Sochi as resort with mountain climate in 2010 and the expired period of 2011.

Jointly with the Accounts Chamber of the Republic of Tatarstan has been conducted the control measure “Inspection of use of the budget funds and funds of extrabudgetary sources to arrangement, preparation and conduction of the XXVIIth Worldwide Summer Student Games 2013 in Kazan in 2009–2010 and expired period of 2011”.



Preparation for conduction of the XXVIIth Worldwide Summer Student Games 2013 in Kazan (hereinafter referred to as the Student Games) is being conducted in accordance with Plan of the main measures and construction schedule of the sports objects as approved by the arrangement committee of the XX-VIIth Student Games.

As of 1 October 2011 out of 36.4 billion Roubles allocated to the budget of the Republic of Tatarstan from the federal budget as subsidies on conditions of cofinancing of construction of objects of the XXVIIth Student Games, the Cabinet of Ministers of the Republic of Tatarstan has used 23.1 billion Roubles.

The actual volume of the accepted construction works has made 20.8 billion Roubles, including the construction and installation works – 19.7 billion Roubles.

One of reasons of the incomplete usage of funds was reduction of the construction rates on objects "Football stadium for 45,000 people" and "Water sports palace" due to adjustment of the design and estimate documentation and its approval in the Main Department of State Expertise of Russia. The adjustment has been substantiated by decision to conduct the World cup in water sports in 2015 and one of stages of the Football world cup 2018 on the indicated objects because requirements towards the sports objects from the part of FINA and FIFA are wider than requirements of FISU.

Agreements which regulate actions of the Ministry of Sports and Tourism of Russia and Cabinet of Ministers of the Republic of Tatarstan regarding provision and use of subsidies from the federal budget do not contain any provision regarding availability of any regulatory legal act of the

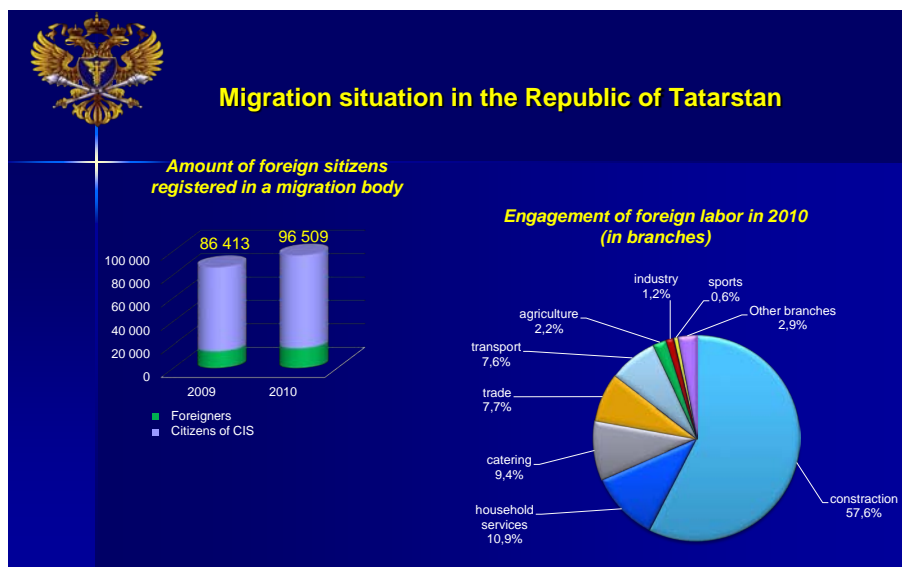


Chairman of the Control and Accounts Chamber of Sochi V.V. Astafyev on the Collegium of the Accounts Chamber. The issue is being discussed regarding inspection of effectiveness of the investment projects and trustworthiness of their estimated value during construction of the Olympic objects and development of Sochi as a balneological resort with mountain climate

Republic of Tatarstan, which would set an expense obligation for the fulfillment of which the subsidy is provided.

Out of 30 objects foreseen for the construction 24 sports objects and 20 residential buildings of the object "Student Games Village" were implemented.

On the stage of construction, there are 5 sports objects and 9 buildings of the object "Student Games Village". All implemented objects were transferred to the operation organizations. Regarding 13 of them has been registered the right of ownership of the Russian Federation.





Basis for transfer and registration was the Concept of sports inheritance of the XXVIIth Worldwide Summer Student Games 2013 in Kazan (hereinafter referred to as the Concept) elaborated by the Ministry of Sports and Tourism of Russia and by the Government of the Republic of Tatarstan, which until now is not approved on the governmental level. The Concept provides for transfer of 18 sports objects and "Student Games Village" into ownership of the Russian Federation under the jurisdiction of 4 federal ministries.

The inspection of use of the state funds has been conducted, allocated in 2009–2010 for provision of the ecological safety during preparation for conduction of the XXVIIth Worldwide Summer Student Games 2013 in Kazan.

Inspection of the effective use of the federal budget allocated in 2010 and expired period of 2011 for implementa-

tion of migration policy (counteractions of the illegal migration) by the Department of the Federal Migration Service of Russia in the Republic of Tatarstan (hereinafter referred to as the Department), also in the scope of measures provided for by the Concept of safety provision of the XXVIIth World-wide Summer Student Games 2013 in Kazan, has demonstrated that the Department performs control over engagement of the foreign labor on the sports objects of the Student Games under construction and subject to reconstruction.

From January 2011 until now on objects of the Student Games have been conducted 10 inspection measures in the result of which were detected 94 administrative offences in the area of migration, in the Department has been arranged control over the foreign citizens who arrive to the test competitions being conducted in Kazan.

4.2. Usage control of the state funds allocated to conduct the forum "Asian-Pacific economic cooperation" in the city of Vladivostok



Asia-Pacific
Economic Cooperation

In the report period, the Accounts Chamber has performed a set of control and expert and analytical measures the results of which have allowed to evaluate the state of preparation to conduct a summit in the scope of forum "Asian-Pacific economic cooperation" in 2012.

Monitoring of funds financing allocated for construction of objects for summit in the scope of forum "Asian-Pacific economic cooperation" in the city of

Vladivostok has shown that financing of subprogram "Development of Vladivostok as a center of international cooperation in the Asian-Pacific region" is being performed at a low level.

As the whole the monitoring results have confirmed that problems revealed upon the results of inspection in the last year have remained unsettled.

Low level of financial resource administration is featured by large numbers of volumes of pending disbursements.

The inspection has been conducted of the targeted and effective use of the



state funds allocated for design and construction of summit objects in the scope of forum "Asian-Pacific economic cooperation" in the city of Vladivostok and social and economic development of Far East and Baikal region, in administration of Primorski krai, directorates of Ministry of Regional Development and Federal Road Agency of the Ministry of Transport, which has demonstrated that the total financing volume for the years 2008–2012 as provided for by parameters of subprogram (in current edition) makes 661,994.8 million Roubles and in comparison with indices of the subprogram in the initial edition has become 4.5 times larger. Main sources to finance the measures of subprogram are the funds of the federal budget and funds from extrabudgetary sources with corresponding financing shares in amount of 31.02% and 63.75%.

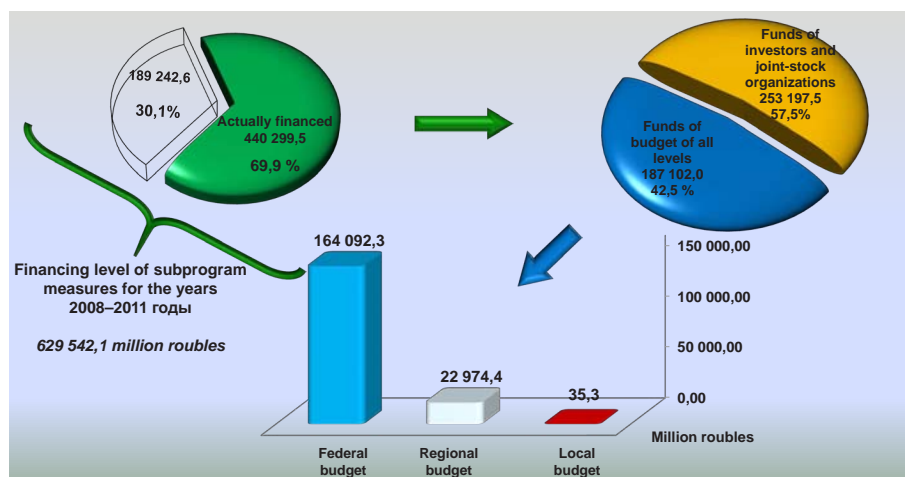
As of 1 September 2011, the total volume of funds transferred pursuant to contracts has made 440,299.5 million Roubles or 70% of program assignments, of them – 187 102 million Roubles on account of budget funds, or 79.4% of budget assignments for the years 2008–2011.

Implementation of subprogram is being implemented in conditions of priority rates to provide with financial resources over their development to mitigate the risks of works nonfulfillment in due time. At the same time a low level is noted of development of program assignments: out of the total volume of financial resources in amount of 629,542.1 million Roubles as provided for by subprogram for the years 2008–2011 were actually developed 395,388.8 million Roubles, or 62,8%. In addition, at the

high rates of financing regarding a number of objects is noted delay from construction schedules which makes 1 to 7 months.

The Ministry of Regional Development of Russia as a coordinator of subprogram performs on an insufficient level the regulation of relations of the state-private partnership: till absent is the legal basis which sets interaction of the power levels and private investors, formation of relations system between them and provision of parties interests balance. State customers have no levers of influence to promote investments into construction objects, making demands towards the joint-stock organizations and private investors in part of timely provision of reports, trustworthiness and substantiated report data about implementation course of subprogram. Rules to define the legal entities are not approved, which finance completely from their own funds construction of summit objects of federal significance (thus the norm is not fulfilled set by part 2.1 of article 4 of the Federal Law dated 8 May 2009 No. 93-FZ); spending of funds for unforeseen expenses for objects of the Far Eastern federal university as provided for by the joint estimate calculations of construction which is a breach of order of the Ministry of Regional Development of Russia dated 6 October 2009 No. 448.

Financing level of summit objects construction in the scope of forum APEC (regarding state contract) as of 1 September 2011





President of the CJSC "Crocus International" A.I. Agalarov on the meeting of Collegium of the Accounts Chamber. The issues are being discussed regarding feasibility and trustworthiness of application of price lists for the fulfilled works to build the complex of buildings and structures of the of the Far Eastern federal university on the island Russki

As breach of article 130 of the Budget Code of the Russian Federation, decree of Government of the Russian Federation dated 15 April 1996 No. 480 and provisions of agreements concluded with the Ministry of Regional Development of Russia and Federal Road Agency of the Ministry of Transport, administration of Primorski region cofinancing from the regional budget in amount of 2,603.5 million Roubles is not provided.

The total volume of the detected financial and other breaches on inspected objects has made 6,455.9 million Roubles, including in relation to administration of Primorski region – 3,222 million Roubles, FSI "Far East Directorate" – 3,172 million Roubles; FTI RCD "Vladivostok" – 61,9 million Roubles.

4.3. Effectiveness control of the spent funds of the federal budget allocated to update the economy



Chairman of the Control and Accounts Chamber of Moscow V.A. Dvurechenskukh on the meeting of Collegium of the Accounts Chamber. The issue is being discussed regarding usage of investment funds allocated to modernization of energy system of Moscow

Since 2008, in messages of the President of the Russian Federation is reflected the necessity to increase the stability of national economy on the basis of innovations and modernization. Due to this the main vector of the current development of state has subsequently become the choice of strategy of the outrunning growth of national economy on account of development of the innovative part.

By decree of Government of the Russian Federation dated 10 March 2006 No. 328-p has been



approved the complex program "Creation of technical parks in the area of high technologies in the Russian Federation" (hereinafter referred to as Program) aimed at development of highly technological branches of economy and developed by instruction of the President of the Russian Federation.

Since 2009, the Accounts Chamber performs the operative control and monitoring of effectiveness of measures of state support aimed at stabilization of financial system and increase of stability of the Russian economy.

In the reporting period, the analysis has been conducted regarding results of measures of the state support of economy aimed at strengthening of stability of the bank sector in conditions of the financial and economic crisis as well as provision of implementation of the priority investment and innovation projects in OJSC "Bank Sankt-Peterburg", OJSC "Bank Zenith", OJSC "Transcreditbank".

The analysis has demonstrated that measures taken by the state to support the bank sector of the Russian Federation have allowed to increase its capitalization and widen the list of financial tools to fund the real sector of economy.

At the same time, growth of long-term credits observed in 2010–2011 was mainly in account of funds aimed at current needs of enterprises but not at technological reequipment and development of production.

That tendency exacerbates by the regional specialization of credit institutions which by attraction of resources in different regions mainly provide their allocation only in one or two cases, most profitable for the bank. In addition, the very enterprises put out significant free funds from the branch turnover allocating them on



Chairman of the Control and Accounts Chamber of Moscow V.A. Dvurechenskikh on the meeting of Collegium of the Accounts Chamber. The issue is being discussed regarding usage of investment funds allocated to modernization of energy system of Moscow

deposits in banks instead of use to finance the key projects of branch development.

It must be noted that the credit institutions in the scope of their current activity extensively develop the innovative bank products, but their use in the financial and economic activity of enterprises of real sector is extremely restricted. Upon results of the control measure only two cases were revealed when to OJSC "Transcreditbank" were transferred the elaborat-



Delegation of the Accounts Chamber has visited the Sayano-Shyushensk HEPS named after P.S. Neporozhni and have reviewed the results of restoration of HEPS after an accident



Chairman of the Control and Accounts Chamber of Yaroslavl region A.P. Nabatov on the meeting of Collegium of the Accounts Chamber. The issue is being discussed to provide the perinatal center in the city of Yaroslavl with medical equipment

ed technologies of innovative nature for implementation of investment projects in Ural federal district.

Since 2010, the main efforts in activity of Government of the Russian Federation are aimed at modernization of economy and transfer to postcrisis innovation development.

The Accounts Chamber has conducted the inspection of targeted and effective use of funds and organizations – recipients of funds of the federal budget aimed at support and development of sci-



Auditor of the Accounts Chamber A.A. Kuzmitsky discusses the issues of innovative development of export defense products with management of OJSC "Rostvertol" (Rostov-on-Don)

entific, technical, and innovation activity in the Russian Federation in 2009–2010.

In the scope of complex of the control measures to implement the Concept of the longterm social and economic development of the Russian Federation for the period until 2020 has been conducted the inspection of targeted and effective use of funds of the federal budget aimed as a proprietary contribution of the Russian Federation into the registered capital stock of the open joint-stock company "Special economical areas" to create the objects of infrastructure of special economical areas of technical and implementation type "Tomsk" and "St. Petersburg". As breach of provisions of agreements dated 18 January 2006 No. 6678-GG/F7 and No. 6675-GG/F7 "About creation of a special economical area of technical and implementation type on the territory of St. Petersburg" (hereinafter referred to as SEA TIT in St. Petersburg) and "About creation of a special economical area of technical and implementation type on the territory of Tomsk region" (hereinafter referred to as SEA TIT in the city of Tomsk) The Federal agency for management of special economical areas, Ministry of Economic Development of Russia, Government of St. Petersburg and administration of Tomsk region have not followed the terms for elaboration of development plans and corresponding material and technical equipment of the special economical area. It had a negative effect on fulfillment of the set plans to create the special economical areas.

As breach of conditions about creation of special economical areas of technical and implementation type on territories of St. Petersburg and Tomsk region the Ministry of Economic Development of Russia has until now not approved the prospective plans to develop the indicated special economic areas.

The total volume of the incurred expenses from the federal and regional bud-



gets on the territory of SEA TIT in the city of St. Petersburg as of 1 January 2011 has actually made 5,421.72 million Roubles. The actual construction financing of the infrastructure objects on the territory of SEA TIT in the city of Tomsk as of 1 January 2010 has made 4,202.15 million Roubles.

Within more than 5 years the spending of funds of the federal budget for formation of special economic areas in the total amount of 79 billion Roubles has been performed without any effectiveness evaluation.

The most important project under special attention of the Accounts Chamber remains the support of innovation center "Skolkovo". To increase control and formation of mechanism of effective and rational use of funds obtained from the federal budget to implement the measures related to creation and provision of functioning of the innovation center "Skolkovo" a cooperation agreement has been signed between the Accounts Chamber and a non-commercial organization "Development Fund of Center of elaboration and commercialization of new technologies".

4.4. Effectiveness control of use of the budget funds during fulfillment of budgets of subjects of the Russian Federation

In 2011, the Accounts Chamber has conducted the inspection of effectiveness of use of the budget funds during fulfillment of budgets of subjects of the Russian Federation in Republic of Karelia, Saha (Yakutia), Kabardino-Balkaria, Bashkortostan, Chuvash Republic, Altay, Kamchatka and Krasnodar regions, Astrakhan, Belgorod, Bryansk, Vladimir, Ivanovo, Kaliningrad, Kaluga, Magadan, Moscow, Omsk, Samara, Saratov, Tula, Yaroslavl regions, St. Petersburg, Chukotka autonomous district.

The main complex of thematic control measures has been aimed at control of implementation of Concept of the inter-budgetary relations and arrangement of budget process in subjects of the Russian Federation and municipal formations until 2013 and Concept of stable development of native small-numbered peoples of North, Siberia, and Far East of the Russian Federation.

In subjects of the Russian Federation, the fulfillment inspection has been

performed in complex regarding the regional budgets in part of completeness and timeliness of financing of the expense obligations, compliance of arrangement of the budget process with requirements of the budget legislation, effectiveness of use of the budget funds, management of state debt, management, disposal, and use of state (municipal) property and other issues.

The main group of the detected breaches is related to incompliance with provisions of the Budget Code of the Russian Federation and of the Federal Law dated 21 July 2005 No. 94-FZ "About placement of orders for delivery of goods, fulfillment of works, rendering of services for state and municipal needs" during tender procedures; of the Urban Planning Code of the Russian Federation during construction, reconstruction and overhaul of objects; with ineffective management, disposal and use of state (municipal) property as well as incompliance with principle of productivity and



Governor of Kamchatka region V.I. Ilyukhin on meeting of Collegium of the Accounts Chamber. The issues are being discussed in relation to use of the budget funds, strategic planning, implementation of strategies and programs of social and economic development of Kamchatka region

effectiveness of use of the budget funds set by article 34 of the Budget Code of the Russian Federation.

Thus the inspections have detected the spending of funds with breaches of the current legislation: in Sverdlovsk region in amount of 7,541.1 million Roubles (out of them the funds of the federal budget – 5,308.1 million Roubles); in Bryansk region – 2,059.9 million Roubles (170.7 million Roubles); in Tula region – 6,170.6 million Roubles.

Ineffective spending of funds in Altay region has made 207.8 million Roubles, in Bryansk region – 214.8 million Roubles, in Republic of Karelia – 319.5 million Roubles, in Yaroslavl region – 595.15 million Roubles.

In Republic of Karelia, the right of state ownership is not registered in relation to 116 real property objects, right of operational management and economic jurisdiction on 1,833 objects (as of 1 April 2011). The similar breaches were detected in Bryansk, Yaroslavl and other regions.

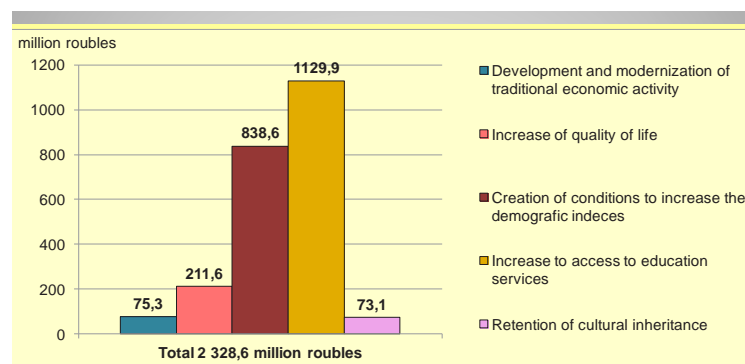
Spending of funds has been inspected, allocated in 2009–2010 for implementation of measures of the Federal target program of development of the Kaliningrad region for the period until 2015 and Concept of stable development of native small-numbered peoples of North, Siberia and Far East of the Russian Federation (with visit of the Republic of Saha (Yakutia) and Magadan region).

The government of the Kaliningrad region in 2009–2010 has not fulfilled the obligations regarding cofinancing of measures of Program on account of funds of the consolidated budget of region in amount of 893.55 million Roubles, not secured implementation of 35 objects with total value of 5,426.6 million Roubles, out of them – 17 objects with technical readiness 100%.

Out of total amount (31) of approved indicators which describe the reaching of social and economic results in 2009 the planned values were reached regarding 20 indicators, in 2010 – regarding 26 indicators. Ineffective use of funds has made 901.51 million Roubles.

Inspection of use of the budget funds allocated for support of economic and social development of native small-numbered peoples of North, Siberia and Far East of the Russian Federation has demonstrated that in 2009–2010 in 28 regions (in areas of compact residence of the small-numbered peoples) has been built 6 schools, 7 deer breeding farms, 6 buildings of village and district hospitals, 2 sports centers, and ecology and tourism center, has been conducted overhaul of 3 bridges, for bloodline communities were purchased tractors, generators for municipal power stations, snowmobiles and other equipment.

Directions of spending of the budget funds to solve the issues of development of native small-numbered peoples of North in 2009–2010





At the same time, implementation of measures FTP “Economic and social development of the native small-numbered peoples of North until 2008”, Concept of stable development of the native small-numbered peoples of North, Siberia and Far East of the Russian Federation has not caused any essential improvement of level of the economic and social development of the small-numbered peoples.

The level of life in areas of compact residence of the small-numbered peoples is below average of corresponding subjects of the Russian Federation, the level of unemployment in 1.5–2 times exceeds the average level in the Russian Federation. On the federal and regional levels, there is no annual monitoring of indices of amount and condition of the social and economic development of the native small-numbered peoples of North.

In the course of inspection, financial breaches were detected during spending of budget funds in amount of 211.17 million Roubles (out of them funds of the federal budget – 64.56 million Roubles), including ineffective expenses in amount of 6.84 million Roubles.

In the scope of implementation control of Concept of the longterm social and economic development of the Russian Federation for the period until 2020 has been performed the control measure “Inspection of reports about fulfillment of budgets of subjects of the Russian Federation, in which the share of inter-budgetary transfers (except for subventions) from the federal budget within two of three last reporting financial years has exceeded 60% of volume of own incomes of the consolidated budget of subject of the Russian Federation” with visit of Chukotka autonomous district.

The inspection has revealed that conditions and requirements of agreements with the Ministry of Finances of Russia to increase effectiveness of use of the budget funds and increase of inflows of tax and non-tax incomes by the highly donated subjects of the Russian Federation were mainly followed.



Governor of Tula region V.S. Gruzdev on meeting of Collegium of the Accounts Chamber. The issues are being discussed in relation to effectiveness of use of the budget funds during conduction of tender procedures regarding delivery of goods for municipal needs

At the same time, in 2010 in Republics of Altay, Dagestan, Tyva and Chechen high level of dependency from financial inflows from the federal budget retained, the volume of which has varied from 90.2% of amount of the income part of budget in Chechen Republic to 77.2% in the Republic of Altay. In Chukotka autonomous district the donation level decreased from 60.3% in 2008 to 31.2% in 2010.

Inspection of abundance with legislation and effectiveness of use of the budget funds and other resources, state and



Governor of Altay region A.B. Karlin on meeting of Collegium of the Accounts Chamber. The issue is being discussed regarding the targeted use of inter-budgetary transfers in Altay region including the science town Biysk



Governor of Kaluga region A.D. Artamonov on meeting of Collegium of the Accounts Chamber. The issue is being discussed regarding the use of budget funds for construction, reconstruction, and operation of objects of the water supply and sewage economy of Kaluga region

municipal property during construction, reconstruction and operation of objects of water and sewage economy of Kaluga region (hereinafter referred to as WSE) has revealed that agreement between the government of the region and LLC UK "Rosvodokanal" regarding cooperation in the area of WSE concluded in the scope of the state and private partnership has not completely provide for fulfillment of development tasks of WSE of the region, increase of quality of the rendered services of water supply and sewage.

Growth of amount of accidents on the water supply networks within the

period of 2008–2010 has made 13.6%, on sewage networks – 16.7%. Alongside with the significant construction wear and tear of networks one of reason of growth of the accident amount is non-fulfillment of measures for scheduled and preventive repair and other works for current maintenance of water supply and sewage systems by LLC "Kaluga regional water channel". In the result, there are risks of large-scaled accidents which may influence the security of inhabitants of the administrative center of the region.

Upon results of the control measure the Deputy Chairman of Government of the Russian Federation D.N. Kozak has instructed the government of Kaluga region to report every three months about the normalization measures

in relation to situation of water supply, sewage, and waste water treatment on the territory of Kaluga region.

The inspection of effectiveness and target use of funds allocated to budget of Yaroslavl region from the federal budget has revealed that out of 31 measures regarding preparation and conduction of celebration of the 1000-th anniversary of Yaroslavl in 2010 as of 1 July 2011 with breach of set terms were commenced 4 objects, not commenced 2 objects.

Volume of detected breaches has made 2,577.5 million Roubles, including: 1,718.4 million Roubles – breach of contractual provisions, out of them 595.15 million Roubles – ineffective use of funds.

The branch executive agencies of the region perform not on due level the control over fulfillment of state and municipal contracts including non-timely taking of measures in case of breach of terms for their fulfillment.

As of 1 October 2011 the non-presented penalty has made more than 117.1 million Roubles, out of them for untimely commencement – 109 million Roubles, for breach of delivery terms of the medical equipment and medicines – 7.1 million Roubles, vehicles and trucks – about 1 million Roubles.



Governor of Yaroslavl region S.A. Vakhrukov on meeting of Collegium of the Accounts Chamber. The issue is being discussed related to spending of budget funds allocated for celebration of 1000-th anniversary of Yaroslavl



4.5. Control activity of the Accounts Chamber aimed at counteraction of corruption and raiders

The Accounts Chamber performs a set of measures aimed at implementation of the National plan to counteract the corruption. It creates the basis for arrangement of monitoring and effectiveness audit of the anticorruption policy of the state.

To implement the National plan to counteract the corruption, approved by the President of the Russian Federation on 31 July 2008 (No. Pr-1568), the Accounts Chamber performs monitoring and analysis of legislative and other regulatory legal acts, drafts of legislative and other regulatory legal acts regarding detection of corruption provisions as well as to detect contradictions and gaps in legislation of the Russian Federation.

In the reporting period has been performed the control of provision of the state interests in bankruptcy procedures.

The inspection has been conducted of features of intended or fraudulent bankruptcy in the financial and economic activity of the open joint-stock company "Scientific and production association "Molniya" (Moscow) during 2009–2010.

The loss-making activity of OJSC "NPO "Molniya" within a prolonged time has caused an acute lack of turnover funds and subsequently increase of accounts payable. The negative dynamics of payment capacity indices and financial stability of OJSC "NPO "Molniya" has confirmed the attributes of bankruptcy in 2009–2010 as well as in earlier periods. In December 2010, the bankruptcy procedure has been commenced in relation to the enterprise.

Ineffective activity of founders (members) of OJSC "NPO "Molniya" in person of Federal Agency for Management of State Property and SC "Rostekhnologii" regarding management of the enterprise was one of reasons of its insolvency and financial instability.

The main shareholders (their representatives) have not provided any timely measures of financial rehabilitation and state support of OJSC "NPO "Molniya".

In conditions of chronic lack of turnover funds and growth of debt obligations of OJSC "NPO "Molniya" the Federal Agency for Management of State Property has declined the program of financial rehabilitation for the years 2007–2009 which has significantly deteriorated its financial condition.

Activity of SC "Rostekhnologii" to manage the enterprise was featured by the non-solved issue of formation of the executive body of OJSC "NPO "Molniya" and absence of control over trustworthiness of accounting, including in part of accounting of assets which represent the scientific and technical potential of the enterprise.

Also in the reporting period were conducted the following inspections:

inspection in OJSC "Trust Moselectrotyagstroy". The company has been included twice in the forecast plan (program) of privatization of the federal property (in 2008 and 2010), but the block of shares was not sold. Reduction of volume of orders, lack of turnover funds, dependence on the borrowed capital, non-timely payment of the fulfilled works by the customers have caused formation of significant accounts receivable of the joint-stock company and its insolvency. The federal agency for management of the state property as founder and sole share-holder of the company which represents the interests of the state has not taken any timely measures for financial rehabilitation and prevention of bankruptcy of OJSC "Trust Moselectrotyagstroy";

inspection of arrangement and performance of bankruptcy procedures in the federal state unitary enterprise "Insti-



tute of flammable minerals – scientific and research center for complex treatment of solid flammable minerals” (FSIE “IFM”) (Moscow) in 2006–2010 and expired period of 2011. The management of FSIE “IFM” breaching the articles 18 and 23 of the Federal Law dated 14 November 2002 No. 161-FZ “About state and municipal unitary enterprises” has concluded deals which caused acknowledged insolvency of the institute. Actions (omissions) of the state power bodies and management of the institute have caused damage to economy of the Russian Federation in amount of 817.5 million Roubles;

inspection of arrangement and performance of bankruptcy procedures of Kaluga open joint-stock company “Kristall” (Kaluga) in 2009–2010 and expired period of 2011;

inspection of arrangement and performance of bankruptcy procedures in the open joint-stock company “Amur-metal” (Komsomolsk-on-Amur) in 2009–2010;

inspection of effectiveness of measures to prevent bankruptcy of OJSC “Shipping dock “Northern dockyard” and OJSC “Baltic works” as strategic enterprises in 2010 and expired period of 2011.

Purchases of goods, works and services for state and municipal needs are necessary elements of implementation of economic policy of state, condition to reach the long-term targets of the national social and economic development.

The Accounts Chamber has conducted inspection of effectiveness of use of the budget funds, allocated at the purchase of goods, works and services for state and municipal needs. Analysis of the social and economic effect of implementation of the valid rules to place orders for state needs has shown that the existing practice of management of purchases for state needs does not allow to conduct evaluation of the social and economic effectiveness of system due to absence of formulated strategic targets of its functioning.

In the current system of purchases the order placement stage instead of

means to reach the strategic targets of the guaranteed provision of fulfillment of state functions, social obligations and state regulation of economy in the interests of the social and economic development of the Russian Federation for the long-term perspective has become the only target of the system functioning.

At the same time, evaluation of effectiveness of functioning of the purchase system for state needs is restricted by monitoring of abidance with norms of the Federal Law dated 21 July 2005 No. 94-FZ “About placement of orders for delivery of goods, fulfillment of works, rendering of services for state and municipal needs”.

By restriction with only order placement stage the organizational and technical methods of the indicated law have been acknowledged as universal for any types of products (works, services). Whereas is overseen that in the world practice for development and purchase of technically sophisticated (material – and knowledge-intensive) products are widely applied the methods of the project management of contract which encompass all stages of the product life cycle from its development to utilization as well as mechanisms of configuration management of changes in the course of contract fulfillment, flexible, materially stimulating price formation encouraging the producers to implement the measures to reduce the production expenses, operation, increase the quality of products.

In the course of implementation of the Federal Law dated 21 July 2005 No. 94-FZ was determined that the order placement procedures may have formal nature due to gaps in the law as well as provisions which have ambiguous interpretation.

Despite the multiple changes in the indicated Federal Law the state purchases remain one of areas which retains the corruption risks.

The Government of the Russian Federation has given the instruction dated 20



May 2011 No. ISH-P13-3315 to the Ministry of Economic Development of Russia, Ministry of Finances of Russia, Federal Antimonopoly Service of Russia, Federal Service for Defense Order jointly with the interested federal executive authorities and organizations to work on proposals of the Accounts Chamber to update the placement system of state and municipal orders during preparation of the draft laws in accordance with instruction of President of the Russian Federation dated 28 March 2011 No. Pr-772.

In the Ministry of Economic Development of Russia was conducted a meeting to discuss the indicated proposals of the Accounts Chamber, remarks of the Ministry of Finances of Russia and respective comments of the Accounts Chamber.

Upon results of the meeting in the office of the Minister of economic development of the Russian Federation on 29 August 2011 (minutes No. 35-LA) the decision has been made to consider the proposals of the Accounts Chamber and of the Ministry of Finances of Russia during preparation of the draft laws in accordance with instruction of President of the Russian Federation dated 28 March 2011 No. Pr-772.

As fulfillment of instruction of President of the Russian Federation dated 28 March 2011 No. Pr-772 (clause 1) employees of the Accounts Chamber participated in the work of the interdepartmental working group for preparation of draft of the federal law "About the federal contract system in the area of purchases of goods, works and services", which group was formed by the Government of the Russian Federation, aimed at the complex update of legislation in the area of state and municipal purchases and formation of the federal contract system.

The prepared draft law defines the legal basis of formation and functioning of the federal contract system as a set of measures aimed at provision of the state and municipal needs in goods, works, services by the single cycle which unites the stages of planning, placement, fulfillment of order, control over fulfillment of state and municipal contracts.

Implementation of public control institutes as provided for by the draft law will allow to provide in larger amount the publicity and transparency of purchases.

The draft law normalizes the powers of the external state control bodies in the



International conference "State and business against corruption". In the conference took part the First deputy of Chairman of the Federation Council A.P. Torshin and State controller of the Latvian Republic I. Sudraba



area of purchases for state and municipal needs.

In this case the main efforts of the external control bodies are supposed to be concentrated on substantiation of forecasts and planning of provision of state and municipal needs, feasibility and effectiveness of purchases as well as on evaluation of influence of the purchase results on the reached targets defined by strategic planning documents.

Pursuant to the list of instructions to implement the Message of the President of the Russian Federation to the Federation Council of the Russian Federation, the Chairman of Government of the Russian Federation was instructed until 1 July 2012 to present to the State Duma a draft of federal law which would provide for establishment of the federal contract system and to provide interaction of Government of the Russian Federation with chambers of the Federal Assembly of the Russian

Federation to speed up the consideration of that draft law.

In 2011, in premises of the Accounts Chamber took place the conference "State and business against corruption" with support of the of the Chamber of Commerce and Industry of the Russian Federation and of the Moscow Chamber of Commerce and Industry.

On the conference were discussed the issues of increase of effectiveness of the state and private partnership to counteract the corruption, to form an effective system of power relations with business on the basis of abidance with laws and moral and ethical norms.

In the work of conference took part the deputies of the State Duma, managers of the law enforcement and control bodies, unions and associations of businessmen, chambers of trade and commerce, representatives of public organizations as well as the State controller of Latvian Republic I. Sudraba.

4.6. Effectiveness control of the funds spending of the federal budget allocated to secure the activity of the state corporations and funds

One of the main directions of activity of the Accounts Chamber remains formation of system of the external state audit of the state corporations.

Inspection of the financial and economic activity of the state corporation "Agency for deposit insurance" in 2008–2009 and expired period of 2010 as well as inspection of effectiveness of use by the credit institutions participating in implementation of measures provided for by the Federal Law dated 27 October 2008 No. 175-FZ "About additional measures to strengthen stability of the bank system within the period until 31 December 2014",

financial aid provided by the state corporation "Agency for deposit insurance" on account of funds of the Central bank of the Russian Federation and proprietary contribution of the Russian Federation for the period from October 2008 until the year 2010 have demonstrated that the total balance of the Agency has increased 7.5 times and has made 486.3 billion Roubles as of 1 October 2010. Own funds of the Agency have increased 4.8 times (up to 341.4 billion Roubles as of 1 October 2010) mainly on account of insurance payments of banks and funds from the federal budget in amount of 200 billion Roubles.



Obligations of the Agency have increased 65.9 times (mainly on account of credits of the Bank of Russia – 114.6 billion Roubles) and have made 145.0 billion Roubles as of 1 October 2010.

In the assets of the Agency, the financing of measures to prevent bankruptcy of banks has made 308.6 billion Roubles as of 1 October 2010, out of them by the Agency were issued loans for the purposes of restructuring – 127.7 billion Roubles, assets purchased by the Agency – 180.9 billion Roubles;

In the state corporation “Rostekhnologii” has been conducted the inspection of effectiveness of the use of funds of the federal budget allocated in 2009–2010 to state corporations.

Federal agency for management of the state property has not completely performed measures to fulfill the decree of Government of the Russian Federation dated 21 November 2008 No. 873 “About measures to implement the Decree of the President of the Russian Federation dated 10 July 2008 No. 1052” in part of establishment of the State corporation “Rostekhnologii” and transformation of federal state unitary enterprises into open joint-stock organizations 100 percent of shares of which shall be the property of the Russian Federation and shall be transferred as a proprietary contribution of the Russian Federation as well as share of the joint-stock organizations owned by the state.

As of 1 April 2011, out of 185 federal state unitary enterprises subject to transformation 19 enterprises were transformed, i.e. only 10.3% were entered into the state corporation “Rostekhnologii” as a proprietary contribution of the Russian Federation.

Management organizations of holdings established by the state corporation “Rostekhnologii” are not the owners of shares of organizations which form parts of integrated structures which has a negative influence on management of the holding enterprises.

Russian Ministry of Industry and Trade performs financing of the scientific,

research, trial, and design works in the scope of federal target program “Development of the civil aviation equipment of Russia for the years 2002–2010 and for the period until 2015” to manufacture the promising aviation engines with thrust 9–18 tons on the OJSC “Aviadvigatel” (Perm), and on the manufactured sample of the aviation engine NK-93 (OJSC “Samara scientific and research center named after N.D. Kuznetsov”) with thrust 18 tons, the flight trials of which were stopped, has been spent an amount of 670.5 million Roubles, including the funds of the federal budget – 290.8 million Roubles.

In conditions of absence of the governmental decision to stop financing of works regarding that engine those expenses are ineffective.

Jointly with control and accounts authorities of subjects of the Russian Federation, the inspection has been conducted regarding legality and effectiveness of spending of funds of the state corporation – Foundation of assistance to reformation of residential and household economy and shared financing funds in 2008–2009 by subjects of the Russian Federation and municipal formations, which funds were aimed at the overhaul of multi-apartment buildings and at relocation of inhabitants of hazardous residential fund.



Deputy of the State Duma A.V. Bagaryakov on meeting of Collegium of the Accounts Chamber. Inspection results of the financial and economic activity of the state corporation “Agency for deposit insurance” are being discussed



Chairman of the Accounts Chamber S.V. Stepashin participated in meeting of Government of Republic of Bashkortostan. The issues are being discussed in relation to reformation of the residence and house-hold economy

Inspection of activity effectiveness has been conducted in the open joint-stock company "Russian bank for support of small and average business" in part of implementation of the Program of financial support of small and average business as well as financing of innovations in conditions of the state support rendered in 2009–2011 by the State corporation "The Bank for Development and Foreign Economic Affairs (Vnesheconombank)" in the open joint-stock company "Russian bank for support of small and average business".

4.7. Control of use of the money funds allocated by the Russian Federation to the budget of the Union state

On the joint Panel of the Accounts Chamber and Committee of state control of Republic of Belarus in February 2011 has been approved the conclusion about fulfillment of budget of the Union state in 2009, inspections of use of the budget funds of the Union state were conducted, allocated for implementation of four joint programs, and inspection of report of the Council of Ministers of the Union state about fulfillment of budget of the Union state in 2010 as well as the operative control has been conducted over the course of budget fulfillment of the Union state in 2011.

Draft Decree about budget of the Union state has been considered for 2012.

The inspections have revealed that the income part of the budget shall be formed only on account of free contributions of states – members of the Union

state. The development level of the income potential of budget is insufficient. The rules of formation and fulfillment of budget of the Union state provide also for other sources of income but no particular indices were planned regarding each one of them. Tasks regarding inflow of income from the use of property owned by the Union state in view of lines of the budget classification were not defined.

In the regulatory legal acts of the Union state, there are no mechanisms to secure the results of budget expenses, significant budgets annually remain unclaimed. As of 1 October 2011 remainders of unused budget funds of the Union state have made 1,196.3 million Roubles and increased initially 3.1 times which witnesses the ineffective use of the budget funds of the Union state.



A number of unsettled problems remains related to repayment of credit funds provided from the budget of the Union state on basis of return and repayment to fulfill four joint programs in 1998–2002. Thus the main debt makes 560.6 million Roubles, interest payment – 327.7 million Roubles, fines – 310.5 million Roubles. The existing overdue debt regarding the extended credits arose because of absence of the due control from the part of Constant Committee of the Union state over their return. Upon results of operative control the Accounts Chamber has offered to the Parliament Assembly of Union of Belarus and Russia to assign the Council Ministers of the Union state to define the order of restructuring and write-off of debt regarding the budget credits.

An important problem still is a low financial discipline of state customers which creates risk of ineffective spending of budget funds of the Union state and as a result non-fulfillment of certain measures of the program. In this case the current Rules to develop and implement the programs of the Union state approved by decree of the Council of Ministers of the Union state dated 11 October 2000 No. 7 (in edition dated 23 April 2010 No. 8) does not define any coordination and control functions of the Constant Committee of the Union



State secretary of the Union state P.P. Borodin on the joint meeting of Collegium of the Accounts Chamber and of Collegium of the Committee of the state control of Republic of Belarus. The issue is being discussed regarding formation of the income part of budget of the Union state

state in the course of implementation of programs. Meanwhile the union programs for implementation of which more than 80% of funds of the union budget is spent are the most important instrument for development of the Belarus-Russian economic integration.

The Accounts Chamber of the Russian Federation and Committee of the state control of Republic of Belarus have many times emphasized the problems of arrangement of accounting in relation to union property and necessity to create a special authority to fulfill those functions.

4.8. Control of effectiveness of spending of funds of the federal budget aimed at provision of national defense and state safety

Results of conducted control, expert and analytical measures in the area of provision of national defense and safety of state witness that despite the efforts of the Government of the Russian Federation aimed at increase of ef-

fectiveness of budget expenses certain problems remain.

In accordance with assignment of President of the Russian Federation D.A.Medvedev has been conducted the inspection of use of financial resources



Commander of Space troops O.N. Ostapenko on Collegium of the Accounts Chamber. The issue is being discussed to use the financial resources aimed at implementation of FTP "Global navigation system"

aimed at implementation of FTP "Global navigation system". The inspection has revealed that in 2007–2008 the Russian Ministry of Defense has not abided with principle of feasibility and effectiveness of use of the budget funds for financing of program measures.

Due to impossibility to reach the requirements of tactical and technical task in scope of the set financing limit in 2009 the Russian Ministry of Defense has terminated the operative and encashment work the ineffective expenses for which have made 12.0 million Roubles.

Thematic inspection of legality and effectiveness of use of the budget funds aimed at implementation of the federal target program "Restructuring of reserves of rockets, ammunition and explosives, adjustment of their storage and operation system to be explosion and fire safe for the period of 2005–2010", as well as fulfillment of measures to utilize the ammunition has demonstrated that despite its actuality and significance the indicated program has not completely provided for solution of all problems related to provision of explosion and fire safety on objects of reserve storage of rockets, ammunition and explosives of the Russian Ministry of Defense. Main measures of the Program

were related only to storage system and were not related to very reserves and their structure. One of reasons of non-fulfillment of program was underestimation of possibility to implement the program measures and their reduced resource demand. Thus the real expenses for construction of storage objects have exceeded the ones provided for by the program 2.3–3.8 times. Financing of program measures has been performed unevenly due to non-timely information about limits of budget obligations and their significant changes within a budget year. The inspection has revealed breaches and defects in usage of budget funds for the total amount of 2,381.2 million Roubles, including ineffective spending of budget funds in scope of measures to utilize the ammunition in amount of 115.7 million Roubles.

Inspection of legality and effectiveness of use of the state funds allocated in 2008–2010 to implement the assignment of the President of the Russian Federation to provide the servicemen of the Armed Forces of the Russian Federation with constant and service housing, has revealed that low indices of residence provision to the servicemen were significantly caused by absence of the high quality system to plan the needs of residential premises in the Russian Ministry of Defense as well as coordination in activity of authorities of the military management and organizations participating in solution of the indicated task.

When placing orders to purchase the residence the Russian Ministry of Defense has not considered the information about the actual amount of people who need the residence and need of apartments in particular military districts, subjects of the Russian Federation and military garrisons. In the result of that was allowed purchase of apartments in cities and localities where there was no need or almost no need in them. The inspection has detected the purchase by the Russian Ministry of Defense of 3.6 thousand of such apartment



with the price of 7,031 million Roubles which were not distributed to servicemen (they refuse to accept them) and also no agreements of social rent of residence were concluded which is ineffective use of budget funds.

One of the important problems which must be solved is provision of social and engineering infrastructure to places of complex construction of residence for servicemen.

Until now the residence houses in the cities of Balashikha and Podolsk of Moscow region built for the servicemen are not provided in full with the necessary infrastructure, financing of a number of objects of social and household purpose and objects of household economy as well as transport infrastructure (reconstruction of Balashikha and Shtcholkovo highways, construction of



Moscow region, Balshikha. Abandoned residence house more than 3 years)

two bypass roads with exit to Simferopol highway) has not been commenced.

In addition, the issues remain unsolved regarding provision of those city districts with social objects of commercial purpose, i.e. shopping centers, shops, parking lots, barber shops, drug stores, laundries, and other necessary objects.

4.9. Effectiveness control of spending of funds of the federal budget aimed at development of transport system of the Russian Federation and provision of transport safety

Management of the country dedicates much attention to provision of safety of traffic and transportation.

Analysis and evaluation of effectiveness of the usage of funds of the federal budget aimed at provision of safety of traffic in 2009–2010 have demonstrated that gradual reduction of the social risk level in whole Russia (in 2010, index of deaths in car accidents was 18.7 on 100 thousand people of population) witnesses the positive changes in that area. But that index in the Russian Federation is significantly higher than similar index in economi-

cally developed countries such as United Kingdom, Netherlands, Norway, Sweden, where there are 5–6 deaths on 100 thousand people of population annually.

In priority order must be approved the rules to provide safety of passenger transportations which would regulate the issues of arrangement of services for traffic safety, conduction of practical trainings of bus drivers, provision of due technical condition of regular routes, monitoring and information provision of traffic safety and conduction of service investigation of car accidents which are absent in the pres-



Minister of transport of the Russian Federation I.E. Levitin participated in the meeting of Collegium of the Accounts Chamber, where he reported on prospects of development and modernization of transport system of Russia as factor which stimulates the social and economic development of country

ent time. Due to the fact that by order of the Ministry of transport of the Russian Federation dated 25 January 2011 No. 18 Provision about safety of traffic in enterprises, institutions, organizations which perform passenger and cargo transportations has been acknowledged ineffective regulation of the most important issues in the area of passenger transportation safety remains at the present time out of the legal field.

In accordance with Decree of President of the Russian Federation dated 15 June 1998 No. 711 "About additional measures to provide traffic safety" implementation of single state policy in the area of

traffic safety within the limits of its competence performs the State Inspection of Traffic Safety (SITS) the system of which encompasses the federal management body of State Vehicle Inspection, management bodies of State Vehicle Inspection of ministries (main departments, departments) of internal affairs in subjects of the Russian Federation. Effectiveness of activity of divisions of SITS in subjects of the Russian Federation depends on amount of employees which must be defined in accordance with norms set by Decree of President of the Russian Federation dated 12 February 1993 No. 209 "About public safety militia (local militia) in the Russian Federation".

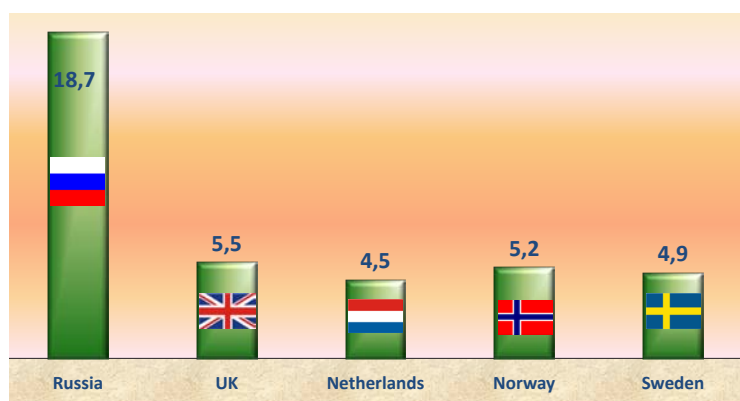
At the same time, the amount of employees of divisions of SITS as of 1 January 2011 made 61.2% of normal amount (including employees who received wages on account of funds of the federal budget – 4.8% of employees, on account of funds of budgets of subjects – 95.2% of employees). Whereas the actual amount of employees in divisions of highway patrol (HWP) as of 1 January 2011 has made 49.7% of the norm which has negative influence on traffic safety. In Ulyanovsk, Murmansk, Vladimir region, where the actual amount of HWP makes 33%–47% of the norm the main accident indices arose.

The effectiveness inspection of the use of funds of the federal budget and federal property for arrangement of air transportation in airports of Sheremetyevo and Domodedovo of Moscow air hub in 2009–2010 has revealed that activity of federal executive authorities regarding the normative and legal regulation of air transportation in airports is ineffective.

Organizational structure of civil aviation (four authorized bodies) is not in compliance with international standards which suppose centralization and undivided control in management.

At the same time, the condition of the normative and legal base is completely in compliance with condition of the Russian civil aviation which is near to critical one.

Level of social risk (amount of deaths in car accidents on 100 thousand people of population)





The company "Airport Management Company Limited" (Isle of Man) performs the public functions to arrange air transportations in the international airport Domodedovo. The indicated foreign legal entity is a management company of CJSC "International airport "Domodedovo" on which the obligations of the main airport operator are vested. The sole shareholder of enterprises of the airport Domodedovo is "FML limited" (Isle of Man). Thus the indicated foreign legal entities completely control the largest airport of the country.

In addition, the inspection has revealed that no effective control over federal property and use of funds of the federal budget in airports Domodedovo and Sheremetyevo was formed.

Inspection of effectiveness of usage of the budget funds allocated at provision of the antiterrorist protection of objects of transport infrastructure in scope of the active safety system on transport has detected imperfection of normative and legal base in the area of terrorism counteraction. Thus not completely were implemented the provisions of the Federal Law "About transport safety", also the rules were not defined for formation and maintenance of computerized centralized personal databases of passengers, the list of objects of transport infrastructure of the civil aviation was not formed, the provision of the transport safety of which shall be performed exclusively by an executive body. Also the methods are not approved necessary for the accredited organizations to perform evaluation of vulnerability of transport objects.

Inspection of legality of tenders and signing of contracts for state needs as well as targeted and effective usage of budget funds allocated in scope of the federal target programs "Development of civil aviation equipment of Russia for the period 2002–2010 and for the period until 2015", "Modernization of the Single arrangement system of air traffic of the Russian Federation (2009–2015)", "Development of transport system of Russia (2010–2015)" has demonstrated that during implemen-



Deputy Minister of internal affairs of the Russian Federation V.N. Kiryanov and Chief of the Main Department for Provision of Traffic Safety of the Ministry of Internal Affairs of the Russian Federation V.I. Nilov on meeting of Collegium of the Accounts Chamber. The discussion is about usage effectiveness of funds of the federal budget allocated to provision of traffic safety

tation of the federal target program aimed at modernization of the Single arrangement system of air traffic, OJSC "Concern PVO "Almaz – Antei" has breached the terms of design documentation and commencement of construction in relation to almost all contracts. As of 1 September 2011, regarding reconstruction projects developed by the Concern FSI "Glavgosexpertiza of Russia" has issued 25 negative conclusions because of the detected incompliance with standards and norms. To provide the fulfillment of obligations of the Russian Federation, arising from Chicago convention, and to provide the acceptable level of flight safety by decree of Government of the Russian Federation dated 6 May 2008 No. 641-p was approved the State program of flight safety provision of civil airplanes for the implementation of which is responsible the Ministry of Transport of Russia. As breach of provisions of the State program, until now has not been accepted the federal target program in the area of safety provision of flights of the civil airplanes.

Since 2009 admission to educational institutions for the initial training of pilots has been increased and makes 790 people a year but only 330 pilots a year graduate.



Deputy Minister of internal affairs of the Russian Federation S.A. Gerasimov and Chief of the Main department of the Ministry of Internal Affairs of Russia in Moscow V.A. Kolokoltsev on meeting of Collegium of the Accounts Chamber. The issue is being discussed regarding transport safety



Representatives of the Ministry of transport of the Russian Federation headed by the Deputy Minister V.M. Okulov on meeting of Collegium of the Accounts Chamber report on implementation of the federal target program aimed at modernization of the Single arrangement system of air traffic

Increase of alumni amount is hindered by insufficient completeness of educational institutions of civil aviation by flight, trainer, engineering, and technical personnel as well as technical equipment.

Elaboration and development of manufacture of airplane RRJ-95 and engine SaM146 are the main results of implementation of FTP "Development of civil aviation equipment of Russia for 2002–2010 and for the period until 2015" and the most important stage for the Russian aviation industry. At the same time, subsequent technological rearmament of the industrial and production base (including the adjacent branches – metal industry, machine tool industry) is required, restoration on the qualitatively new level of the scientific, production and personnel potential of aviation industry and adjacent branches. To avoid losses of significant investment volumes to create and implement into production RRJ-95 and SaM146 the mechanism of state (arrangement and financial) support of developers and manufacturers of civil aviation equipment must be elaborated on all stages of prolonged lifecycle of aviation products including stages of production and operation.



4.10. Performance audit

In 2011, the Accounts Chamber has continued the work to increase the share of one of the most prospective and socially significant types of control activity – performance audit. Performance audit defines the result of usage of state funds, reviews not only legality and targeted use of funds but also effectiveness of spending of financial resources from the view of solution of the general state tasks.

Alongside with the control function the performance audit provides transparency of activity of the power authorities, provides community with exact and comprehensive information about result of their work. In scope of implementation of performance audit into practice the Accounts Chamber performs reconstruction of available forms and methods of financial control, entry of proposals regarding corresponding changes of current legislation.

In the reporting period, the Accounts Chamber has conducted:

performance audit of measures to reduce expenses on implementation of investment programs economic entities with state participation. Objects of measure: joint-stock organizations “Gazprom”, “Oil company “Rosneft”, “Russian Railways”, “INTER RAO EES”, “Svyazinvest”, “Aeroflot – Russian Airlines”, “Federal network company of the Single energy system”, “Modern commercial fleet”, State corporation “Rosatom”.

All inspected organizations (except for OJSC “INTER RAO EES” and State corporation “Rosatom”) not completely fulfill investment programs, capital construction plans, commencement of objects which causes the growth of volumes of incomplete construction (the largest growth of incomplete construction is noted in OJSC

“FSK EES”), increase of price of certain construction objects due to insufficient substantiation of projects; orientation on foreignmade equipment (OJSC “Aeroflot”, OJSC “Sovkomflot”); insufficient control in reaching of indices of economical effectiveness considered when decision was made about inclusion of construction objects into investment program; absence of due compliance of investment

Years	2003	2004	2005	2006	2007	2008	2009	2010	2011
Amount of measures performed by the Accounts Chamber in scope of effectiveness audit	1	3	7	12	12	13	10	14	16

programs with indices of extrabudgetary financing of objects included into federal target programs; beginning of construction in absence of design and estimate documentation and positive conclusions of FSIE “Glavgosexpertiza”.

Analysis of condition of works regarding implementation of tasks set by the President of the Russian Federation has demonstrated that:

slowly occurs transfer to conclusion of contract for the whole period of implementation of investment project, real evaluation of price of the necessary works, equipment and materials in prices of corresponding years, consideration of estimate as part of tender documentation and provision of free choice to the contractor regarding the most effective and cost efficient construction methods;

there is no integer shortening of approval terms of permission documents to commence the investment projects.

Thus in the course of inspection of OJSC “Oil company “Rosneft” was noted that during conduction of the state ecological expertise and state expertise of design documentation duplication of functions occurs in part of requirements



towards environmental protection (respectively, double payment for duplicated works occurs) and bodies which conduct the state expertise (also the environmental expertise) define for them the 3-month period to conduct the expertise.

During implementation of infrastructure objects (OJSC "Russian Railways", OJSC "Gazprom", OJSC "FSK EES", OJSC "Svyazinvest", OJSC "INTER RAO EES") no facts of object construction at exceeding prices were detected. But OJSC "Russian Railways" signs contracts in scope of the so-called corporate order with its subsidiaries without any tenders.

The effectiveness audit has been conducted in relation to spending of budget funds for maintenance of the law enforcement operative services of the Federal customs service, their territorial bodies and divisions, and fulfillment by them of certain functions vested on Federal customs service in 2008–2009 and expired period of 2010. Analysis of the existing income administration system of the federal budget in relation to funds received from disposal and sale of property forfeited in the result of law enforcement activity of

the customs authorities witnesses its insufficient transparency.

Sale of property seized as income of the state upon results of law enforcement activity of the customs authorities is performed by the Federal agency for management of the state property (until 1 August 2008 – special state institution of the Government of the Russian Federation "Russian fund of federal property" (hereinafter referred to as RFFP) and natural and legal persons engaged by that agency.

Inflows into the federal budget in 2008–2010 from the sale of property which turned to be the state property have not exceeded 5.5% of the price of property transferred by the customs authorities to RFFP and Federal agency for management of state property;

Effectiveness audit of spending of the state funds aimed at the applied scientific researches in the area of safety and law enforcement activity has revealed that in the MIA of Russia there is no single scientific and technical policy which causes system problems in arrangement and legal regulation of scientific provision of activity of authorities of internal affairs and internal armed forces of MIA of Russia. In the accounting policy of MIA of Russia there is no legally defined rules for budget accounting of results of research and advanced development and recommendations for its implementation by recipients of budget funds including determination of balance value of developmental prototypes which reduces the control effectiveness over budget cash flow and its targeted use, hinders the trustworthy evaluation of intellectual activity.



Senior Vice-President of OJSC "Russian railways" V.V. Mikhailov on the meeting of Collegium of the Accounts Chamber. The issue is being discussed regarding effectiveness of use of subsidies allocated in 2010 and the first half of 2011 for railroad transportations



4.11. Strategic audit

In 2011, the work has been continued to implement the new methodological instrument of state financial control in work of the Accounts Chamber – strategic audit of social and economic development and provision of national security (herein-after referred to as strategic audit).

Main purpose of strategic audit is the complex evaluation of possibility to reach (to implement) in due time the strategic targets and priorities of state policy taking into consideration the evaluation of resource possibilities (also reasonability of the planned and forecasted incomes and expenses of the federal budget and budgets of the state extrabudgetary funds) as well as existing risks and their expected subsequences.

In the Accounts Chamber, the joint Conference took place of the Accounts Chamber of the Russian Federation and the World Bank on topic “Strategic audit in conditions of transfer to program budget and contract system”. On the conference, the Memorandum of Understanding was signed between the Accounts Chamber and the World bank.

The document provides for cooperation of the parties regarding exchange of experience in the area of effectiveness evaluation and effectiveness of use of the national resources, development of system of key national indices, financial monitoring of condition of the national payment system, budget audit oriented at the result, audit of financial reporting in the state sector, conduction of series of international scientific and practical seminars regarding the effectiveness audit.

In accordance with interaction agreements on system formation of for strategic planning and control of the social and economic development of republics



International conference “Strategic audit in conditions of transfer to program budget and contract system”. Chairman of the Accounts Chamber S.V. Stepashin and Director of constant representative office of the World Bank of Reconstruction and Development in Russia Pedro Alba have signed the Memorandum of Understanding between the Accounts Chamber and the World Bank of Reconstruction and Development



Auditor of the Accounts Chamber A.A. Piskunov on meeting of the joint working group formed in the scope of agreement between the Accounts Chamber and Republic of Bashkortostan to create the system for strategic management and control of social and economic development of the region

signed between the Accounts Chamber of the Russian Federation, Republic of Bashkortostan, and Republic of Tatarstan, the joint working groups were formed and their plans of work were approved.



The working groups fulfill the active work to form and implement the pilot projects to create the integrated contract systems in scope of modernization of system of strategic management and control of the social and economic development of those regions as well as methodological provision of that work.

Until now, no vertically integrated system of strategic planning of regional development has not been created in scope of federal state. The approved documents of subjects of the Russian Federation were developed for different terms, they have different depth of detail elaboration of strategic measures as well as different indices of reached goals which essentially differ from indices defined in Concept of the long-term social and economic development of the Russian Federation for the period until 2020 (hereinafter referred to as Concept-2020).

Whereas the system of indices contained in Concept-2020, in turn, is not sufficiently detailed.

Thus analysis of growth rates of the average income of population in 2011–2020, necessary to reach the levels of poverty set in Concept-2020 strategies

and programs of social and economic regional development, has demonstrated that even the moderate income growth rates (101.6–103.6% p.a.) provide achievement of target benchmarks regarding the poverty level. Moreover, implementation of measures of social support of low-income citizens and other measures aimed at reduction of existing differentiation of population regarding the level of income allows to reduce the poverty level up to set values at already reached levels of average public income.

Analysis of main strategic documents of subjects of the Russian Federation (objects of the measure) has demonstrated that they have mainly declarative nature, have insufficient level of details. Their integration is almost impossible in scope of federal districts due to difference of goal-setting principles, order and horizons of planning. As basis of calculations will be used different base years and intermediate planning periods as well as different target indicators will be used. For example, in Strategy of development of Zabaykalye region as main indices is shown relation of 2025 to 2010 while in Strategy of development of Baikal region are given the average growth rates for 5 years. The plan indices on main branches of economy in the Program of development of Zabaykalye region in 2010–2014 are given as volumes of manufactured products and in the Strategy of development of Far East and Baikal region – in form of gross added value.



Minister of regional development of the Russian Federation V.F. Baksargin on the Collegium of the Accounts Chamber. The issue is being discussed to increase effectiveness of spending of the budget funds for implementation of projects and programs in scope of strategic planning



Expert and analytical activity of the Accounts Chamber



5

EXPERT AND ANALYTICAL ACTIVITY
OF THE ACCOUNTS CHAMBER

In the reporting period the expert and analytical activity has been conducted in all directions headed by auditors of the Accounts Chamber, in accordance with the work plan approved by the Panel of the Accounts Chamber. All in all, 131 expert and analytical measures have been undertaken.

Results of the expert and analytical measures have been considered on the Panel of the Accounts Chamber and materials upon them have been duly sent to chambers of the Federal Assembly of the Russian Federation. The most important problems were reported to the President of the Russian Federation, information letters were sent to the Government of the Russian Federation.

Amongst the most important expert and analytical measures taken by the Accounts Chamber in 2011 may be emphasized analysis of usage effectiveness of the state funds for implementation of single state policy in the area of use of the information technologies in activity of the federal bodies of state power.

During the recent years the President of the Russian Federation, the Government of the Russian Federation and federal bodies of state power were taken the essential efforts to develop the information computer technologies (hereinafter referred to as ICT) in the country. For that purpose, a number of conceptual and strategic documents has been developed and accepted, the corresponding state and federal target programs are being implemented, bodies for coordination of efforts

have been established and are functioning, aimed to speed up the development of ICT, significant financial resources are being allocated for that area.

Pursuant to evaluations of the Accounts Chamber, within the period from 2005 till the 1st quarter of 2010 expenses of federal bodies of state power (hereinafter referred to as FBSP) for creation and operation of information systems have exceeded 177 billion Roubles (not taking into consideration expenses for formation and operation of automatic information systems of the Ministry of Defense of Russia and closed information systems). Implementation of FTP "Electronic Russia" has been completed the joint financing of which from the funds of the federal budget within 9 years has made more than 16 billion Roubles. In the course of its fulfillment, creation of infrastructure of intradepartmental electronic interaction has been commenced.

In the inspected FBSP more than 500 automatic information systems were functioning which provide fulfillment of functions vested on FBSP. Directions of informatization of FBSP are defined in strategic and conceptual documents approved by the President of the Russian Federation, accepted by the Government of the Russian Federation as well as by the state program of the Russian Federation "Information society (2011–2020)".

Pursuant to preliminary evaluation of the Ministry of Economic Development of Russia, the national market volume of information technologies in 2010 has



made 565.8 billion Roubles (103.7% of level of 2009 in comparable prices).

Total amount of nationally operated computers pursuant to the Ministry of Economic Development of Russia has reached 61.9 million (118.4% by 2009), whereas the largest part of them (more than 74%) is connected to Internet.

Amount of internet users per 100 people of population is estimated to be 46.8 units (111.2% in comparison with 2009).

Implementation and use of ICT in activity of bodies of state power is one of the most important directions of development of the state management system in the Russian Federation.

Despite the large-scaled measures in the area of creation of state-of-the-art information and communication technologies significant volumes of resources allocated for those purposes, existing national development level of ICT is still not in compliance with the set requirements.

Until the present time, in the Russian Federation is not completed formation of electronic database of the federal information system of registration of the federal property, the set term for creation of which has expired almost 3 years ago.

Analysis of the existing management system of creation and development of information technologies in activity of the federal bodies of state power, conducted in course of the expert and analytical measures, witnesses the presence of essential deficiencies in that area.

There is a certain unbalance of the goal-setting system in development of information technologies.



Delegation of the Accounts Chamber has visited the Republic of Ingushetia. In the course of meeting the Chairman of the Accounts Chamber S.V. Stepashin and Head of Republic of Ingushetia Yu.B. Evkurov have discussed the issue of effectiveness of usage of funds in course of implementation of FTP "Social and economic development of the Republic of Ingushetia for the years 2010–2016"

The expert and analytical measure has been conducted "Evaluation of effectiveness and balance of use of the state resources aimed at the social and economic development of subjects of the Russian Federation, which form the North-Caucasus federal district" (hereinafter referred to as NCFD), in the course of which breaches were detected the total volume of which made more than 2.9 billion Roubles. Must be noted that a number of detected breaches has attributes of an offence, corruption.

Regions of NCFD are characterized by high rate of unemployment, its official level in 2009–2010 is varied from 16.7 to 20 percent of the total amount of economically active population of NCFD which 2–3 times exceeds the average Russian level. Several significant breaches were allowed during implementation of the target federal program "South of Russia". Thus in Karachay-Cherkessian Republic cofinancing of construction objects in FTP "South of Russia" has not been provided on account of funds of the republican budget in amount of 46.6 million Roubles and



funds from extrabudgetary sources were not attracted in amount of 30.5 million Roubles.

The real sector of economy of subjects of the Russian Federation which form parts of NCFD has low level of development. Main contribution into volume of the gross regional product makes the sector of state management and branch of social services the share of which in the total volume of IRP makes 55% (in the Russian Federation – 16%). The product share of manufacture industry in the volume of IRP does not exceed 15% (in the Russian Federation – 19%), share of agricultural sector reaches 22% (in the Russian Federation – 5%).

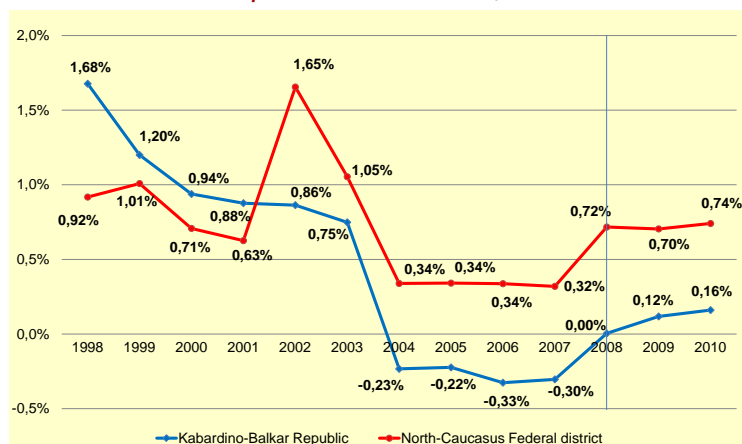
Analysis of usage effectiveness of the state funds aimed to subjects of NCFD has demonstrated that they are mainly purposed to support of social sphere and

in significantly lower volume – at development stimulation of the real sector of economy.

Formerly, the Accounts Chamber has conducted the effectiveness analysis of usage of funds from the federal budget allocated for payment of compensation of material damage to citizens due to their loss of residence after accidents on Chernobyl nuclear power station for the years 2009–2010.

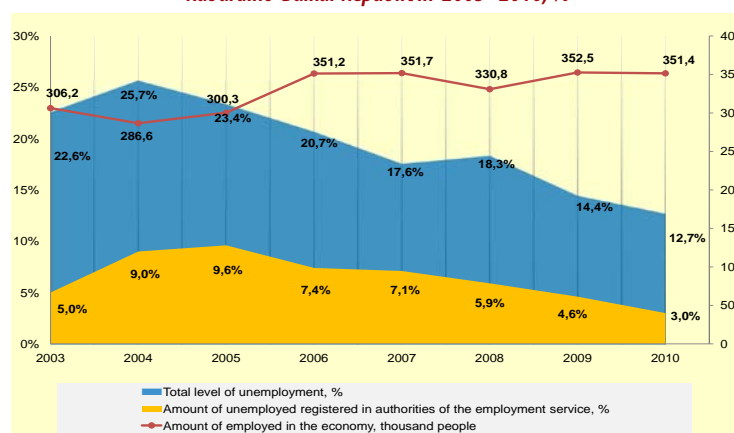
Absence of due legal regulation of enforcement of public right to receive compensation of material damage due to the loss of property caused by accident on Chernobyl nuclear power station has caused in Bryansk region in 2009–2010 violations of principle of effectiveness and feasibility of budget funds spending, set by article 34 of the Budget Code of the Russian Federation, and ineffective

Dynamics of the population amount in the Kabardino-Balkar Republic and in the whole NCFD, %



DEMOGRAPHY

Total level of unemployment and level registered by employment service of the Kabardino-Balkar Republic in 2003–2010, %



EMPLOYMENT



spending of funds of the federal budget administered by the federal treasury by more than by 532.4 million Roubles because the citizens abused their right to receive the above mentioned compensation.

Main reason of the existing situation is imperfection of Law of the Russian Federation dated 15 May 1991 No. 1244-I "About social protection of citizens affected by radiation due to accident on Chernobyl nuclear power station" which in part of regulation of issues of payment of compensation of the material damage for the lost property not completely complies with modern social and economic situation, its norms do not have any defined nature which allows that compensation to be received by citizens which purchased (established) the property not with the purpose of its use but only with purpose to receive compensation at the increased price.

It has caused a significant increase of volume of the spent funds of the federal budget for payment of compensations the growth of which in the recent years occurs in abnormally high rates. In 2010, the volume of payments has exceeded the amount of 2007 almost 10 times.

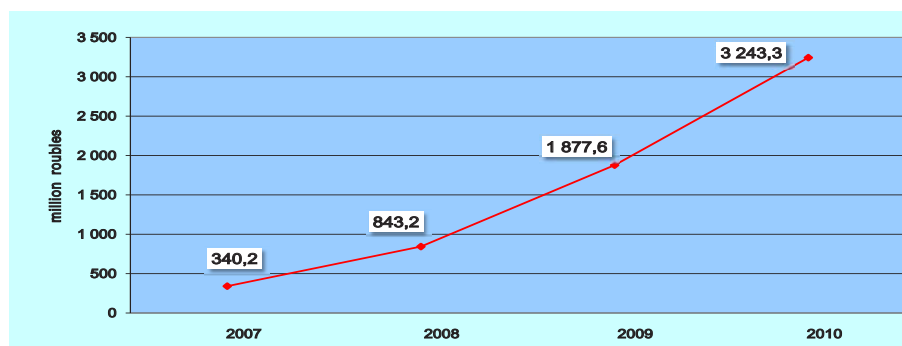


In the scope of visit of delegation of the Accounts Chamber to Chechen Republic a meeting took place of Chairman of the Accounts Chamber S.V. Stepashin with Head of Chechen Republic R.A. Kadyrov. Main topic of the meeting was discussion of issues of formation of the republican budget until 2014. Delegation of the Accounts Chamber has also visited the stadium named after Akhmat Kadyrov and Memorial complex of Fame dedicated to 65th anniversary of Victory in the Great Domestic war



Governor of the Bryansk region N.V. Denin and chairman of the Control and Accounts Chamber of Bryansk region V.A. Shinkarev on meeting of Collegium of the Accounts Chamber. The issues are being discussed in relation to exercise of public right to receive compensation of material damage due to loss of property after accident on Chernobyl nuclear power station in Bryansk region

Amount of paid compensations of material damage due to loss of property in Bryansk region in 2007–2010





5.1. Expertise of drafts of federal laws

One of the main tasks of the Accounts Chamber defined by article 2 of the Federal Law "About the Accounts Chamber of the Russian Federation" is the financial expertise of drafts of federal laws as well as regulatory acts of federal authorities of state power which provides for expenses to be covered on account of funds of the federal budget or affecting the formation and fulfillment of the federal budget and budgets of the state extrabudgetary funds. Article 20 of the indicated the Federal Law defines that the Accounts Chamber conducts expertise and provides conclusions, also regarding the draft of the federal budget, in relation to problems of the budget and financial policy and improvement of budget process in the Russian Federation, drafts of legislative and other regulatory legal acts regarding the budget and financial issues to be considered by the State Duma and other documents.

In the reporting period, 2 conclusions of the Accounts Chamber have been prepared in relation to drafts of federal laws "About entry of amendments into the Federal law "About federal budget 2011 and for the planned period 2012 and 2013" (reports about condition of inflows of incomes and funds from borrowings into federal budget) as well as conclusion related to draft of the federal law "About the federal budget 2012 and the planned period 2013 and 2014".

The conclusions have been approved by the Panel of the Accounts Chamber and in accordance with Budget code of the Russian Federation Chairman of the Accounts Chamber S.V.Stepashin has made reports on plenary meetings of chambers of the Federal Assembly of the Russian Federation.

Conclusions have been prepared in relation to drafts of federal laws about entry of amendments into articles 7 and 12 of the Federal Law "About the Accounts Chamber of the Russian Federation", at the present time the work is being conducted to prepare the project of the federal law "About the Accounts Chamber of the Russian Federation" in new edition.

Conclusions have been also prepared regarding the draft of federal law "About entry of amendments into articles 6 and 8 of the Federal Law "About general principles of arrangement and activity of the control and accounts authorities of subjects of the Russian Federation and municipal formation" and draft of model law "About control and accounts chamber of subject of the Russian Federation".

The Accounts Chamber has developed the draft of federal law "About entry of amendments into certain legislative acts of the Russian Federation due to acceptance of the Federal Law "About general principles of arrangement and activity of the control and accounts bodies of subjects of the Russian Federation" which provides entry of amendments into the Budget code of the Russian Federation, Criminal code of the Russian Federation, federal laws "About the general principles of arrangement of legislative (representative) and executive bodies of state power of subjects of the Russian Federation", "About general principles of arrangement of local power in the Russian Federation", "About the municipal service in the Russian Federation", "About banks and bank activity" and "About protection of rights of the legal entities and individual businessmen during state control (surveillance) and municipal control"



in part of addition of list of the control bodies not covered by that Federal Law, control and accounts bodies of municipal formations.

The expertise has been conducted of draft of federal laws including the law "About entry of amendments into certain legislative acts of the Russian Federation upon the issues of conduction of control measures related to use of budget funds allocated for financing of innovation activity", "About entry of amendments into articles 11, 12, and 23 of the Federal Law "About audit activity", "About entry of amendments into Federal law "About science and state scientific and technical policy" in part of the state support of innovation activity", "About federal contract system", "About federal contract

system in the area of purchases of goods, works, services", "About entry of amendments into certain legislative acts of the Russian Federation due to setting of restrictions regarding donations", "About entry of amendments into certain legislative acts of the Russian Federation due to implementation of rotation on state civil service", "About entry of amendments into Federal law "About obligatory exemplar of documents", "About entry of amendments into Federal law "About assessment activity in the Russian Federation".

Conclusions and propositions of the Accounts Chamber on certain actual topics were sent to the President of the Russian Federation, Chairman of Government of the Russian Federation.

5.2. Condition of state financial control and legislation which regulates activity of the Accounts Chamber

Changes of legislation which regulates issues of state financial control in the Russian Federation, which took place in 2011, may be described as a breakthrough in legislative fixation of 15 years of experience of activity of the control and accounts bodies in subjects of the Russian Federation, municipal formation and experience of ideological support of that activity by the Accounts Chamber.

7 February 2011 was accepted, and from 1 October became effective the Federal law No. 6-FZ "About general principles of arrangement and activity of control and accounts bodies of subjects

of the Russian Federation and municipal formations" (hereinafter referred to as the Law) which may be designated as a new stage in development of the external state and municipal financial control in the Russian Federation.

The Law provides directly that the control bodies created by the legislative (representative) bodies for the purpose of spending control of the budget funds shall perform exactly the external financial control. In such way they were distinctly separated from control bodies in executive power system even brighter highlighting the fundamental principle of power division.



Regarding the terms, fixation of idea of the control and accounts bodies was very important in relation to financial control bodies created by the legislative (representative) bodies.

The Law managed to arrange the single legal regulation both for the control and accounts bodies of subjects of the Russian Federation and for municipal formations, in a single way to formulate the typical powers for all control and accounts bodies, i.e. avoid necessity to separately regulate what in fact makes a whole, what actually fills with sense the idea of system nature of external financial control.

The norms of the accepted Law fix the organizational and functional independence of the control and accounts

bodies of subjects of the Russian Federation and preliminary conditions are set out to provide independence of municipal control and accounts bodies.

At sufficient rate are defined the legal guarantees both of activity of very control and accounts bodies and their officials and inspected organizations which serves the purpose of effective external state financial control and has a definitively anticorruption nature. The issue is determined regarding independence of the control and accounts bodies from counter-control from the part of inspected bodies and corresponding pressure from their part.

The Law creates also legal basis for subsequent development of cooperation of the control and accounts bodies in the



XVIIIth conference of Association of the control and accounts bodies of the Russian Federation called "Tasks of the control and accounts bodies, arising from the Federal Law "About general principles of arrangement and activity of control and accounts bodies of subjects of the Russian Federation and municipal formations" (Accounts Chamber, 12 December 2011)



area of methodology and first of all in the area of joint elaboration of financial control standards. The role of the Accounts Chamber is defined in preparation of general requirements towards standards of external state and municipal financial control by which the control and accounts bodies must be governed.

In addition, the Law defines distinctly that standards of external state and municipal control in accordance with which the organizations are being inspected may not go beyond the general requirements set by the federal law, they must be known to all inspected organizations.

Article 18 of the Law vests the following rights on the Accounts Chamber:

- to arrange interaction with control and accounts bodies of subjects of the Russian Federation and municipal formations also during conduction of joint control, expert and analytical measures by the Accounts Chamber on territories of corresponding subjects of the Russian Federation and municipal formations;

- to render control and accounts bodies the organizational, legal, information, methodic and other assistance;

- to assist in professional training, additional training and further training of employees of the control and accounts bodies;

- to perform jointly with control and accounts bodies of subjects of the Russian Federation and municipal formations the planning of joint control and expert and analytical measures and to arrange their conduction;

- upon appeal of the control and accounts bodies of subjects of the Russian Federation or legislative (representative) bodies of state power of subjects of the Russian Federation to perform activity control of the control and accounts bodies of subjects of the Russian Federation and provide recommendations to increase effectiveness of their work.

As for certain problems related to acceptance of Law their solution demands joint efforts from the part of the Accounts Chamber, control and accounts bodies of subjects of the Russian Federation and municipal formations.

Unfortunately when the Law was accepted the principle was not followed to accompany it with a package of legislative provisions about entry of necessary amendments in other legislative acts. The Accounts Chamber will perform the work to enter the necessary amendments into legislation jointly with the new members of the State Duma.

The existing practice of the state financial control, experience gained by the Accounts Chamber in arrangement and performance of control over formation and use of the federal budget, budgets of the state extrabudgetary funds, use of federal property and its management allow a conclusion about necessity to define the legal status of external and internal financial control, creation of single legal and methodological bases of system integrity of the state financial control.

Until now the problem is not solved how to divide functions of external and internal state financial control, system of internal financial control is not developed, duplication of functions of state financial control bodies occurs.

Task of cardinal amendment of approaches to state and municipal financial control, division of powers and responsibility of state and municipal control bodies has been set by the President of the Russian Federation in budget messages in 2008 and 2009.

Solution of that task was reflected in the Program to increase effectiveness of budget expenses for the period until 2012 (approved by instruction of



Government of the Russian Federation dated 30 June 2010 No. 1101-p) developed by the Government of the Russian Federation. Section 9 "Development of the state (municipal) financial control system" of that Program provides the complex reformation of the state and municipal control system, the main reformation principles are described, including the following:

- specification of powers of bodies of state power and local power to perform the financial control in the Budget code of the Russian Federation

- introduction in the Budget code of the Russian Federation of an idea of external and internal state and municipal financial control, definition of forms, methods and control objects on legislative level;

- adjustment of state and municipal control system to principles and standards of INTOSAI and EUROSAI;

- definition of complex responsibility measures of managers of the budget funds for each breach of budget legislation of the Russian Federation, with attachment of facts of breaches to particular enforcement measures of budget law and setting of links to application of enforcement measures of administrative law.

In the Budget message about budget policy in 2010–2012 the President of the Russian Federation has noted that fulfillment of budget must be supported "by adjusted budget procedures, internal control mechanisms, high level of budget discipline".

Despite the differences in functions and status external and internal state financial control bodies are united and dedicated to solve a common task – to secure effective use of state financial resources.

In the future, the executive authorities completely in accordance with INTO-

SAI standards must take the main load regarding conduction of the financial audit. Because of that for the Accounts Chamber is very important that the internal control system operates reliably and effectively.

Condition of the internal financial control in main administrators of the federal budget funds is one of issues of the external inspection of the annual report about fulfillment of the federal budget conducted by the Accounts Chamber. The inspection shows that internal state financial control system in the Russian Federation is still on the establishment stage.

As of 1 January 2011, independent structural divisions of internal audit (control) were established in 26 of 109 main administrators of the federal budget funds (23.9%), in 42 (38.5%) the internal audit (control) services formed parts of other divisions of central apparatus, in 41 (37.6%) internal audit (control) has been performed by other structural divisions and separate officials.

In 43 main administrators of the federal budget funds (39.4% of total amount) approved standards of internal state financial control were absent, in 54 (about 50% of total amount) no legal acts were accepted about the rules of monitoring of the activity results (effectiveness of budget expenses, quality of provided services).

In a number of ministries, agencies and services there were no developed and approved plans of control activity and respectively no inspections of funds usage of the federal budget and state property were conducted by subordinate organizations and institutions, measures to eliminate the detected breaches were taken incompletely.

At the same time, analysis conducted by the Accounts Chamber demonstrates



that in the economically developed countries in ministries, departments and organizations are established and are functioning quite strong internal audit services subordinate directly to the head of corresponding body and in most cases are functionally and structurally independent from other structural divisions of that body. The indicated services perform audit and reviews of financial reports of ministries, departments and organizations and report the results to the management of that body. Services of internal audit act on the basis of standards in compliance with international standards of internal audit. The supreme audit institutions critically assess the work of indicated services, they have the right to rely upon internal audit results of services or to conduct an independent audit in that body.

The efforts must be concentrated aimed at establishment and development of a state-of-the-art reliable internal financial control system in the Russian Federation considering the best international experience with corresponding regulatory and legal, methodological, technological, technical, organizational and personnel provision.

The Accounts Chamber as a constantly acting body of state financial control is governed in its activity by Constitution of the Russian Federation, by the Federal Law "About Accounts Chamber of the Russian Federation" and other laws of the Russian Federation. In December 2010, articles 5 and 12 of the Federal Law "About Accounts Chamber of the Russian Federation" were amended. Thus, in accordance with the Federal Law dated 28 December 2010 No. 404-FZ "About entry of amendments into certain legislative acts of the Russian Federation due to improvement of activity of the preliminary investigation agencies" necessary amendments were entered into article 5 of the Federal Law "About Accounts

Chamber of the Russian Federation". By the Federal Law dated 29 December 2010 No. 437-FZ "About entry of amendments into Federal Law "About non-profit organizations" and certain legislative acts of the Russian Federation", entered in force on 30 December 2010, into article 12 of the Federal Law "About Accounts Chamber of the Russian Federation" were added provisions expanding the control authorities of the Accounts Chamber regarding inspections of the financial and economic activity of the state corporations and state companies.

Improvement of the state financial control of fulfillment of the federal budget and budgets of the state extrabudgetary funds requires further development of legislation which regulates the activity of the Accounts Chamber as well as preparation of complex amendments of the Budget code of the Russian Federation and Code of the Russian Federation about administrative offences in part of definition of liability for breaches of budget legislation.

In addition, in the Code of the Russian Federation about administrative offences the prosecution mechanism must be improved. At the present time, cases about administrative breaches of budget code, upon which inspectors of the Accounts Chamber compose protocols, are considered by the federal executive body which performs the control and surveillance functions in the finance and budget area. That body is part of executive power system the bodies of which form part of control activity of the Accounts Chamber. The Code of the Russian Federation about administrative offences must be amended to include the right of the Accounts Chamber to independently consider the cases of breach of budget legislation revealed in the course of its revisions and inspections.

A legislative decision is required about entry of amendments into article



102 of the Tax code of the Russian Federation in part of provision of the right of access of the corresponding officials of the Accounts Chamber to information which makes the tax secret. Until now, the correction has not been entered into the Criminal code of the Russian Federation regarding liability of persons who fulfill the management functions in a profit or other organization. Thus the gap has not been eliminated where in that regulatory act the term "person who fulfill the man-

agement functions in a profit or other organization" is not included in the term "official" used in article 13 of the Federal Law "About Accounts Chamber of the Russian Federation" and certain articles of the Civil code of the Russian Federation, including article 287.

The proposed amendments of and additions to the current legislation would allow to increase effectiveness of work of the Accounts Chamber.



The most important findings of the control and audit, expert and analytical activities by lines of activity of the Accounts Chamber under the supervision of the auditors of the Accounts Chamber



6

THE MOST IMPORTANT FINDINGS OF THE CONTROL AND AUDIT, EXPERT AND ANALYTICAL ACTIVITIES BY LINES OF ACTIVITY OF THE ACCOUNTS CHAMBER UNDER THE SUPERVISION OF THE AUDITORS OF THE ACCOUNTS CHAMBER

Control and audit, expert and analytical activities of the Accounts Chamber in 2011 are provided in all 12 areas of control, including over the following:

Federal Budget formation and performance under the supervision of Igor Vladimirovich Vasilyev, Auditor of the Accounts Chamber;

Use of national resources for national-level projects and programs under the supervision of Alexandr Alexandrovich Piskunov, Auditor of the Accounts Chamber;

Federal Budget expenditures for international and external-economic activity under the supervision of Aleksey Alekseevich Kuzmitsky, Auditor of the Accounts Chamber;

Public debt, banking system, the Central Bank of the Russian Federation, financial institutions and financial markets under the supervision of Mikhail Ivanovich Beskhmel'nitsin, Auditor of the Accounts Chamber;

Federal Budget expenditures for national-level issues under the supervision of Sergey Nikolaevich Movchan, Auditor of the Accounts Chamber;

Federal Budget expenditures for national security and law enforcement activity under the supervision of Alexandr Ivanovich Zhdankov, Auditor of the Accounts Chamber;

Federal Budget expenditures for national defense under the supervision of Valery Nikolaevich Bogomolov, Auditor of the Accounts Chamber;

Federal Budget expenditures for nature management and agroindustrial complex under the supervision of Mikhail Viktorovich Odintsov, Auditor of the Accounts Chamber;

Federal Budget expenditures for industry, power engineering and construction, road facilities and transportation under the supervision of Sergey Nikolaevich Ryabukhin, Auditor of the Accounts Chamber;

Federal Budget expenditures for science, education, culture, sports and mass media under the supervision of Sergey Anatolyevich Agaptsov, Auditor of the Accounts Chamber;

Relationship between the Federal Budget and the budgets of other levels under the supervision of Alexandr Vasilyevich Filipenko, Auditor of the Accounts Chamber;

Federal Budget expenditures for the implementation of national-level priorities in the field of healthcare, social policy, and over the budgets of public off-budget funds under the supervision of Vladimir Semenovich Katrenko, Auditor of the Accounts Chamber.



6.1. Control over the Federal Budget formation and performance supervised by I.V. Vasilyev, Auditor of the Accounts Chamber

In 2011, within the framework of activity for control over the Federal Budget formation and performance 45 control activities were conducted. As much as 117 entities (including 64 upon requests) were audited in 28 constituent entities of the Russian Federation, with 76 reports prepared on the results of the control activities.

The audits revealed violations of legislation of the Russian Federation amounting to 1,432.6 million roubles, including: inefficient use of budget funds amounting to 253.1 million roubles, the damage to the Federal Budget due to inefficient disposal of state property amounting to 817, 5 million roubles.

The control activities resulted in 23 recommendations, pursuant to which the amount of 107.2 million roubles was reimbursed to the Federal Budget with disciplinary measures applied against 185 officers who had committed violations, 13 of which were dismissed; 37 letters of information were sent, including 14 letters information to the Government of the Russian Federation. The review thereof resulted in adoption of the management decisions and preparation of proposals on amendments and supplements to the legislation of the Russian Federation.



I.V. Vasilyev, Auditor of the Accounts Chamber

Based on 12 reviews, materials were sent to the law enforcement authorities.

As part of the performance audit of the measures on implementation of the Guidelines for Tax Policy of the Russian Federation and the Guidelines for Customs and Tariff Policy 14 inspections were conducted, during which the most of the focus was on identification of the Federal Budget reserves, as well as on deficiencies and gaps in the tax and customs legislation.

In 2010, the Federal Budget revenues administered by the Federal Tax Service of Russia and the Federal Customs Service of Russia amounted to 7,537,377.4 million roubles, or 90.8% of the total Federal Budget revenues. In the course of the audits, the analysis was carried out in terms of the scope and structure, and potential reserves of the Federal Budget revenues were evaluated.



It is established that the existing procedures of state registration and tax registration in terms of preventing illegal tax optimization methods involving “ephemeral” firms are not effective enough. The relevant proposals of the Accounts Chamber were sent to the Government of the Russian Federation, and are fixed in the Draft Law No. 164018-5 “On Amendments to Certain Legislative Acts in Terms of Improving the Mechanisms for the Establishment and Liquidation of Commercial Entities”.

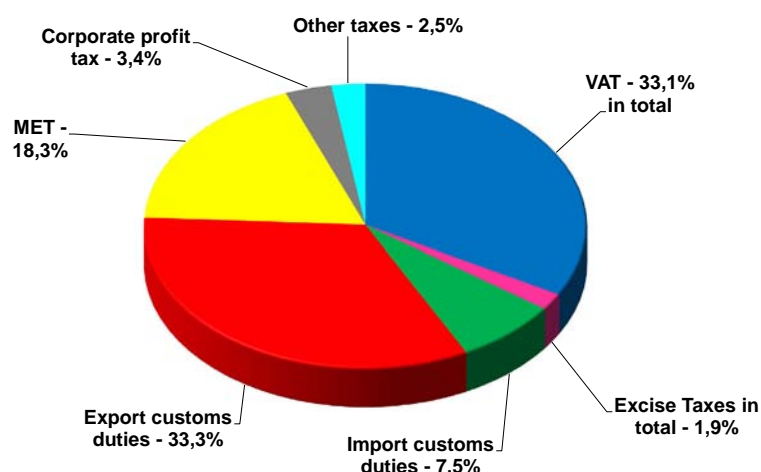
According to the results of the parallel audit by the Supreme Audit Institutions of the Republic of Belarus, Republic of Kazakhstan and the Russian Federation of holding the activities for the formation of the Customs Union, the Government of the Russian Federation instructed the Ministry of Economic Development of Russia and other federal executive authorities to consider in their future work the information about the deficiencies in the statutory regulation in order to ensure the effective functioning of the Customs Union.

The performance audit of activity of the territorial tax authorities in terms of administration of the revenues of the Rus-

sian Federation’s budget system resulted in the proposals sent to the Federal Tax Service of Russia for improvement and coordination with the Government of the Russian Federation of criteria for evaluation of the quality of activity of the tax authorities with account of the requirements set by the President of the Russian Federation in the budget messages and by the National Anti-Corruption Plan. The Federal Tax Service of Russia in cooperation with the Russian Ministry of Finance is working over the issue of amending the criteria for assessing the quality of the Service’s activity.

As part of control over ensuring the interests of the state in bankruptcy proceedings, 6 open joint-stock companies were audited, as well as four companies under the jurisdiction of Spetsstroy (Federal Special Construction Agency) of Russia. Upon demand of the personnel, the Federal State Unitary Enterprise “Fossil Fuels Institute – Scientific and Research Center for Complete Processing of Solid Fossil Fuels” (FSUE “IGI”) was audited. The audits revealed signs of deliberate bankruptcy, the facts of inefficient, wrongful acts of administrators, as well as the sale of the federal property in violation of the laws of the Russian Federation.

The structure of the Federal Budget revenues administered by the Federal Tax Service of Russia and the Federal Customs Service of Russia (in %)





I.V. Vasilyev, Auditor of the Accounts Chamber during a tripartite meeting of representatives of the Supreme Audit Institutions of the Republic of Belarus, Republic of Kazakhstan and the Russian Federation discussing the efficiency of functioning of the Customs Union regulatory mechanisms

It was found that one of the reasons of insolvency and financial instability of joint stock companies was the ineffective activity of shareholders represented by the Federal Agency for State Property Management (Rosimuschestvo) and the State Corporation "Russian Technologies" (Rostekhnologii). For example, Rostekhnologii which ran the FSUE "IGI" since 2008, has not taken effective measures to restore solvency and preserve the property of the FSUE "IGI", which led to the sale of the enterprise's property and its further bankruptcy proceedings, during which the administrator sold all the immovable property of the FSUE "IGI" without the consent of Rosimuschestvo in order to repay the

accounts payable to a private company, which caused damage to the Federal Budget in the amount of 817.5 million roubles.

As part of the expert and analytical work, the most of the focus was on evaluation of the potential of increasing the revenue base of the budget system of the Russian Federation, as well as on analysis of efficiency of the Customs Union regulatory mechanisms, which interim results in the first half of 2011 were brought to the attention of I.I. Shuvalov, First Deputy Prime Minister of the Russian Federation and Chairman of the Customs Union Commission, and A.V. Dvorkovich, Assistant to the President of the Russian Federation.



6.2. Integrated control over the use of national resources for nation-level projects and programs under the supervision of A.A. Piskunov, Auditor of the Accounts Chamber



A.A. Piskunov, Auditor of the Accounts Chamber

In 2011, as part of the line of activity for the integrated control over the use of national resources for nation-level projects and programs, 22 control activities and 8 expert and analytical activities were held in 16 entities, with 23 reports prepared. During the control activities the inefficient use of public funds amounting to 977.7 million roubles was found.

Following the results of the audits conducted, 7 recommendations and 15 letters of information were sent (including 2 to the President of the Russian Federation, 7 to the Government of the Russian Federation, 5 to the federal executive authorities and 1 to the Investigation Committee of the Russian Federation).

As part of the preliminary and follow-up control, the audits of formation of the draft Federal Budget for 2012–2014, and of the performance of the Federal Budget for 2010 were conducted in the

Ministry of Economic Development of Russia, Federal Service for State Statistics (Rosstat) and Rosimuschestvo. Following the results of these audits, the relevant opinions of the Accounts Chamber were prepared. The opinion on the draft Federal Budget states that there is still no statutory system of strategic planning ensuring regulation and harmonization of documents related to the strategic and financial planning.

As part of the follow-up control in the course of the audits, the provisions for increase in the Federal Budget revenues amounting to 3,238.4 million roubles (dividends payable as of January 1, 2011) and 2,758.1 million roubles (land lease payment arrears with respect to the land plots belonging to the Treasury of the Russian Federation) were found. It is established that the average profit transferred by the federal state unitary enterprises to the Federal Budget amounted to about 10% instead of the standard 25% established by the Government of the Russian Federation. During the implementation of the federal target programs, the violations were found that affect the eventual outcomes.

The control over the effectiveness of government procurement made it possible to establish that the legal framework in this area does not have a

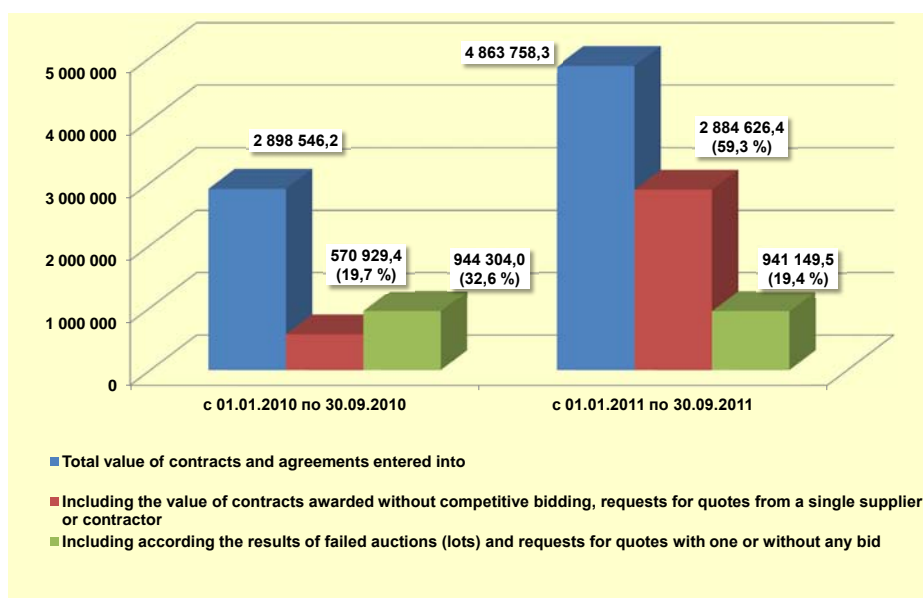


coherent, logically complete structure, which would ensure the formation of the common legal and economic space in the public market sector in the Russian Federation. The existing special rules of law do not ensure its sustainable operation, and in some cases become an obstacle to the performance of state functions and social commitments. There is no effective system of planning and economic justification of the volumes of public procurement for state needs, or an adequate budgeting system. Monitoring of efficiency of the use of budget funds allocated for the purchase of goods, works and services for state needs has shown that the current scheme of the public procurement management is not effective enough and contains a number of corruption risks.

The audit of Open Joint-Stock Company "Shipbuilding Plant "Severnaya Verf" and Open Joint Stock Company "Baltiysky Zavod" showed a low level of project management and resource support of contracts by the customer, thus causing n-fold increase in the cost and timing of the ship construction. The existing conflict of interests of the owners of these enterprises, the Bank of Russia and other creditors of JSC "International Industrial Bank" resulted in the increase of the risks of non-performance of the state defense order, as well as of the orders of Rosenergoatom Concern OJSC being performed by Baltiysky Zavod OJSC.

The strategic audit of the main lines of the long-term socio-economic development of constituent entities of the Russian Federation was conducted. In the absence

Description of auctions and other ways of placing orders for the first 9 months of 2010 and 2011, in millions roubles



of an approved concept of improving the regional policy in the Russian Federation, the process of strategic planning of regional development is not coordinated with respect to goals, objectives, measures and resources. To date, there is no established mechanism for implementation of the social and economic development strategies by forming portfolios of projects and programs aimed at achieving specific objectives and key development indicators.

Comprehensive analysis of efficiency of using the potentials for the socio-economic development of the Republic of Bashkortostan and Republic of Tatarstan in accordance with the federal strategic documents revealed that while the overall level of the socio-economic development is high, the structure of the gross regional product of the Republic of Bashkortostan and Republic of Tatarstan is still not optimal, with the commodity dependence of economy preserved and potentials and assets of both the Republics used inefficiently.

In 2011 the practice of quarterly monitoring of preparations for the Olym-



A.A. Piskunov, Auditor of the Accounts Chamber is discussing the issues of preparedness of the Olympic Venues with the Sochi leaders and the builders

pic Games in Sochi established in 2008–2010 consolidated and further developed. There were prepared three regular issues (Nos. 7–9) of the summary analytical report “Performance Audit of the Use of the Public Funds Allocated for Preparation for the 2014 XXII Olympic Winter Games and XI Paralympic Winter Games, and Development of Sochi as a Mountain Resort” reflecting the current issues of organization and resource provision for the Olympic Project. This gave the opportunity to establish a monitoring system that al-

lows the review of the basic aspects of the Olympic Project in an integrated and dynamic manner.

A.A. Piskunov, Auditor of the Accounts Chamber took part in the All-Russian Scientific and Practical Conference “Topical Issues of Placement and Performance of the State Defense Order”; as well as in the 7th Annual Business Forum “Non-Energy Model of the Welfare State” and in the International Seminar “Experience in Auditing Municipalities being Members of EUROSAI”.



6.3. Control over the Federal Budget expenditures for international and external-economic activity carried out under the supervision of A.A. Kuzmitsky, Auditor of the Accounts Chamber

In 2011, as part of the line of activity for control over the Federal Budget expenditures for international and external-economic activity 54 control activities and 23 expert and analytical activities were carried out in 61 entities, with 116 reports prepared.

As a result of the control activities the facts of misuse of funds and other financial irregularities were identified, which totaled to 21,244.8 million roubles, including the misuse of funds amounting to 1.6 million roubles, and other financial irregularities amounting to 21,243.2 million roubles.

As a result of the control activities, 30 recommendations were made and three letters of information were sent to the law enforcement authorities.

During the control activities a number of financial and other violations of budget legislation were identified, as well as the problems that require amendments to be made to the existing legal acts and regulations, and further decisions to be adopted by the federal executive authorities. The actions taken during the reporting period resulted in repayment of 163.3 million roubles to the respective budgets.

In the course of the audit of Joint Venture Vietsovpetro and SK "Rusvietpetro" Ltd. the amount of 25.1 million US



A.A. Kuzmitsky, Auditor of the Accounts Chamber

dollars was repaid to the Federal Budget as unreasonably withheld in 2005 to the Budget of the Socialist Republic of Vietnam as a tax on the transfer abroad of the profit earned from the Russian member's share.

Performance analysis of activity of the state and the companies being operators of the projects for implementation of the existing products sharing agreements in 2010 revealed that the actual number of wells of the "Sakhalin-2" Project fields does not meet the project documents and the annual plans of mining operations, which fact could adversely affect the performance of the Hydrocarbon Production Plan in 2011.

Accounting of the Russia's participation in the "Sakhalin-1" Project is a mere formality. The current method of accounting of the Russian (foreign) participation's level allows operators of the agreement



to improve the reporting indicators, thus distorting the true state of affairs with respect to the involvement of Russian businesses in contract works.

Exploration of the Kharyaga field is being carried far behind the schedule; as of December 31, 2010, the set of actions of the third stage of development designed for 2008–2010, was not fully performed.

Performance audit of activity of the organizations and enterprises belonging to the helicopter holding Russian Helicopters JSC involved in the production of military products for export as part of the military and technical cooperation (MTC) of Russia with foreign countries, found that the establishment of the integrated helicopter structure "OPK "Oboronprom" OJSC did not have a material impact on the results of the MTC. While the production of helicopter companies increased from 124 units in 2003 to 214 units in 2010. In the audited period, predominantly the products for military purposes designed in the Soviet Union were exported.

The Federal Budgetary Institution "Federal Agency for Legal Protection of Military, Special and Dual Use of Intellectual Activity Results" (FAPRID) committed irregularities in the part of the calculation of license fees and monitor over the

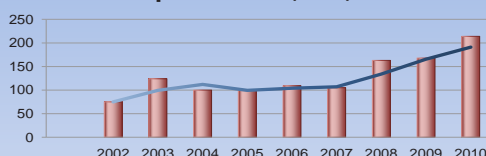
payment thereof. As a consequence, the Federal Budget received 154.6 million roubles less than had been due for the license agreements concluded by the FBI "FAPRID" with Kazan Helicopters JSC and JSC "Rostvertol".

When auditing the implementation of programs of the Federal State Unitary Enterprise "Main Administration for Service to the Diplomatic Corps under the Ministry of Foreign Affairs of Russia" for 2008–2009, the failure to comply with requirements of the Regulation on Accounting of the Federal Property was revealed. The damage caused to the state amounted to 176.1 million roubles, representing the book value of the property disposed of by the Russian Federation.

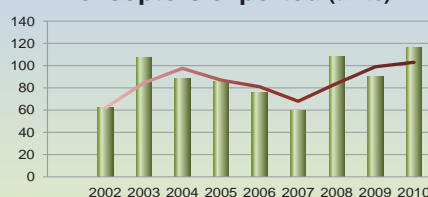
As part of this line of activity, the control activities were conducted jointly with the Supreme Audit Institutions of foreign countries. Among them is the audit of activity of Joint Venture Vietsovpetro and SK "Rusvietpetro" Ltd. conducted jointly with the State Audit Office of the Republic of Vietnam; the audit of the use of funds for humanitarian financial aid to the Palestinian National Administration (PNA) conducted jointly with the State Audit and Administrative Control Bureau of the PNA; the audit of activity of Mongolrostsvertmet Limited Liability Company conducted

Products manufactured and sold by enterprises of helicopter industry

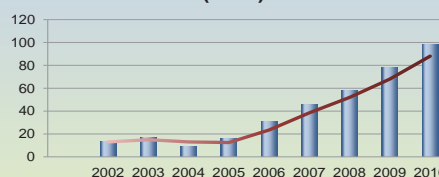
Helicopters built (units)

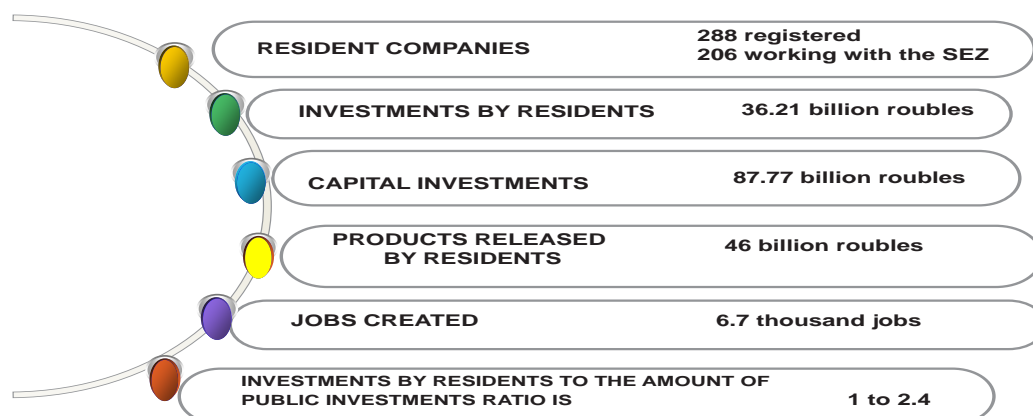


Helicopters exported (units)



Helicopters sold in Russia (units)



**Performance of the main indicators of development of the SEZ as of July 1, 2011**

jointly with the Mongolian National Audit Office.

In 2011, A.A. Kuzmitsky, Auditor of the Accounts Chamber participated in the meetings of the State Duma, as well as in the sessions of the Parliamentary Assembly of the Russia-Belarus Union.

In considering the opinions of the Accounts Chamber and the State Control Committee of the Republic of Belarus on the budget performance of the Common State budget for 2009, deficiencies in the budgeting process management were revealed. The legal acts and regulations of the Common State contain no mechanisms to ensure the effectiveness of budget expenditures, so substantial budget funds remain unclaimed each year; and in considering the draft budget of the Common State for 2012 it was found that the level of income potential of the budget is insufficient.

During the performance audit with respect to the use of public funds allocated for the development of special economic zones (SEZ) in the period 2006–2011, it

was found that the lack of a unified concept of establishment and functioning of SEZs leads to inefficient use thereof. The balance of public funds uncommitted by JSC “SEZ” as of July 1, 2011 amounted to 41,468.07 million roubles, with only 58 units (15%) of 396 planned infrastructure facilities put into operation. The facts of diversion of budgetary funds in the amount of 35.95 million roubles were revealed, which funds were invested as a contribution to the authorized capital of JSC “SEZ”, for the establishment of three subsidiaries. By placing temporarily free funds, JSC “SEZ” received additional 5,993.6 million roubles, which are mainly used for the benefit of the joint-stock company.

As part of implementation of the Main Directions of External Economic Policy of the Russian Federation up to 2020, the performance audit with respect to the use of funds of the Federal Budget and federal property allocated to trade missions of the Russian Federation in foreign countries in 2008–2011 was conducted.



6.4. Control over public debt, banking system, the Central Bank of the Russian Federation, financial institutions and financial markets was conducted under the supervision of Mikhail Ivanovich Beskhmel'nitsin, Auditor of the Accounts Chamber



M.I. Beskhmel'nitsin, Auditor of the Accounts Chamber

In 2011, as part of the line of activity for control over the public debt, the banking system, the Central Bank of Russian Federation, financial institutions and financial markets 66 control activities and 35 expert and analytical activities were held in 109 entities, with 107 reports prepared.

As a result of activities undertaken during the reporting period, the financial irregularities amounting to 1,280.9 million roubles were found.

As a result of audits, 30 recommendations were sent to the ministries and agencies, as well as to organizations within the competence of the line of activity for elimination of the violations detected; 14 recommendations were performed in full, 10 were partially performed, the rest

are pending. With respect to 4 materials the measures were taken by law enforcement authorities.

The amount of audited funds in total exceeded 41 trillion roubles, in particular by areas of activities the amounts of funds were as follows:

Public debt of the Russian Federation and the public borrowing: 7,163 million roubles;

National Welfare Fund and Reserve Fund: 3,445 million roubles;

Other Federal Budget funds administered by the agencies (in accordance with Annex 2 "Contents of the Lines of Activities of the Accounts Chamber of the Russian Federation Supervised by the Auditors of the Accounts Chamber of the Russian Federation" to the Regulations of the Accounts Chamber of the Russian Federation) amount to 278 billion roubles;

The total external debt of the Russian Federation to non-residents amounts to 539 billion US dollars (14,987 billion roubles at the exchange rate as of July 1, 2011);

Gold and foreign currency (international) reserves of the Russian Federation



amount to 479 billion US dollars (14,550 billion roubles at the exchange rate as of January 1, 2011);

Verifiable funds of government support and public funds in the assets of the banking sector institutions amount to 672 billion roubles.

The control activities, as well as the expert and analytical activities revealed the following.

In the course of the audit of operations carried out by the Ministry of Finance of the Russian Federation in 2009–2010 with public securities of the Russian Federation, denominated in foreign currency, financial violations were revealed amounting to 132.8 million roubles due to inconsistency of a number of operations with legal acts and regulations of the Russian Federation on settlement of the commercial payables of the former USSR to foreign commercial lenders.

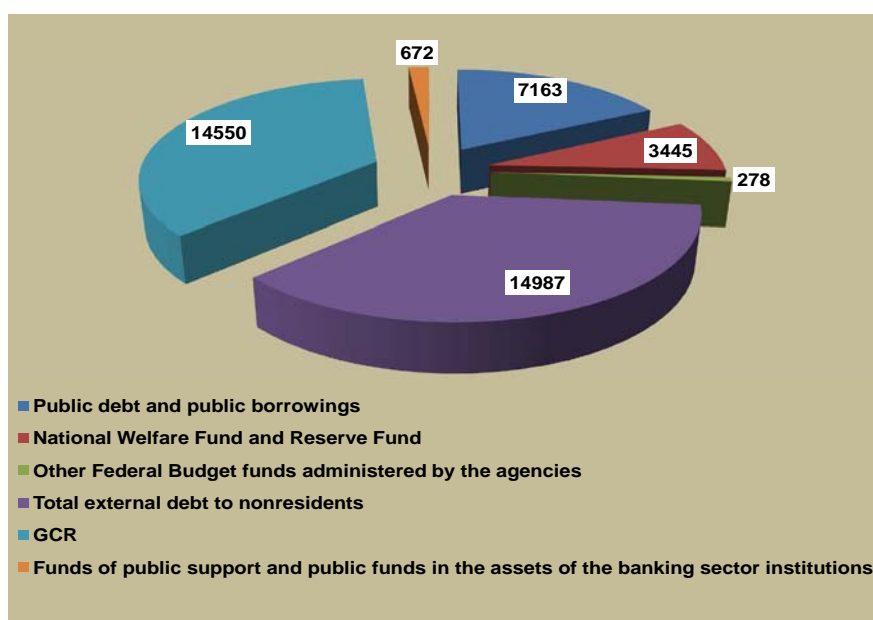
As a result of activities conducted to analyze the draft Federal Budget for 2012–2014 and changes in the debt sustainability of the Russian Federation it was noted that the significant amount of the total

foreign debt of the Russian Federation to non-residents is accumulated (includes the debt owed to non-residents in all sectors of the economy (both of the state, and of the private sector), regardless of the currency in which it was nominated): 538.6 billion US dollars, or 33.4% GDP, as of July 1, 2011 with further upward trend. The structure of this debt includes 91.2% share of the obligations of the corporate sector. While the substantial portion (19.2%) is accounted for by banks and non-banking corporations, in which the state holds 50% or more.

In this regard, the Ministry of Finance of the Russian Federation was invited to intensify efforts to create a system for monitoring the total external debt of the Russian Federation and the preparation of regulatory lending policy for enterprises of the corporate sector.

Following the review of the letter of information of the Accounts Chamber, the Russian Ministry of Finance reported that in order to improve the monitoring of the corporate debt the Ministry is preparing a draft Decree of the Government of the Russian Federation establishing

Amount of controlled funds (billion roubles)





S.V. Stepashin, Chairman of the Audit Chamber, S.P. Ivanov, Chairman of the Council of the Federation Commission for Cooperation with the Accounts Chamber and M.I. Beskhmelnitsin, Auditor of the Accounts Chamber participated in the "Round Table" on "Internal Control System Management. International Standards of Corporate Governance and Risk Management. System of Credit Risk Management. International Experience and Best Practice"

the procedure for making decisions on borrowings in foreign currency by public corporations (public companies).

It is planned to continue the analysis of status and dynamics of the external corporate debt of the Russian Federation to non-residents in 2012 in the context

of the major subjects of borrowing (on a sample basis) and assessment of its impact on the debt sustainability of the Russian Federation, as well as the analysis of efficiency of the lending policy pursued by systemically important institutions with public participation and state-owned corporations.



6.5. Control over the Federal Budget expenditures for national-level issues was supervised by S.N. Movchan, Auditor of the Accounts Chamber

In 2011, as part of the line of activity for the control over the Federal Budget expenditures for national-level issues 39 control activities and 12 expert and analytical activities were conducted covering 71 entities in 23 constituent entities of the Russian Federation. The control activities resulted in preparation of 107 reports.

In 2011, the line of activity audited 925.8 billion roubles. In the course of the control activities, violations of the fiscal law in the amount of 32,715.8 million roubles were found, including the unlawful diversion of the Federal Budget funds in the amount of 474.7 million roubles, and inefficient use of budget funds in the amount of 11,589.8 million roubles.

As a result of the control activities in the reporting period 15 recommendations and 14 letters of information were sent to government authorities and public organizations.

In the framework of the preliminary control the set of control activities and expert and analytical activities were conducted, which results allowed for preparation of the Conclusion of the Accounts Chamber of the Russian Federation on the Draft Federal Law "On the Federal



S.N. Movchan, Auditor of the Accounts Chamber

Budget for 2012 and for the Planned Period of 2013 and 2014 years". 12 subjects of financial planning were audited, and 6 key spending units of the Federal Budget funds, the control activities and the expert and analytical activities resulted in preparation of 19 reports.

As part of the current control in the reporting period the current reports were prepared on the execution of the Federal Budget for January – December 2010, January – March 2011, January – June 2011 and January – September 2011 under Section 01 "National-level Issues".

As part of the follow-up control, a set of control activities was conducted to check the compliance with the Federal Law "On the Federal Budget for 2010 and for the Planning Period of years 2011 and 2012" and the budget report-



ing on the execution of the Federal Budget for 2010, which allowed the preparation of 18 conclusions by the Accounts Chamber with respect to key spending units of the Federal Budget funds and the conclusion of the Accounts Chamber on the report on execution of the Federal Budget for 2010 under the line of activity. As a result of the audits 30 reports were prepared, with financial irregularities amounting to 2,385.6 million roubles were found.

Among the most important control activities as part of the control and audit activities conducted by the line of activity during the reporting period, the following should be noted.

The audit of the target and efficient use of the Federal Budget funds allocated in 2009 and reporting period for acquisition, maintenance and operation of motor vehicles for the Ministry of Justice of the Russian Federation, the Federal Penitentiary Service and the Federal Bailiff Service, revealed financial irregularities amounting to 309.6 million roubles.

During the reporting period the control activity called "Performance Audit of the Use of the Federal Budget Funds Allocated to the Federal Service for State Registration, Cadastre, and Cartography in 2006-2009 for Implementation of the Subprogram "Development of a Real Estate Cadastre (2006-2012)" of the Federal Target Program "Development of an Automated System of the State Land Cadastre and State Registration of Immovable Property (2002-2008)" was conducted and revealed financial irregularities amounting to 12,315.7 million roubles, including the unlawful diversion of the Federal Budget funds totaling 466.7 million roubles, and inefficient use of budget funds in the amount of 8,771.8 million roubles.

By the resolution of the Collegium of the Accounts Chamber the summary report on the results of the target and efficient use of the federal executive authorities with respect to the Federal Budget funds allocated to the Federal Program "Public Service Reform in the Russian Federation (2003-2005)" and the first phase of the Federal Program "Reform and Development of the System of State Service of the Russian Federation (2009-2013)". In the course of the control activity the financial irregularities amounting to 157.3 million roubles were found.

As part of the expert and analytical activities the following should be noted:

Preparation of the analytical report assessing the efficiency of use of the budget funds allocated to the judicial system in 2008-2010 for the residential property construction and acquisition for judges, and housing of administrative staff of courts, the Judicial Department under the Supreme Court of the Russian Federation pursuant to the laws of the Russian Federation;

Analysis of efficiency of use of the public funds for the implementation of the unified state policy in the sphere of information technologies in the activities of the federal government authorities;

Comprehensive audit and analysis of the Programme of the Government of the Russian Federation to Improve the Efficiency of Budget Expenditures for the period to 2012 in the Ministry of Justice of the Russian Federation.

During the reporting period in the framework of cooperation between the Accounts Chamber and the National Audit Office of China in May - June 2011 S.N. Movchan, Auditor of the Accounts Chamber as a head of the delegation took part in the scientific conference of control and



S.N. Movchan, Auditor of the Accounts Chamber attended the “roundtable” meeting “On Improvement of the Legal Regulation of Compensation for Damage Caused by Corruption Crimes and Offences”

audit departments of the People’s Republic of China and the Russian Federation “On the Role of SAs in Fight Against Corruption”, held in Beijing.

In December 2011, S.N.Movchan, Auditor of the Accounts Chamber took part in a the “roundtable” meeting “On Improvement of the Legal Regulation of Compensation for Damage Caused by

Corruption Crimes and Offences (Including the Development of Forfeiture)” held at the Council of the Federation Committee on Constitutional Legislation, Legal and Judicial Affairs and Civil Society Development. The main issue discussed was how to improve the efficiency of fight against corruption in terms of ensuring the minimization and elimination of corruption effects.



6.6. Control over the Federal Budget expenditures for national security and law enforcement activity under the supervision of A.I. Zhdankov, Auditor of the Accounts Chamber



Auditor of the Accounts Chamber A.I. Zhdankov

In 2011, as part of the line of activity for control over the Federal Budget expenditures for national security and law enforcement activity 48 control activities and 40 expert and analytical activities were conducted in 48 entities, with 58 reports prepared.

The audit revealed violations of the legislation on placement of orders for state and municipal needs, on accounting, on the use and accounting of federal property, violations of the Budget Code of the Russian Federation and other violations (in the total amount of over 7.8 billion roubles). As a result of control activities, 11 recommendations and 27 letters of information were sent, including the letters of information to Russian President Dmitry Medvedev, Russian Prime Minister Vladimir Putin, President of the Republic of Tatarstan R.N. Minnikhanov and Moscow Mayor S.S. Sobyenin.

Upon recommendations of the Accounts Chamber the controlled departments adopted measures to eliminate the violations found, in particular the Federal Drug Control Service of Russia prepared a Draft Decree of the President of the Russian Federation on the establishment of the state system of monitoring the drug situation in the Russian Federation, the Russian Government submitted a Draft Resolution "On Approval of the State System of Monitoring Drug Situation in the Russian Federation"; the Order of the Prosecutor of Moscow No. 140-Ax of December 31, 2008 "On Approval of Regulations on the Commission on Acquisition and Disposal of Fixed Assets at the City Prosecutor's Office" was supplemented to include the duty to determine the availability of precious metals in the acquired fixed assets and reflection of such data in the fixed asset transfer and acceptance certificate, the Central Election Commission of the Russian Federation developed and approved on July 14, 2011 the Regulations on Accounting Policy; following the results of the audit conducted by the Accounts Chamber at the Federal Migration Service (FMS) of Russia the Government of the Russian Federation instructed the Ministry of Finance of Russia, the Ministry of Economic Development of Russia and the FMS of Russia to develop proposals to



amend the Tax Code of the Russian Federation and the Federal Law "On Placing Orders for Supply of Goods, Performance of Works and Rendering of Services for State and Municipal Needs."

According to the analysis and evaluation of efficiency of the Federal Budget spending to ensure road safety in 2009–2010, and pursuant to the order of President of the Russian Federation Dmitry Medvedev, the MOI of Russia in cooperation with the RF Ministry of Transport, RF Ministry of Regional Development, and the RF Ministry of Finance prepared materials for the meeting of the Government Commission on Facilitating Road Traffic Safety.

The performance audit of the use of the Federal Budget funds allocated to the Federal Target Program "Complex Measures Against Drug Abuse and Trafficking for 2005-2009" in the Federal Drug Control Service of the Russian Federation identified uncommitted expenditure on services for dissemination of propaganda leaflets in the amount of 1.1 million roubles; in violation of the provisions of the Budget Code of the Russian Federation the works for establishment of a web-based consulting service on issues of prevention and treatment of drug addiction and social rehabilitation of drug users in the amount of 387.2 thousand roubles which in fact have not been performed were paid. By decision of the Collegium of the Accounts Chamber the recommendation was sent to the Federal Drug Control Service and the letter of information was sent to the Russian Prime Minister Vladimir Putin. Pursuant to the order of the Government of the Russian Federation and the recommendation of the Accounts Chamber the measures to eliminate violations and shortcomings were taken by the Russian Federal Drug Control Service.

Analysis and evaluation of efficiency of the Federal Budget expenditures

for training of specialists for the Russian State Fire Service of the Russia's EMERCOM in 2009–2010; inefficient expenditures amounting to 286.4 million roubles were revealed at the Russia's EMERCOM, the Ural Institute of Russian State Fire Service of the Russia's EMERCOM and the Ivanovo Institute of Russian State Fire Service of the Russia's EMERCOM. Over and above the existing demand for Urals and Ivanovo Institutes the property in the amount of 3.9 million roubles was purchased. The quantitative and qualitative composition of teachers of the training centers of the Federal Fire Service is not optimized.

Also in 2011, the following activities were held: the audit of the use of state property under the operational management, and the Federal Budget funds allocated for maintenance of the Department of the Federal Security Service of the Russian Federation (FSB of Russia) in the Republic of Karelia and Border Guard Service of the FSB of Russia in the Republic of Karelia; the performance audit of the use of the public funds allocated in 2008-2010 to applied research in the field of security and law enforcement activity conducted by the Academy of Management of the Ministry of Interior of Russia; the State Enterprise "Scientific and Production Association "Special Equipment and Communication" of the MOI of Russia and the State Enterprise "All-Russian Scientific Research Institute" of the MOI of Russia in cooperation with the FSB of Russia and the Prosecutor's General Office of the Russian Federation conducted the performance audit of the use of the Federal Budget funds allocated for the provision of anti-terrorist protection of transport infrastructure within the existing system of transportation safety, as well as the performance audit of the use of the Federal Budget funds allocated to security agencies for special and residential construction, and other control and expert and analytical activities.



A.I. Zhdankov, Auditor of the Accounts Chamber and the Army General O.V. Syromolotov, Head of the Working Group on Security of the Presidential Council for the Development of Physical Culture and Sport, Excellence in Sports, Preparation and Organization of the 2014 Sochi XXII Winter Olympics and XI Paralympics, and the 2013 Kazan XXVII Summer World Universiade and Head of FSB of Russia participated in the audit of the functioning of the Olympic Games security system

During the reporting year the line of activity took part in the 5th International Anti-Corruption Conference (Havana), in the preparation and holding of the third meeting of the EUROSAI Task Force on Audit of Funds Allocated to Disasters and Catastrophes (Moscow), in the fifth meeting of the INTOSAI Working Group on the Fight Against Corruption and Money Laundering (Prague) and the Russian-Chinese seminar on the role of SAIs in fight against corruption (Beijing).

During the reporting period A.I. Zhdankov, Auditor of the Accounts Chamber participated in the meetings of the Work-

ing Group on Security of the Presidential Council for the Development of Physical Culture and Sport, Excellence in Sports, Preparation and Organization of the 2014 Sochi XXII Winter Olympics and XI Paralympics, and the 2013 Kazan XXVII Summer World Universiade, the World Cup in 2018, in the work of visiting session of the Council of the Federation Committee on Defense and Security in Sochi "On the Legal and Regulatory Framework of the Establishment and Operation of Integrated Security System of Olympic Venues", as well as in the work of the Government Commission on Facilitating Road Traffic Safety.



6.7. Control over the Federal Budget expenditures on national defense under the supervision of V.N. Bogomolov, Auditor of the Accounts Chamber

In 2011, the line of activity for control over the Federal Budget expenditures on national defense conducted 20 control activities and 1 expert and analytical activity. The total of 89 entities was covered by the control activities, which resulted in 82 reports prepared.

In the course of the control activities the financial irregularities of the Federal Budget expenditures amounting to 179,484.8 million roubles were found, including the unlawful diversion of budget funds totaling to 234.1 million roubles, with 17.3 million roubles refunded to the Federal Budget.

In order to eliminate the violations and shortcomings found as a result of control and expert and analytical activities at the Ministry of Defence of the Russian Federation and other participants of the budget process 19 recommendations were sent by the Accounts Chamber.

For the most acute problems and serious violations identified as a result of control activities in the reporting period, 23 letters of information were sent, including 4 letters to the President of the Russian Federation, 6 letters to the Government of the Russian Federation, 11 letters to the heads of federal executive authorities, and two letters to the other budget process participants.



V.N. Bogomolov, Auditor of the Accounts Chamber

In 9 cases the materials based on the control activities conducted in 2011 were handed over to law enforcement authorities, with 15 criminal cases opened.

Based on the materials of the military investigation agencies, nine officials were suspended from their posts, 15 officials were issued warnings, 68 recommendations were sent to the officers of organizations, 6 cases on administrative offences were opened, and the other response measures were taken.

The results of the control activities in the field of national defense indicate the presence of a number of systemic problems in terms of equipment and maintenance of the Armed Forces of the Russian Federation.

Serious violations and deficiencies were identified during the thematic audits involving matters of target and efficient use of the Federal Budget funds



V.N. Bogomolov, Auditor of the Accounts Chamber took part in the discussion of the draft Federal Budget for 2012 and the planning period of 2013 and 2014 at the meeting of the Council of the Federation Committee on Defense and Security

allocated for development, purchase and repair of weapons, military and special equipment.

There were instances of delay in performance of research and development activities that create risks of obsolescence of the sample prior to its acceptance into service (supply).

A serious problem is the deteriorating state of the manufacturing base of many enterprises of the military-industrial complex, the shortage of skilled workers.

However, while facing difficulties due to a number of challenges in particular due to deficiencies in the pricing mechanism that caused the deliberate loss-making public contracts for the industry, and unstable funding, some companies shifted to large private and foreign customers

and give them preference to the detriment of performance of the assignments for the state defense order.

The performance audit of the use by the RF Ministry of Defense of budget investments in capital construction projects shows that there were serious problems related to timely application of the allocated funds.

During the first half of 2011 the SDO assignments were performed only by 19.3%. As of July 1, 2011 the concluded government contracts amounted to 99.1 billion roubles, or 67.8% of the approved annual amount of budget investments in capital construction projects. Of 366 projects to be commissioned in 2011 only 29 facilities (7.9%) were actually commissioned in the first six months of the year.



Changes in the number of military servants in need of living space (as of the 1st of January of the respective year, in thousand people) over time



Despite the unprecedented steps taken by the Government of the Russian Federation to address the problem of housing for military servants, the number of those in need of permanent housing as of December 1, 2011 amounted to 56.4 thousand people.

There are still inefficient expenditures of budget funds for allowances paid to military servants of the Armed Forces of the Russian Federation, being at the disposal of commanders for a period of time exceeding the statutory term because of the lack of housing.

As regards budget funds allocated to the logistic support of the Armed Forces of the Russian Federation, the army catering on an outsourcing basis which is being established is not quite effective in terms of their spending.

The performance audit of the use of the Federal Budget funds allocated for the purchase of medical equipment and pay for work on the construction of medical facilities identified inefficient expenditures of budget funds in the total amount of 1,552.1 million.



6.8. Control over the Federal Budget expenditures for nature management and agro-industrial complex under the supervision of Mikhail Viktorovich Odintsov, Auditor of the Accounts Chamber



M.V. Odintsov, Auditor of the Accounts Chamber

In 2011, the line of activity focused on the control over the Federal Budget expenditures for natural management and agro-industrial complex conducted 35 control activities and 4 expert and analytical activities in 101 entities in 37 constituent entities of the Russian Federation, with 108 reports prepared.

In the course of control activities the financial irregularities amounting to 19,665.8 million roubles were found, which amount is 1.8 times more than in 2010, the unlawful diversion of budgetary funds amounted to 54.6 million roubles, funds totaling to 21.5 million roubles were refunded to the Federal Budget of the Russian Federation.

The control activities conducted by the federal executive authorities and executive authorities of the constituent entities of the Russian Federation, 58 recom-

mendations were sent to the enterprises and organizations. As much as 25 letters of information were sent to the President of the Russian Federation and the Government of the Russian Federation. Regarding the facts of the violations found, 4 criminal cases and 3 cases regarding administrative offenses were opened, and 11 recommendations on elimination of violations of the law were issued.

While carrying out control activities and expert and analytical activities, the most of the focus was on the issues related to transparency of the budgetary process and increase in the efficiency of the use of budgetary resources, as well as to identification of systemic causes of corruption in the controlled areas of activity. With that, the most up-to-date and advanced methods of financial control were applied. During the reporting period, 5 performance audits were conducted.

Monitoring of implementation of the State Programme on Development of Agriculture and Regulation of Markets for Agricultural Products, Raw Material, and Foodstuffs for 2008–2012 was carried out under the control over the Federal Budget formation and performance, as well as in the course of the thematic audits. Recommendations of the Accounts Chamber on the need to assign a separate budget clas-



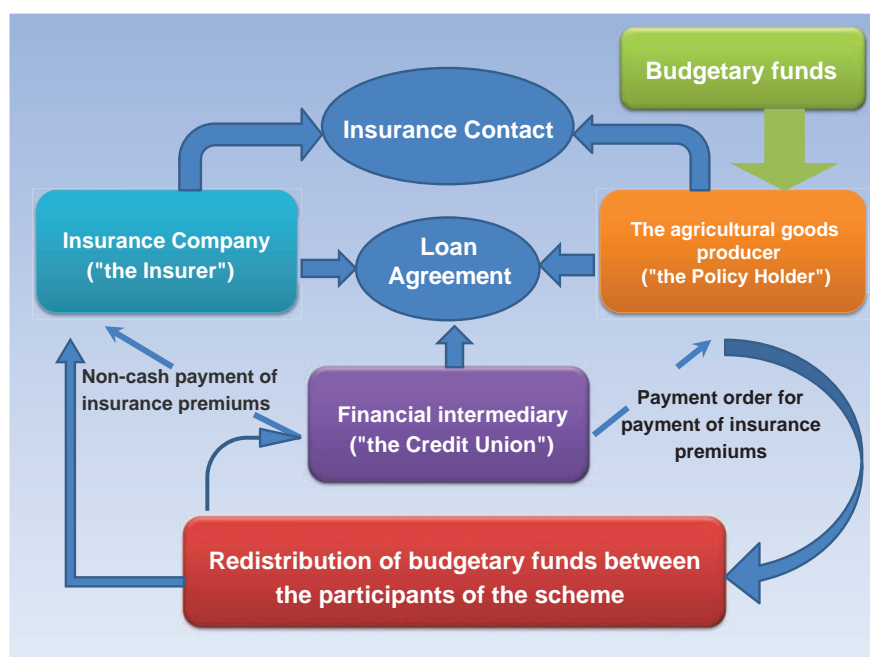
sification code to the State Programme in 2010 were taken into account, which allowed for the allocation of costs of its implementation from the total funding of the RF Ministry of Agriculture. However, in 2010 a number of items did not reach the values of basic parameters that characterize the development of agro-industrial complex. Of the nine aggregates six values (66.7%) were not reached, of the 49 target indicators 22 indicators (44.9%) were not reached.

The results of the performance audit of government support and the performance audit of the use of the Federal Budget funds allocated to mitigate the effects of drought have shown that the limiting factor for increasing the volume of reconstruction of the irrigation systems is the unstable financial and economic condition of agricultural goods producers, insufficient funding from the budgets of all levels and high energy costs. With that, the system of agricultural insurance has not been properly developed.

The results of audits of the preparations for the 2014 Sochi XXII Winter Olym-

pics and XI Paralympics, and the 2013 Kazan XXVII Summer World Universiade evidence that the environmental support provided to these national projects is not efficient enough. The timing of the provision of land plots for the Olympic venues is not complied with. The issues of allocation of land plots for temporary disposal of construction waste remain open.

The performance audit of the use of the public funds allocated for phytosanitary and veterinary inspections showed that the legal regulation of relations in this area is still contradictory and irregular. The mechanism of interaction between federal and regional executive authorities in the field of veterinary science is not regulated, while the scopes of control are not clearly delineated. The destruction of the unified system of veterinary control led to imbalance of powers in this area and the use of control and supervisory functions to derive additional revenues. The audit also noted the poor quality of financial management on the part of the Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoznadzor).



The scheme used in the Chuvash Republic in 2010 to enable the policyholders to receive budgetary transfers for payment of a portion of insurance premiums under the state supported crop insurance contracts



M.V. Odintsov, Auditor of the Accounts Chamber during the negotiations with representatives of the National Audit Office of the People's Republic of China on the joint audit of environmental protection of the Amur River basin

An important aspect in the reporting period was the interaction with regional and municipal control and audit bodies of the Russian Federation. According to the results of the expert and analytical activity conducted jointly with the Control and Accounts Chamber of the Kamchatka Region, with the participation of the Control and Audit Commission of the Ust-Kamchatsky Municipal District, the suggestions on improving the state regulation of fisheries were submitted. Particular impor-

tance was attached to the expansion of international cooperation with Supreme Audit Institutions of foreign countries and to the strengthening of cooperation with international organizations of the SAI on environmental issues. Joint control activities were conducted with the SAI of Norway, Ukraine, Georgia, Romania, Turkey, Vietnam and Estonia. In 2011, it was agreed to conduct joint activities with the SAI of Armenia, China, Moldova and Mongolia.



6.9. Control over the Federal Budget expenditures for industry, power engineering and construction, road facilities and transportation was carried out under the supervision of S.N. Ryabukhin, Auditor of the Accounts Chamber

During the reporting year, the activity for the control over the Federal Budget expenditures on industry, power engineering and construction, road facilities and transportation conducted 75 control activities and 43 expert and analytical activities. The control activities were conducted in 61 entities, with 89 reports prepared.

The violations of legislation of the Russian Federation and inefficient use of budget funds amounted to 510,061.1 million roubles.

As a result of control activities, 46 recommendations (of them 18 recommendations were performed in full, 20 recommendations were partially performed, and 8 are pending) and 56 information letters were sent.

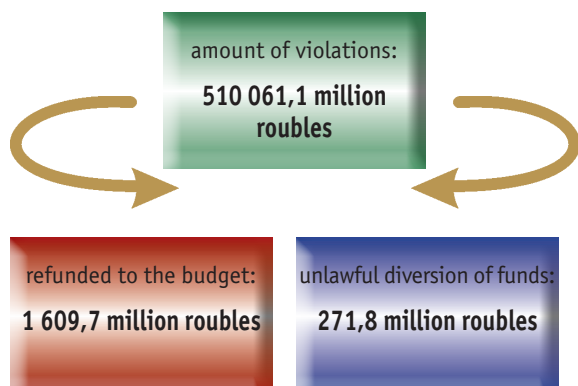


S.N. Ryabukhin, Auditor of the Accounts Chamber

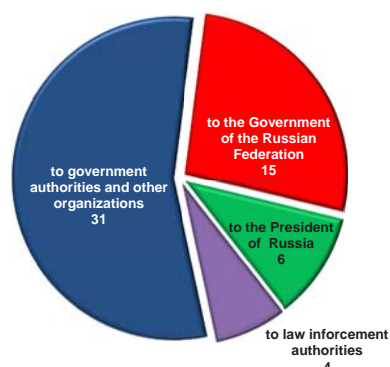
As part of the follow-up control 15 activities at 15 key spending units of the Federal Budget funds were conducted during the reporting year, and revealed violations of the law of the Russian Federation in the total amount of 25,300 million roubles, including the inefficient use of the Federal Budget funds amounting to 200 million roubles.

As part of the integrated performance audit of the use of public funds

Violations revealed and the amounts refunded to the budget in 2011



56 information letters on the results of control activities for 2011 were sent





in 2010–2011 for preparation of the 2014 Sochi XXII Olympic Winter Games and XI Paralympic Winter Games and for the development of Sochi as a mountain resort, the analysis of activity of State Corporation “Olimpstroy” during this period was carried out.

As part of the performance audit of the use of public funds allocated for the design and construction of venues for the APEC Summit in Vladivostok and socio-economic development of the Far East and Trans-Baikal regions, monitoring of financial resources allocated for the construction of the summit venues. The total amount of the breaches of legislation of the Russian Federation identified in the audited entities made 2,844.6 million.

In the reporting period by the order of the Russian President Dmitry Medvedev the performance audit of the use of financial resources allocated to the Federal Target Program “Global Navigation System”, as well as the performance audit of the subsidies granted from the Federal Budget to the ship-repair yards of the Russian Ministry of Defence – FSUE (Federal State Unitary Enterprise) “30 Ship-Repair Yard”, “10 Ship-Repair Yard”, “82 Ship-Repair Yard” to restore their financial situation as part of the integration of enterprises into JSC “United Shipbuilding Corporation”.

On the proposals of the committees and commissions of the Council of the Federation and State Duma, as well as of the State Duma deputies the following audits were conducted: the management-practice audit of the FSUE “Rosmorport” as a natural monopoly holder in terms of the procedure of formation and receipt of the port charges and ways of spending thereof in 2008–2009; the performance audit of the use of the Federal Budget funds allocated in 2009–2010 to public corporations at SC “Rostekhnologii”; the performance audit of the use of the Federal Budget

funds allocated in 2008–2010 to Federal State Institution SI “Directorate of St. Petersburg Transport By-Pass Construction”; the compliance and performance audits of the use of the Federal Budget funds in the course of performance of the budget of the constituent entity of the Russian Federation, local budgets – the recipients of inter-budget transfers from the Federal Budget in Kabardino-Balkaria; the performance audit of the use of subsidies granted in 2010 and in the first half of 2011 for rail transportation.

At the request of the Mayor of Moscow the performance audit of the use of funds allocated for the development and maintenance of Moscow transport complex was conducted in conjunction with the Control and Accounts Chamber of Moscow. The violations of legislation of the Russian Federation in the transport industry amounted to 215,520 million roubles, including the unlawful diversion of funds in the amount of 271.8 million roubles.

The compliance audit of tenders and contracts for public needs, as well as the performance audit of the Federal Budget funds allocated under the Federal Target Programmes “Development of Civil Aircraft Equipment of Russia in 2002–2010 and up to the year 2015”, “Modernization of the Unified Air Traffic Management System of the Russian Federation (2009–2015)” and “Development of Transport System of Russia (2010–2015)”, the violations amounted to 241,660.4 million roubles.

The performance audit of the use of the Federal Budget funds and the federal property for the organization of air traffic at the Sheremetyevo and Domodedovo airports of the Moscow air hub in 2009–2010 found that the activity of federal executive authorities with respect to the air traffic regulation at airports was inefficient.



Working visit of S.V. Stepashin, Chairman of the Accounts Chamber and the Auditors S.N. Ryabukhin and A.I. Zhdankov to the constituent entities of the North Caucasian Region. Head of the Chechen Republic Ramzan Kadyrov is telling them about the prospects of the development of Grozny, the capital city of the Republic.

In cooperation with the People's Assembly – the Parliament of the Republic of Abkhazia, and on the initiative of President of the Republic of Abkhazia A.Z. Ankvab the performance audit of the use of the Federal Budget funds allocated for the provision of financial assistance to the Republic of Abkhazia for the purposes of the socio-economic development and budget investments was conducted. Financial irregularities and other violations revealed in the course of the control activity totaled to 143.3 million roubles.

Following the results of the control activities and expert and analytical activities conducted in the constituent entities of the North Caucasian region the meeting was held in Yessentuki, and the report entitled "Comprehensive Performance Audit of the Use of Public Funds Allocated for the Socio-Economic Development of the constituent entities of the Russian Federation, belonging to the North Caucasus federal district" was prepared.



6.10. Control over the Federal Budget expenditures on science, education, culture, sports and media was carried out under the supervision of S.A. Agaptsov, Auditor of the Accounts Chamber



S.A. Agaptsov, Auditor of the Accounts Chamber

In 2011, the line of activity for control over the Federal Budget expenditures on science, education, culture, sports and mass media conducted 69 control activities and 42 expert and analytical activities in 90 entities, with 109 reports prepared. The identified financial irregularities amounted to 8,344.2

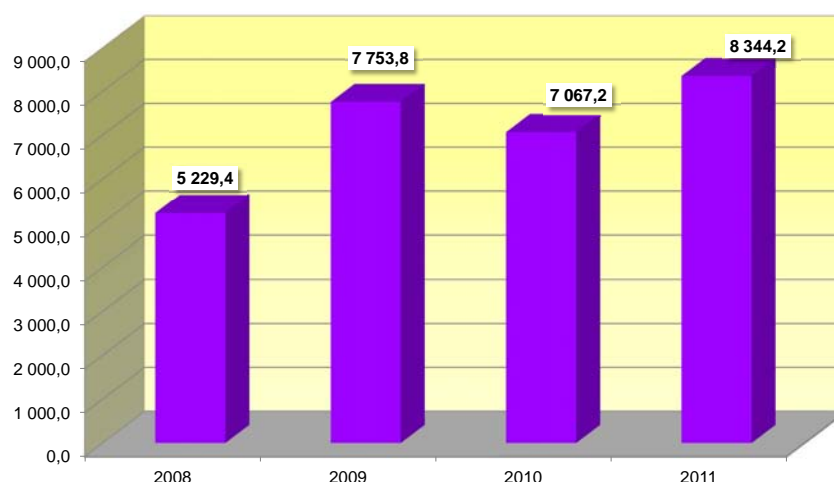
million roubles, including the diversion of the Federal Budget funds in the amount of 144.4 million roubles.

By the order of President of the Russian Federation Dmitry Medvedev the audit of financing of FC Anji Ltd. (Republic of Dagestan) was conducted, which resulted in the amount of 63.6 million roubles returned to the budget of the Republic of Dagestan.

Following the results of the control activities, 38 recommendations and 60 letters of information were sent.

Monitoring of the implementation of activities of the priority national project "Education" was carried out, as well as

Amount of violations (million RUR)





the monitoring and analysis of the financial activities related to the provision of the 2014 Sochi XXII Winter Olympics and XI Paralympics, and the 2013 Kazan XXVII Summer World Universiade.

In the course of the set of control activities for the audit of performance of the Federal Budget in 2010 as much as 32 chief Federal Budget funds administrators were audited and 32 reports, 2 conclusions and 2 informations were prepared. As a result of the external audit the opinions of the Accounts Chamber were prepared on 27 chief Federal Budget funds administrators.

As a result of the audit of compliance with the provisions of the Federal Law No. 138-FZ of November 11, 2011 "On Lotteries" in terms of completeness and timeliness of the target allocations from the lottery for the development of sports, tourism, civil-patriotic education, as well as the proper use of the allocations by the recipients thereof for 2009-2010 and for the year 2011 up to date, it was found that no state control over the use of the target allocations from private lotteries for socially significant facilities and events that are announced by the organizers of such lottery in obtaining permission for holding thereof, is provided for or carried out.

With effect from January 1, 2012 the amendments to the Federal Law No. 138-FZ of November 11, 2011 "On Lotteries" in terms of exclusion of the mandatory standard of target allocations of at least 10% of the proceeds for state lotteries would entail a sharp decrease in the amount of target allocations from the All-Russia State Lottery, which will not only adversely affect the Russian budget system, but will also put in question the need for and effectiveness of the state lottery business, and would create a threat for implementation of the concept of development of the Olympic and Paralympic

sports in Russia at the expense of the revenues from state lotteries.

In the course of the audit of use of the property released in the process of liquidation and reorganization, as well as during the activity of federal agencies, enterprises and other organizations in the field of science and education, sports and tourism, culture and cinematography, and mass media, the financial irregularities totaled to 80.3 million roubles.

As a result of the performance audit of use of the Federal Budget funds, extra-budgetary sources, and federal property by research and educational institutions and organizations in 2009-2010, conducted in 11 state educational institutions of higher professional education and in the state educational institution of secondary vocational education "College "Yeiskiy" a number of violations and deficiencies was found, including those of general, systematic nature.

Thus, the employees' compensation payment procedures adopted by the higher educational institutions allow for the payment of salary ten times higher by resolutions of Rectors, without limitation, which may contribute to the creation of conditions for the growth of social tensions in higher educational institutions. As a rule, the large payments are made in favor of the management of educational institutions.

Under the conditions of unavailability of dormitory accommodation for students due to the lack of housing capacity, the higher educational institutions provided housing to third parties for long periods. The high schools committed irregularities and deficiencies in setting charges for accommodation in dormitories, namely the fee for the accommodation of students often exceeded the statutory limit, as well as the fee charged from third parties.



Several high schools inefficiently use the federal property assigned to them: some of the buildings and premises are not used by high schools in their education and economic activity. Some entities are not placed on the balance sheet of the educational institutions, while at the same time the demolished buildings are still listed on the books of the institutions.

In cooperation with the Control Chamber of the Republic of Armenia the audit of the target and efficient use of budgetary and extra-budgetary funds of the Russian-Armenian (Slavonic) University for the period of 2008-2010 was conducted.

The results of the expert and analytical activities "Analysis of Efficiency of the Public-Private Partnerships in Investing Funds into the Tourism Industry of Krasnodar Territory and Kaliningrad Region for the Period 2005-2010" showed that at the federal level there is no model of public-private partnership, which would include its statutory definition, principles and mechanism of implementation.

Imperfection of the government support mechanism at the regional level often impedes the open interaction between the government and the business sector.

The possibilities to attract investments into projects for the develop-

ment of the tourism industry in the Krasnodar Territory and Kaliningrad Oblast using such tool as special economic zones are not translated into actions. The Federal Budget funds allocated in the audited period for the establishment and functioning of special economic zones in the Krasnodar Territory and the Kaliningrad Region amounting to 190.2 million roubles, including 144.2 million roubles from the Federal Budget are spent inefficiently, and the planned useful result of the investment activity is not achieved.

During the control activity "Audit of Target and Efficient Use in 2011 of the Federal Budget Funds and Extra-Budgetary Sources Allocated to Provide Fellowship and Financial Support for Graduate Students, Postgraduates and Candidates for a Doctor's Degree in the Federal State Educational Institutions of Higher Professional Education" it was found that in 2011 the Ministry of Education and Science of the Russian Federation insufficiently coordinated and supervised the activity of high schools in terms of issues related to the scholarship and financial support for graduate students, postgraduates and candidates for a doctor's degree.

Thus, the Federal Budget funds in the amount of 3.4 million roubles were used for purposes inconsistent with the legal grounds for the receipt thereof, which fact is bearing signs of unlawful diversion of budgetary funds.



6.11. Control over the interrelation between the Federal Budget and the budgets of other levels was carried out under the supervision of A.V. Filipenko, Auditor of the Accounts Chamber

In 2011, as part of the line of activity for control over the interrelation between the Federal Budget and the budgets of other levels 36 control activities and 42 expert and analytical activities were conducted in 77 entities in 22 Russian regions and 27 municipalities, with 126 reports prepared.

The total amount of the audited budgets funds of all levels amounted to 1,213,410 million roubles, of which the expenditure of funds in violation of the current legislation and inefficient expenditure amounted to 141 011.7 million roubles.

As a result of the control activities, 40 submissions and 10 letters of information were sent, as well as the appeal to the Prosecutor General's Office of the Russian Federation, the Prosecutor's Office of the Sverdlovsk Region and the Prosecutor's Office of the Vladimir Region.

Particular attention was paid in 2011 to the control of funds allocated to regions for reforming the housing and utilities infrastructure.

The control activities at the State Corporation "Foundation for Reforming the Housing and Utilities Sector" (hereinafter referred to as the "Housing and Utilities Foundation"), 6 constituent entities of the Russian Federation and eight municipalities, as well as the



A.V. Filipenko, Auditor of the Accounts Chamber

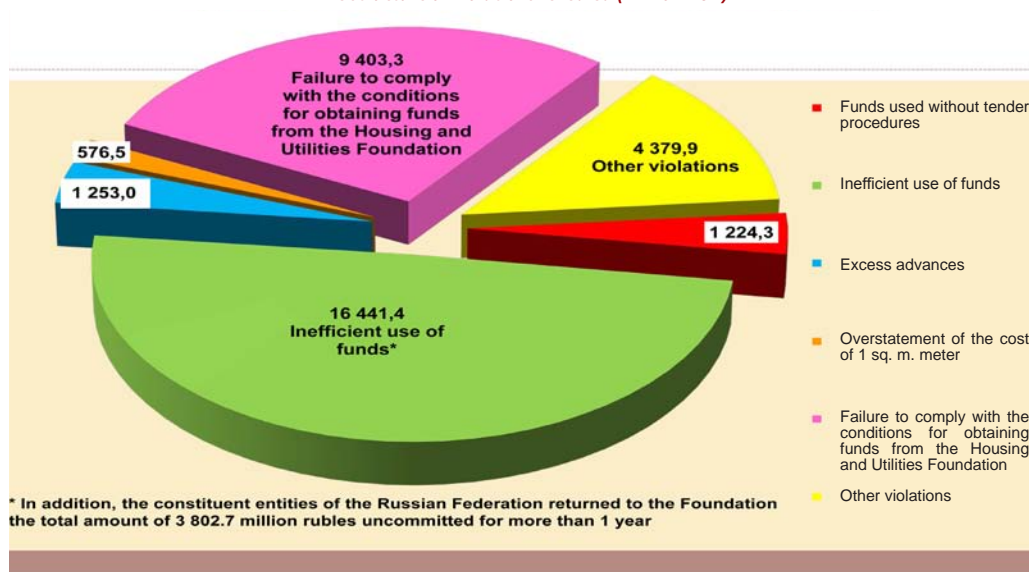
analysis of reports of constituent entities of the Russian Federation participating in the implementation of the Housing and Utilities Foundation programs revealed both positive and negative trends in this area.

Prior to the beginning of activity of the Housing and Utilities Foundation the works for capital repair of apartment houses were held annually in the amount of 0.4% of the total area of housing. During the period of 2008–2010 more than 4% of the total area of apartment buildings was repaired.

At the same time, the lack of proper monitoring by regional and municipal authorities of the works on capital repair of apartment houses and resettlement of people from houses under the threat of collapse has led to non-fulfillment of regional programs, long-term delay in application of funds, and as a consequence, to inefficient use thereof, violation of conditions for



The structure of violations revealed (million RUR)



receipt of the Housing and Utilities Foundation aid, as well as to unjustified payment for outstanding works and reduction in the quality of such works.

In 2008–2010 as much as 2,707 apartment buildings were not repaired despite the programs provided. Indicators of resettlement of people out of houses under the threat of collapse were performed by 68.7%. Resettlement of 4,026 houses being home to more than 56 thousand people was not provided.

In the absence of obvious changes in the quality and reliability of services provided in some regions the rate of increase in the cost of housing and utilities charges accounted for more than 120%, with the average tariffs for thermal energy, water and sewerage was up to 60% higher than the limit values adopted by the executive authorities of constituent entities of the Russian Federation.

The total amount of funds spent with violations amounted to 33,325.6 million roubles, of which the inefficient use of funds amounted to 16,441.4 million roubles.

Performance audit of the implementation of the Agreement on Public-Private Partnership for Reconstruction and Development of Pulkovo Air-

port showed the possibility of successful implementation in the regions of large-scale investment projects with foreign capital. The violations revealed during the audit are mainly associated with the failure to fulfill the conditions of the Agreement in terms of recovery of a penalty for failure to fulfill obligations, failure to exercise powers to ensure the interests of the owner of the property – the Russian Federation, as well as with the distribution of business risks and project awards between the parties to the Agreement.

In carrying out the control activities in the constituent entities of the Russian Federation the comprehensive audit of performance of the regional budgets was conducted in terms of compliance of the budgeting process with requirements of the budget legislation, effective use of budgetary funds, public debt management, disposal and use of government (municipal) property and other issues.

The main group of violations related is connected with failure to comply with the provisions of the Budget Code of the Russian Federation, the Town Planning Code of the Russian Federation, and violation of the law on placing state orders, failure to comply with the principle



of effectiveness and efficiency of budget funds, as well as with poor management, disposal and use of government (municipal) property.

In 2011, the work was continued on monitoring the implementation of the Concept of Inter-Budget Relations and the Organization of the Budget Process in the Constituent Entities of the Russian Federation and Municipalities up to 2013.

The consolidated budgets of constituent entities of the Russian Federation continue to be heavily dependent on financial assistance from the Federal Budget. The consolidated budgets of 64 constituent entities of the Russian Federation (62 in 2009) were performed with deficit. The practice of active engagement of budget loans from the Federal Budget is still used. During 2010 the public debt of the constituent entities of the Russian Federation grew by 20.5%, the public debt of municipalities grew by nearly 26%.

According to recommendations of the Accounts Chamber the measures to eliminate the detected violations are taken.

Changes in legislation are introduced to allow the Housing and Utilities Foundation subject to the availability of unfinished programs of previous periods in the constituent entities of the Russian Federation, to limit the funding to 30% of the funds requested by regions, and to earmark the remaining funds for programs to move people from houses under the threat of collapse as the contracts are concluded.



A.V. Filipenko, Auditor of the Accounts Chamber made a speech at the visiting meeting of the Council of the Federation Budget and Financial Markets Committee on "Analysis of the Expenditure Commitments of the Russian Federation, Constituent Entities of the Russian Federation and the Financial Assurance thereof"

As a result of the actions taken by the Housing and Utilities Foundation, the indicators of implementation of the programs for 2008 – 2010 had a positive trend. During the period from May to October 2011 the number of uncompleted by capital repair houses fell by more than 4 times. Implementation of programs for the resettlement of people from houses under the threat of collapse increased from 68.7% to 90%, with additional 34.3 thousand people resettled.

The amount of funds returned to the budgets of constituent entities of the Russian Federation amounted to 254.2 million roubles, with 4.3 million returned to the Housing and Utilities Foundation.

The Auditor A. Filipenko participated in the meetings of committees and commissions of the State Duma and the Council of Federation, parliamentary hearings and the "round tables" dedicated to the problems of reforming the housing and utilities sector and to the issues of inter-budget relations.



6.12. Control over the Federal Budget expenditures for the implementation of national-level priorities in the field of healthcare, social policy, and over the budgets of public off-budget funds was carried out under the supervision of V.S. Katrenko, Auditor of the Accounts Chamber



V.S. Katrenko, Auditor of the Accounts Chamber

In 2011, the line of activity for control over the Federal Budget expenditures for the implementation of national-level priorities in the field of healthcare, social policy and over the budgets of public off-budget funds conducted 45 control activities and 37 expert and analytical activities in 64 entities in 23 constituent entities of the Russian Federation, with 72 reports prepared.

As a result of audits 18 recommendations were sent. No purpose of funds from the Federal Budget in the amount of 132 thousand roubles, and other financial irregularities amounting to 305,789.1 million roubles were revealed, including the inefficient use of the Federal Budget funds amounting to 8,008.5 million roubles in the part of the Pension Fund of the Russian Federation (PFR): the inefficient use amounted to 481.9 million roubles, and

other financial irregularities amounted to 297,298.7 million roubles, including the damage caused to the state amounting to 72.6 million roubles. The amount of 25.1 million roubles was refunded to the PFR budget (NPF "Socium").

In addition, the abuse by the citizens of their right to compensation for material damage due to loss of property as a consequence of the Chernobyl disaster resulted in inefficient spending in the Bryansk region in 2009–2010 of the Federal Budget funds administered by the Federal Treasury totaling at least to 532.4 million roubles.

Monitoring of implementation of the PNP "Zdorovye" showed that in 2010 the difference in costs of the same medical equipment purchased in the constituent entities of the Russian Federation has remained by tens of percent (20–80%). As regards the activities aimed at improving healthcare for patients with cancer, the terms of delivery of medical equipment were violated. Of the 36 performance indicators PNP "Zdorovye" nine (25%) were not fully achieved, being mainly the reduction of the rates of mortality for different causes.

The terms of commissioning of the federal centers of high medical technolo-



gies were violated. Of the 20 prenatal centers supposed to be commissioned in 2010, only 6 were actually commissioned.

The performance audit of the provision of high-tech medical care to the population of the Russian Federation for 2008–2010 and the year 2011 up to date showed that the formation of public assignment for the provision of high-tech medical care (hereinafter referred to as the "HTMC") to citizens was carried out by the Health Ministry of Russia taking into account the needs of the population declared by the regional executive authorities, however there are no uniform methods for calculation of the said needs. The level of satisfaction of applications in the regions of the national average reduces, and amounted to 89.4% in 2009, 87.1% in 2010 and 83.2% in 2011.

The Health Ministry of Russia did not develop any criteria for assessing the quality of the provision of HTMC. In 2008, the constituent entities of the Russian Federa-

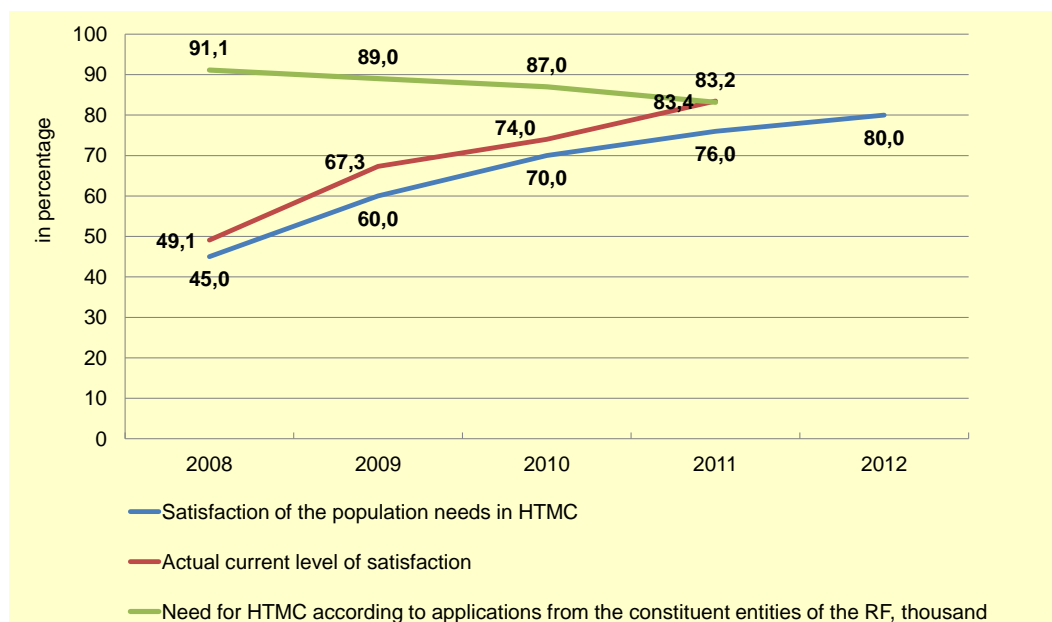
tion have not applied the funding for the provision of HTMC in the amount of 856.9 million.

The performance audit of the Federal Budget for 2010 in the Federal Labor and Employment Service (Rostrud) established no-purpose use of the Federal Budget funds for construction of administrative building of the State Labor Inspectorate in the Novosibirsk region in the amount of 0.132 million roubles.



V.S. Katrenko, Auditor of the Accounts Chamber, made a speech at the Russian-British Seminar on "Performance Audit of Provision of High-Tech Medical Care to the Population of the Russian Federation"

Level of satisfaction of needs in HTMC





The performance audit of trust management of pension savings by management companies showed that the income received by management companies in 2009–2010, in total exceeded the loss of 2008, and allowed not only to recover the amount of funds placed in trust, but also to increase them. However, the preservation of retirement savings, taking into account inflationary losses is not ensured. During 2004–2010, the inflation was 102.4%, while all management companies (except one) when investing pension savings did not compensate the inflationary losses.

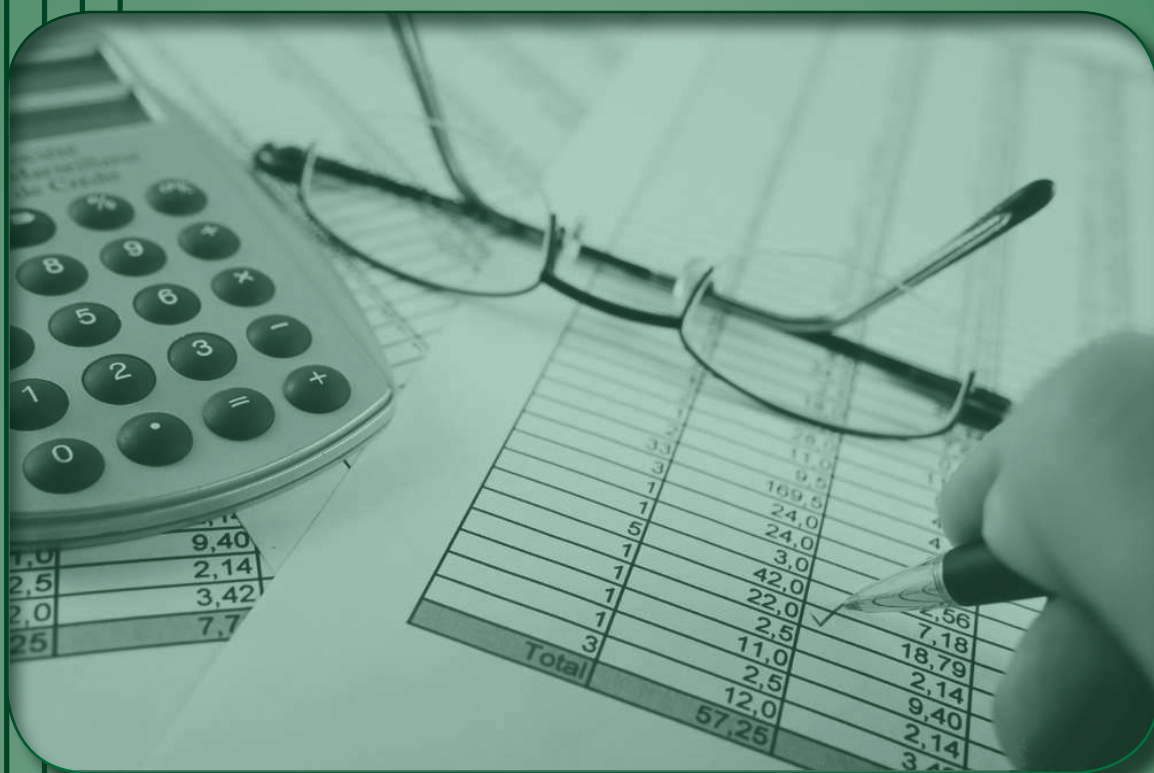
The audit of cash flow in the accounts of departments and offices of the Pension Fund and expenditure of funds for maintenance, logistics, capacity building, advocacy work in 2010 found that the Department of the Pension Fund of Russia in the Stavropol Territory did not provide proper control over the process of delivery of pensions and other social benefits through the delivery organization LLC “Gruppa Servis”, resulting in the damage to the State amounting to 69.1 million roubles.

The performance audit of budget funds allocated for the implementation of Federal Target Program “Social Sup-

port for Disabled People in 2006–2010” showed that the expected outcomes are not achieved for 29 activities of the Programme (42.6%). The total amount of funds used ineffectively in its implementation amounted to 1,162.2 million roubles, or 54.6% of expenditures incurred (2,567.5 million roubles).

Performance analysis of Federal Budget funds for the payment to citizens of compensation for material damages caused by the Chernobyl disaster for 2009–2010 showed that the law on social protection of citizens exposed to radiation as a result of the Chernobyl disaster, in terms of regulation of compensation for material damages because of the lost property is not fully consistent with modern social and economic realities, its provisions are vague in nature.

As a result, there is a sharp increase in spending of the Federal Budget funds for the payment of compensation. Its growth rates in recent years are abnormally high. In 2010, the amount of payments reached 3.2 billion roubles and exceeded the 2007 figure almost 10 times, and the number of recipients since 2007 has increased by more than 3 times.



Support of activity of the Accounts Chamber of the Russian Federation



7

SUPPORT OF ACTIVITY OF THE ACCOUNTS CHAMBER OF THE RUSSIAN FEDERATION

Sergey M. Shakhrai, Head of Staff of the Accounts Chamber of the Russian Federation

To support the activity of the Accounts Chamber of the Russian Federation, the Office of the Accounts Chamber of the Russian Federation has been formed. In accordance with Article 8 of the Federal Law "On the Accounts Chamber of the Russian Federation" the Office of the Accounts Chamber of the Russian Federation consists of inspectors of the Accounts Chamber of the Russian Federation and other staff members.

The functions of inspectors of the Accounts Chamber of the Russian Federation include direct organization and conduct of audits within the remit of the Accounts Chamber of the Russian Federation.

Rights, obligations and responsibility of the employees of the Office of the Accounts Chamber of the Russian Federation as well as the terms and conditions of their service are defined by the Federal Law "On the Accounts Chamber of the Russian Federation", the legislation of the Russian Federation on state civil service, labor legislation of the Russian Federation and other regulatory legal acts.

The Office of the Accounts Chamber of the Russian Federation consists of 25 independent structural subdivisions, including the Secretariat of the Chairman of the Accounts Chamber of the Russian Federation, the Secretariat of the Deputy Chairman of the Accounts Chamber of the Russian Federation and 23 departments. The departments include 51 inspectorates and 46 divisions.

The Head of the Office of the Accounts Chamber of the Russian Federation is Sergey M. Shakhrai, an honored lawyer of the Russian Federation, Doctor of Law, Professor.



7.1. Staff of the Accounts Chamber of the Russian Federation

In accordance with the requirements of Federal Law No. 79-FZ of July 27, 2004 "On State Civil Service of the Russian Federation" the Accounts Chamber performed a number of special arrangements aimed at implementation of effective technologies and advanced methods of staff management for increasing professional competence, motivating federal civil employees and providing conditions in order to improve efficiency of their professional service activity.

The major attention was paid to realization of Decree No. 1657 of the President of the Russian Federation dated December 31, 2010 "On Optimization of Number of Federal Civil Employees and Employees of Federal State Authorities". These arrangements were a continuation of improvement process of staff policy of the Accounts Chamber of the Russian Federation which started in October, 2010.

As a result of the performed arrangements, by Resolution No. 9K (776) of the Collegium of the Accounts Chamber dated February 14, 2011 the typical structure of departments of the Office of the Accounts Chamber of the Russian Federation depending on the areas of its activity was approved.

Besides, as always, forming a team of auditors was prioritized. As a rule, in accordance with the qualification requirements, the persons with higher education and practical skills of auditing and management activity were appointed to the auditor positions.

Among the inspectors, 59.3% have financial and economic education, 22.4% – legal education, 11.2% are specialists in management.

On the whole, in the Accounts Chamber of the Russian Federation 1143 employees (97.9%) have a higher education, and 25 employees of them are doctors of science, 155 – candidates of science.

As of December 31, 2011 the number of the staff of the Office of the Accounts Chamber of the Russian Federation made 1225 employees. As of the mentioned date, 1168 employees including 1132 civil officers worked in the Accounts Chamber of the Russian Federation.

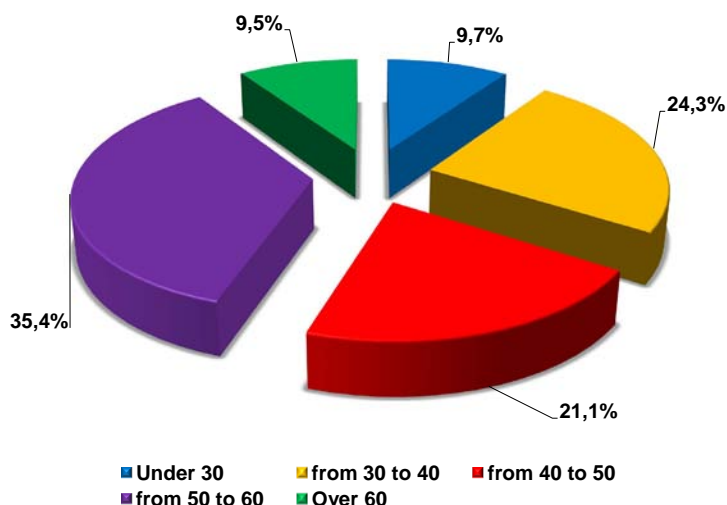
Staff succession and combination of experienced and young employees were of great importance. The middle age of civil officers is 46 years old.

Further, to form the staff reserve, it is planned to use the potential of graduates of the School of State Audit (Faculty) of the Lomonosov Moscow State University.

During the past year, the Accounts Chamber of the Russian Federation employed 111 persons, discharged 163 employees, of them 25.8% employees resigned voluntarily, 35.6% – discharged due to retirement and 3.1% – due to transfer to another position. Staff replacement made 14.2%.

To realize the constitutional right to equal access to public service for the citizens of the Russian Federation and the right to promotion track for civil officers, during the reporting period the Accounts

Age structure of civil officers of the Office of the Accounts Chamber of the Russian Federation (in %)





24 married couples of the employees of the Accounts Chamber of the Russian Federation awarded with the medal "For Love and Fidelity"

Chamber of the Russian Federation performed 7 competitions to fill the vacancies in its Office, and as a result of competitions 7 persons were appointed to these positions. 4 sessions of the Competition Committee of the Accounts Chamber of the Russian Federation were held where 53 candidates for these seven vacancies were being examined.

During the reporting period 22 vacancies were filled from the reserve formed on the competitive basis and 26 persons were engaged for the personnel reserve.

To heighten the motivation of service activity, the Accounts Chamber has improved its bonus and reward plan.

In 2011, 89 employees of the Accounts Chamber of the Russian Federation got awards of the Accounts Chamber of the Russian Federation.

13 employees got government awards and 6 employees were awarded with the Certificate of Merit of the President of the Russian Federation and with Presidential acknowledgement of the Russian Federation for a valuable contri-

bution to realization and development of state financial control.

During the reporting period, the major attention was paid to carrying out arrangements in order to realize Federal Law No. 273-FZ of December 25, 2008 "On Anti-Corruption", the National Anti-Corruption Plan for 2010–2011 in the version of Presidential Decree No. 460 of the Russian Federation dated April 13, 2010 (hereinafter referred to as the National Plan), Presidential Decrees of the Russian Federation and other regulatory legal acts aimed at taking effective measures to prevent, detect and eliminate causes and conditions facilitating corruption and conflict of interests in the federal public civil service, ensuring adherence of civil officers to the general principles of the code of conduct, rules of professional ethics, obligations, limitations and prohibitions stipulated for the public service. For this purpose, measures were taken to develop the "internal anti-corruption security" system. This system includes the created and actively operating internal subdivision for prevention of corruption and other offences.



To enforce the instructions of the President of the Russian Federation, the complex arrangements were conducted to audit the compliance with the legislation on public service and countering corruption regarding presentation by civil officers of full and true information about incomes, property beneficially owned and material commitments. Similarly, the work was performed to start operation of the subdivision for prevention of corruption and other offences, and to improve importance of the Commission's activity of the Accounts Chamber of the Russian Federation which is associated with observance of requirements to staff behavior of civil officers and with settlement of conflict of interests (hereinafter referred to as the Commission).

In accordance with Paragraph 3 Sub-item "e" Item 2 of the National Plan, we have prepared criteria and indicators for estimation of effectiveness of anti-corruption programs as well as methodology on auditing of effectiveness of anti-corruption programs.

The anti-corruption work was focused mainly on systematic measures aimed at detection and elimination of causes and conditions, facilitating corrupt practices and conflict of interests in the public service; on individual work with each civil officer for forming intolerance to corruptive behavior and enhancement of responsibility of the management of structural subdivisions, heads of inspectorates and offices.

The effective measures were taken to prevent and settle the conflict of interests in the public service.

To implement main measures for prevention of corruption in the Accounts Chamber of the Russian Federation, we have carried out arrangements aimed at involvement of citizens and organizations into anti-corruption measures performed by the Accounts Chamber of the Russian Federation, assistance in realizing and strengthening the measures aimed at effective and efficient prevention of corruption and other offences in the Accounts Chamber of the Russian Federation, increase of effectiveness of observance of



Employees of the Accounts Chamber at an academic session on the subject "Practice of Anti-Corruption Legislation"



prohibitions, limitations and rules of staff behavior by civil officers, formation of intolerance of the society to corruptive behavior, as well as creation of conditions for detecting possible facts of corrupt practices in the Accounts Chamber of the Russian Federation. Due to this, the Accounts Chamber of the Russian Federation has organized the operation of "hot line".

The important place in the activity of the Accounts Chamber of the Russian Federation in the anti-corruption system has been taken by the arrangements for improvement of legal competence and culture of conduct of civil officers, including taking into account the existing Code of Ethics for Employees of Control and Accounting Bodies. The academic session on the subject "Practice of Anti-Corruption Legislation" was conducted. The practic-

ing lawyers, representatives of the Federal Security Service of Russia, the Ministry of the Interior of Russia and the Russian Law Academy of the Ministry of Justice of the Russian Federation took part in the session.

We have been improving continuously the interaction mechanism with mass media, citizens and institutions of civil society on issues of provision of information as well as the mechanism for verification of completeness and reliability of the provided information. For awareness of the public about the anti-corruption measures in the Accounts Chamber of the Russian Federation, the "Anti-Corruption" Section of the web-site of the Accounts Chamber of the Russian Federation has been created and is constantly extended.

7.2. Scientific and Methodological Support of the Activity of the Accounts Chamber of the Russian Federation

In accordance with Article 10 of the Federal Law "On the Accounts Chamber of the Russian Federation", the Accounts Chamber organizes and plans its activity on basis of technical and economic rules and regulations, inspection and audit standards, methodical instructions.

The regulatory methodological framework of the Accounts Chambers of the Russian Federation has been formed; it has a systematic nature and consists of the Funds of Regulatory and Methodological Documents which include 16 standards and more than 100 regulatory and methodological documents as well as international standards and documents for supreme audit institutions developed by INTOSAI, EUROSAL and ASOSAI.

During the reporting period, the Accounts Chamber of the Russian Federation was performing a large-scale work on implementation of international standards of public audit into the practice of the Accounts Chamber of the Russian Federation, control and accounting bodies of the constituent entities of the Russian Federation and municipal entities, supreme audit institutions of the CIS's countries.

Due to the adoption of Federal Law No. 6-FZ "On General Principles of Organization and Activity of Control and Accounting Bodies of the Constituent Entities of the Russian Federation and Municipal Entities", the Accounts Chamber of the Russian Federation has defined general requirements to the standards



of external state and municipal financial control.

For determination of the main principles and unified requirements to state financial control (audit), to presentation of results and estimation of its quality as well as application of comparable criteria in conducting joint or concurrent audits, the Accounts Chamber of the Russian Federation develops the standards of state control for supreme audit institutions of the CIS's member countries within the framework of the working group established by the decision at the X Session of the Board of Heads of Supreme Audit Institutions of the CIS's Member Countries.

The State Research and Development Institute of the Accounts Chamber of the Russian Federation and its subsidiaries, which operate in seven federal districts, make a great contribution into the methodological support of the activity of the Accounts Chamber of the Russian Federation and activities of control and accounting bodies of the constituent and municipal entities of the Russian Federation. This support is aimed at improvement of effectiveness of control and expert and analytical activities, realization of requirements of international standards in public audit, creation of favorable conditions for scientific and information exchange in professional area, further training and skilling of the staff.

The research activities take a special place in the structure of research works, which are aimed at stable growth of economy and balanced regional development, problem-solving of social sector and budgetary and fiscal policy, development of methodology and improvement of mechanisms of state financial control, legal status of control and accounting bodies, realization of the National Anti-Corruption Plan and other fields.

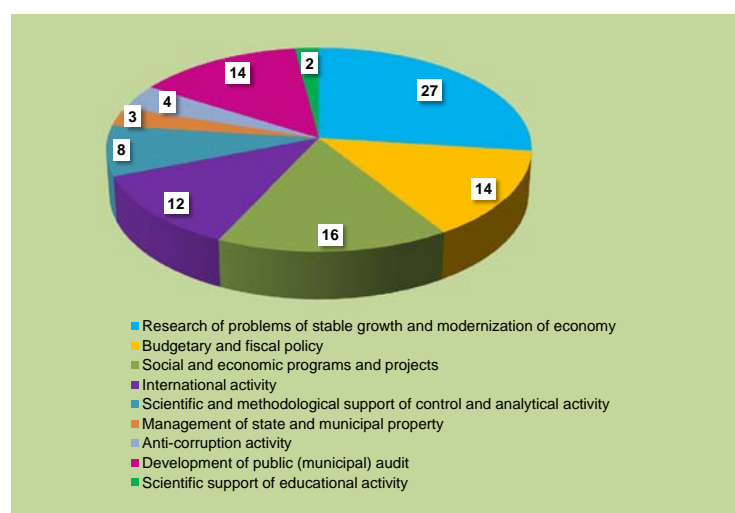
From the beginning of 2011 the State Research and Development Institute of the Accounts Chamber of the Russian Federation has presented more than 230 scientific reports for practical use for control and accounting bodies, public authorities,

scientific and educational institutions of Russia.

To adjust the legislation of the constituent entities of the Russian Federation in accordance with Federal Law No. 6-FZ of February 7, 2011 "On General Principles of Organization and Activity of Control and Accounting Bodies of the Constituent Entities of the Russian Federation and Municipal Entities", together with the State Research and Development Institute of the Accounts Chamber of the Russian Federation the Accounts Chamber has developed the drafts of model laws of a constituent entity of the Russian Federation "On a Chamber of Control and Accounts of a Constituent Entity of the Russian Federation" and "On Administrative Responsibility for Violation of the Law "On a Chamber of Control and Accounts of a Constituent Entity of the Russian Federation" by a Constituent Entity of the Russian Federation". We have examined 4 regional laws and their drafts about a chamber of control and accounts of a constituent entity of the federation.

We have prepared the change proposals for the Federal Law "On the Accounts Chamber of the Russian Federation" and for the Budgetary Code of the Russian Federation (Section IX "State and Municipal Financial Control" and Chapter 28 "General provisions" of Part IV "Responsibility for Violation of Budgetary Legisla-

Structure of research activities in 2011 by main fields, %





tion of the Russian Federation"). At the request of the State Legal Administration of the President of the Russian Federation the Accounts Chamber of the Russian Federation has examined a draft Law "On the Federal Contractual System in Procurement of Goods, Works and Services" and has made specific remarks and proposals on the basis of the analysis of the Law's provisions.

The State Research and Development Institute of the Accounts Chamber of the Russian Federation is involved in lawmaking activity of individual committees and commissions of the Federation Council including by the Committee on Food Policy and Nature Management, the Commission for Interaction with the Accounts Chamber of the Russian Federation and others. For the past period, the specialists of the Institute have taken part in discussions of 21 federal draft laws passed from the State Duma to the Federation Council. As a result of the discussions, most of draft laws have been revised and adopted, on the Institute's initiative as well.

At the request of the Moscow Government, the research has been performed which was aimed at enhancement

of effectiveness of the existing social measures of citizens' support. The results of the research work will be used in practice, namely, in developing regulatory legal acts of Moscow and in the course of estimation of effectiveness of budget expenditures on social policy.

Since 2009, under the Agreement on Cooperation between the UN Children's Fund (UNICEF) and the State Research and Development Institute of the Accounts Chamber of the Russian Federation the research has been performed on the project "Analysis of Effectiveness of Budget Expenditures for Children (the Federal Budget and budgets of the constituent entities of the Russian Federation)". On the basis of the findings, the summary of the Report and the collective monograph "Budget in Interests of Children is a Strategy of Future" were issued. The Report, which is the first publication covering fully this subject, is sent to the executive and legislative authorities of the Russian Federation, administrations of Russian cities participating in the UNICEF's initiative "Cities Friendly to Children", to experts in the field of problems of family and children, as well as it was presented to a number of core social organizations and the press.

The Institute participated actively in preparation of the 4th meeting of the INTO-SAI Working Group on Key National Indicators (Finland, Helsinki, April 13–14, 2011) devoted to discussion of main tasks of the Working Group for the forthcoming three-year period and for the current year including preparation of draft recommendations for selection of key national indicators for use in SAIs' activity, analysis of possibilities of their use for international comparisons, preparation of appropriate recommendations and other issues.



Seminar "Issues of Realization of Federal Law No. 6-FZ of February 7, 2011 "On the General Principles of Organization and Activity of Control and Accounting Bodies of the Constituent Entities of the Russian Federation and Municipal Entities" chaired by Sergey M. Shakhrai, Head of Research of the State Research and Development Institute of the Accounts Chamber of the Russian Federation



A meeting of the Dissertation Council for Legal Professions chaired by Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation, Doctor of Law, Professor

In the reporting year within the framework of realization of the Decision of Heads of the CIS member countries on assignment of status of the basic organization for research in the field of methodology of state and international control to the State Research and Development Institute of the Accounts Chamber of the Russian Federation, the subsidiary of the State Research and Development Institute of the Accounts Chamber of the Russian Federation was founded in Bishkek, in the Republic of Kirghizia.

For promotion of development of education and science, for rational use of professional and scientific potential of the parties the Institute signed the Agreement on Cooperation with the Baltic International Academy (the Republic of Latvia).

Over the reporting period, the Institute and its subsidiaries took part in preparation and work of 32 conferences, seminars, round tables, and presented their reports and speeches at 24 of them.



In the Siberian Federal District, the professional development program is being opened by Vyacheslav A. Markelov, Head of the Subsidiary of the Research and Development Institute, and Denis E. Ryaguzov, Deputy Chairman of the Chamber of Control and Accounts of the Novosibirsk Region



Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation, and Sergey M. Shakhrai, Head of Staff of the Accounts Chamber of the Russian Federation, together with the first graduates of the School of State Audit (Faculty) of the Lomonosov Moscow State University

The Institute continues to train scientific personnel with higher education in 5 scientific professions. At present, more than 140 students are involved in post-graduate study, and more than half of them are employees of control and accounting bodies of the Russian Federation. During the reporting period, 8 dissertations were defended including two doctoral theses in the Dissertation Council of the State Research and Development Institute of the Accounts Chamber of the Russian Federation.

One doctoral thesis in law has been prepared to be defended. Eight candidate's theses in economy and law have passed preliminary defense.

In 2011 the specialists of the Accounts Chamber of the Russian Federation, employees of control and accounting bodies of the constituent entities of the Russian Federation and municipal entities, of regional ministries and departments graduated from the Institute. The subsidiaries of the State Research and Develop-

ment Institute of the Accounts Chamber of the Russian Federation in the Volga and Siberian Federal Districts have trained the specialists of control and accounting and financial bodies of the constituent entities of the Russian Federation and municipal entities.

According to the results of the year, the training programs covered over 300 persons, and the vast majority were the employees of control and accounting bodies of the constituent entities of the Russian Federation and specialists of administrations of regions and municipal entities.

In 2011, the ceremony was carried out in the Accounts Chamber of the Russian Federation which was devoted to the first graduates of the School of State Audit (Faculty) of the Lomonosov Moscow State University, founded and operating with the participation of the State Research and Development Institute of the Accounts Chamber of the Russian Federation. The graduates of the faculty were bachelors-economists.



7.3. Organizational and Documentation Support of the Activity of the Accounts Chamber of the Russian Federation and Handling the Citizens' Applications

In accordance with Article 10 of the Federal Law "On the Accounts Chamber of the Russian Federation", the Accounts Chamber of the Russian Federation performed its activity on the basis of the annual action plan developed with observance of requirements of the specified article and a need of realization of tasks established for the Accounts Chamber of the Russian Federation by the statute. The major attention within the framework of organizational and documentation support of the Accounts Chamber of the Russian Federation was focused on the activity of the Collegium of the Accounts Chamber of the Russian Federation, on control over execution of the decisions of the Collegium of the Accounts Chamber of the Russian Federation, the orders of senior officers of the Accounts Chamber of the Russian Federation, and on handling the citizens' applications.

During the reporting period, we performed a constant control over consideration and execution of appeals from members of the Federation Council, from deputies of the State Duma; decisions of the Collegium of the Accounts Chamber of the Russian Federation, orders of senior officers of the Accounts Chamber of the Russian Federation. The assigned officials were preparing monthly information about work of the Collegium of the Accounts Chamber of the Russian Federation for the Chairman of the Federation Council Committee for Interaction with the Accounts Chamber of the Russian Federation, and for the Chairman of the

Sub-Committee for Interaction with the Accounts Chamber of the Budget and Tax Committee of the State Duma.

We performed organizational and technical arrangements for preparing and conducting joint meetings of the Collegium of the Accounts Chamber of the Russian Federation and the Collegium of the State Control Committee of the Republic of Belarus, the Council of the Control Chamber of the Republic of Armenia and the Regulatory Council of the National Audit Office of Mongolia, the State Control Council of the Republic of Latvia, the State Audit of the Socialist Republic of Vietnam, the senior officers of the State Audit and Administrative Control Bureau of the Palestinian National Administration.

In 2011, the Accounts Chamber of the Russian Federation continued to maintain and develop the electronic documents circulation and the archive system, to implement electronic digital signature for purposes of internal documents circulation. Together with the Federal Guard Service of the Russian Federation, we started work



A meeting of the Collegium of the Accounts Chamber of the Russian Federation



on creation the gate and development of the technology of sharing electronic documents with federal authorities via the inter-departmental electronic documents circulation system.

The priority task of electronic documents circulation was to introduce an electronic digital signature, to move completely to the internal electronic documents circulation with application of "Delo" ("File") and "Arkhivnoe Delo" ("Archival Science") systems and to prepare the organization to moving to the external documents circulation. We have introduced the technology of preparation and issuance of electronic orders of the Chairman of the Accounts Chamber of the Russian Federation, the Deputy Chairman of the Accounts Chamber of the Russian Federation, the Head of Staff of the Accounts Chamber of the Russian Federation for incoming documents and materials of the Collegium of the Accounts Chamber of the Russian Federation. As a result, the Chairman of the Accounts Chamber of the Russian Federation, the Deputy Chairman of the Accounts Chamber of the Russian Federation, the Head of Staff of the Accounts Chamber of the Russian Federation work in "Delo" electronic documents circulation system, examine the incoming electronic documents, append electronic instructions and sign electronic documents with use of electronic signature.

In 2011, the electronic archive in "Arkhivnoe Delo" system was added with an array of electronic cards, and at present

it consists of 7486 files and 128367 documents.

The major field of activity of the Accounts Chamber is handling the citizens' applications, the number of which is growing year by year.

In 2011, when carrying out control activities we registered 1991 applications from citizens and legal entities.

This is explained by coming into effect of amendments to Federal Law No. 59-FZ of May 2, 2006 "On the Procedure for Handling Applications of Citizens of the Russian Federation", enabling to accept citizens' electronic applications without postal address for consideration and regulating electronic responses to such citizens' applications.

It shall be noted that the subject matters of applications changed. If during the previous years the subject matters had been social issues, in 2011 they were the issues of industry, construction, transport and communication (13%), conditions of housing and public services (10 %). And 9% of applications concerned social issues.

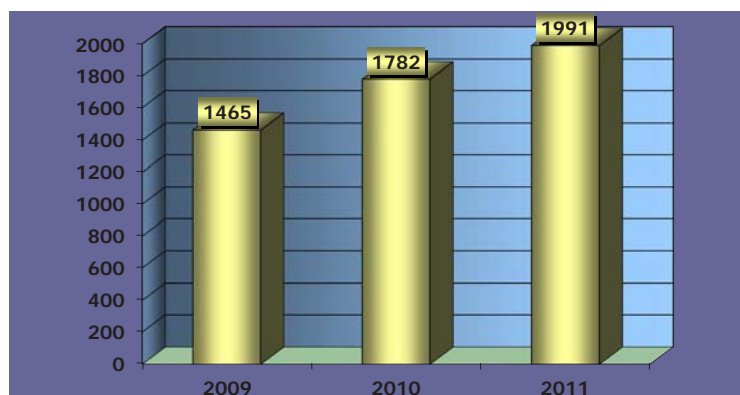
It indicates that the citizens are getting more and more interested not in private problems, but in issues of disbursement of budgetary funds, stealing, corruption.

The Accounts Chamber of the Russian Federation has a formed a practice to analyze the information of citizens' applications about facts of violation of budgetary legislation, and the findings of such analysis may be used in planning future control and audit activities or in conducting scheduled audits.

The Accounts Chamber of the Russian Federation examines citizens' applications not as formality but, first of all, as tools which help to increase effectiveness of control and audit activity and are a source of additional information in the field of government accounts control.

In 2011, practically all citizens' applications were being registered in the action plan of the Accounts Chamber of the Russian Federation, and due to some of them, specific control activities were carried out.

A number of citizens' applications registered by the Accounts Chamber of the Russian Federation when carrying out control activities in 2009–2011





For example, the control activity was performed as a response to the application from the work collective of the Federal State Unitary Enterprise "Fossil Fuels Institute". Based on the findings of the audit, the Accounts Chamber of the Russian Federation sent the appeals to the Government of the Russian Federation, the Prosecutor General's Office, the Ministry of Economic Development and Trade, the Rosimushchestvo and other departments.

Direct contacts with citizens are of great practical importance. Individual reception of citizens was taking place in the Public Reception Office of the Accounts Chamber of the Russian Federation.

Also the work was continued on consideration of the citizens' electronic appli-



Samsonova Irina Leonidovna applied to the Public Reception Office to clarify the issue of reasonableness of increase and transparency of utility rates. She was seen by Vladimir V. Galanyuk, Director of the Department of Documentation Support, Planning and Control, and Karl K. Ruppel, Director of the Department of Control and Analysis of Effectiveness of Inter-Budgetary Relations.

cations, coming to the special interactive service "Public Reception Office" of the official web-site of the Accounts Chamber of the Russian Federation..

7.4. Informing the Public

To enforce Articles 3 and 33 of the Federal Law "On the Accounts Chamber of the Russian Federation", the Accounts Chamber of the Russian Federation was considering an active information policy as one of its priority activities.

In 2011, the Accounts Chamber of the Russian Federation prepared and sent to the mass media 355 press-releases, in total, devoted to control, expert and analytical arrangements as well as other issues of the activity of the Accounts Chamber of the Russian Federation.



Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation, is answering the questions of journalists about the results of the plenary meeting of the State Duma



The interview with Valery P. Goreglyad, Deputy Chairman of the Accounts Chamber of the Russian Federation, to the "Russia" TV-Channel about the contents of the law on general principles of organization and activity of control and accounting bodies of the Russian Federation

In its turn, the Russian mass media produced more 40 000 materials about the activity of the Accounts Chamber of the Russian Federation, i.e. every day about 110 materials were produced in average. Among them, about 2 200 articles were published in the central and regional press. There were about 18 400 messages on newswires, and more than 18 500 messages – on the Internetsites. About 660 items were shown on TV.

About 750 radio messages were registered.



The interview with Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation, to the "Vesti v Subbotu s Sergeem Brilevym" (Saturday News with Sergey Brilev) TV-program of the Russian television about fighting corruption

In 2011, the senior officers of the Accounts Chamber of the Russian Federation continued to cooperate actively with mass media. During the reporting period, 4 articles and 16 interviews with Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation, 4 TV-interviews and one article with Valery P. Goreglyad, Deputy Chairman of the Accounts Chamber of the Russian Federation, as well as 9 interviews with the auditors of the Accounts Chamber of the Russian Federation and 8 interviews with Sergey M. Shakhray, Head of Staff of the Accounts Chamber of the Russian Federation appeared in the print and electronic mass media. Besides, five press conferences of the auditors of the Accounts Chamber of the Russian Federation were held.

As in the past years, the Web-site of the Accounts Chamber of the Russian Federation was operating effectively. During the reporting period, about 500 000 were registered. In 2011, the Web-site presented 23 videos with speeches of the senior officers of the Accounts Chamber of the Russian Federation, the information support for operation of the Collegium of the Accounts Chamber of the Russian Federation as well as information about official visits and working trips of the Chairman of the Accounts Chamber of the Russian Federation and members of the Collegium in Russia and abroad.

We were issuing monthly bulletins of the Accounts Chamber of the Russian Federation, and their electronic versions were being placed on the Web-site of the Accounts Chamber of the Russian Federation. Besides, we worked on conversion of the Bulletin in electronic publication form from 2012.

We were actively developing the "TV-Control" video channel of the Accounts Chamber of the Russian Federation, which was launched last year on the YouTube Internet-portal. In 2011 thirty videos about the activity of the Accounts Chamber of the Russian Federation as well as exclusive interviews with Alexandr A. Piskunov and Alexei A. Kuzmitsky, Auditors of the



Accounts Chamber of the Russian Federation, and the interview with Sergey M. Shakhrai, Head of Staff of the Accounts Chamber of the Russian Federation, were presented.

From the beginning of 2011, twenty-eight editions of the "Schet za nedelyu" (Account for a week) TV-program of the Accounts Chamber of the Russian Federation were prepared and shown. 1257 messages were published in the Twitter blog of the Accounts Chamber of the Russian Federation.

The results of the work, performed by the Accounts Chamber of the Russian Federation, in the field of information policy were awarded with the Golden Diploma "For Information Transparency and Profes-



The press conference with Sergey N. Ryabukhin, Auditor of the Accounts Chamber of the Russian Federation, on findings of the audit of the intended and effective disbursement of funds allocated for development and maintenance of the Moscow transport complex

sionalism" of the "Golden Diploma-2011" National Competition established by the Financial Press-Club of Russia.

7.5. Interaction with Committees and Commissions of the Houses of the Federal Assembly of the Russian Federation

During the reporting period, the Accounts Chamber of the Russian Federation was taking measures on further improvement of its interaction with committees and commissions of the Houses of the Federal Assembly of the Russian Federation, and, first of all, with the Commission of the Russian Council for Interaction with the Accounts Chamber of the Russian Federation and the Sub-Committee for Interaction with the Accounts Chamber of the Rus-



Auditors of the Accounts Chamber of the Russian Federation at a meeting of the Commission of the Federation Council for Interaction with the Accounts Chamber of the Russian Federation



The Report on the Work of the Accounts Chamber of the Russian Federation in 2010 was presented to the Budget and Tax State Duma Committee

sian Federation of the of the State Duma Budget and Tax Committee.

At the plenary meetings, the Upper and Lower Houses of the Federal Assembly examined conclusions of the Accounts Chamber of the Russian Federation on draft budget for the following year, on report of the Government of the Russian Federation about execution of the budget for the reporting year, as well as the annual report about work of the Accounts

Chamber of the Russian Federation. A number of control activities were carried out in response to the deputies' appeals.

The Chairman of the Accounts Chamber of the Russian Federation, the Deputy Chairman of the Accounts Chamber of the Russian Federation and the auditors of the Accounts Chamber of the Russian Federation were regularly speaking at the meetings of committees and commissions of the Houses of the Federal Assembly of the Russian Federation.

In January-February of 2011, Sergey V. Stepashin, Chairman of the Accounts

Chamber of the Russian Federation, presented the Report on the Work of the Accounts Chamber of the Russian Federation in 2010 at the plenary meeting of the State Duma and at the meeting of the Federation Council.

The Deputy Chairman of the Accounts Chamber of the Russian Federation took part in the meetings of the Commission of the Federation Council for Interaction with the Accounts Chamber of the

Russian Federation, and also he delivered the Report on the Work of the Accounts Chamber of the Russian Federation in 2010.

It is very important when the audit findings of the Accounts Chamber of the Russian Federation are examined at parliament hearings and meetings of core committees where representatives of audited entities and departments are present.

At the meetings, the Commission examined the results of the most important and actual control activ-



Sergey A. Agaptsov, Auditor of the Accounts Chamber of the Russian Federation, took part in the meeting of the Committee of the Federation Council for Education and Science



ities carried out by the Accounts Chamber of the Russian Federation, including due to appeals of the committees and commissions of the Federation Council, members of the Federation Council, in particular:

the findings of a complex audit of management of asset contributions of the Russian Federation;

the findings of audit of effectiveness of disbursement of budgetary funds and federal property for development of adaptive sports and adaptive physical culture in the Russian Federation;

the findings of audit of disbursement of funds for compulsory social insurance against industrial accidents and occupational illnesses for the period from 2008 to 2010;

the results of analysis of organization and performance of bankruptcy procedures in enterprises and entities as well as execution of functions of an authorized body for ensuring the national interests in cases on bankruptcy;

the results of estimation of equipment and technology needs of organizations under the jurisdiction of the Russian Federation and estimation of the satisfaction level of such needs depending on the existing volume and quality of the equipment and technology supply;

the results of audit of the intended and effective disbursement of funds of the federal budget granted for development of domestic shipbuilding for the period from 2008 to 2010;

the findings of audit of the intended and effective disbursement of the funds of the federal budget aimed at supporting and developing of scientific, technical and innovation activities in the Russian Federation for the period from 2009 to 2010 by the funds and receiving organizations;

the findings of audit of the customs control organizations, correctness of calculation, completeness and timeliness of customs payments when placing goods under the customs regime of temporary import for the period from 2008 to 2010.

At the meeting of the Committee of the Federation Council for Social Policy



Mikhail I. Beskhmel'nitsyn, Auditor of the Accounts Chamber of the Russian Federation, takes part in the conference covering the issues of legal regulation of relations in the sector of legal security and use of the results of intellectual activity created at the expense of the federal funds



At the meeting of the Commission of the Federation Council for Interaction with the Accounts Chamber of the Russian Federation, Igor V. Vasilyev, Auditor of the Accounts Chamber of the Russian Federation, reports on the findings of audit.



At the meeting of the Commission of the Federation Council for Interaction with the Accounts Chamber of the Russian Federation, Vladimir S. Katrenko, Auditor of the Accounts Chamber of the Russian Federation, reports on effectiveness of disbursement of the federal funds granted for activities on reduction of tension in the labour market



Alexandr A. Piskunov, Auditor of the Accounts Chamber of the Russian Federation, at the meeting of the Committee of the Federation Council for Defense and Security

and Public Health, when discussing the draft of the Federal Law "On Public Health Protection in the Russian Federation" Vladimir S. Katrenko, Auditor of the Accounts Chamber of the Russian Federation, said that the draft Law was objectively actual, well-timed and well-balanced. It reflected the proposals of the Accounts Chamber of the Russian Federation based on the results of the performed control, expert and analytical arrangements.

Alexandr A. Piskunov, Auditor of the Accounts Chamber of the Russian Federation, took part in the meeting of the Committee of the Federation Council for Defense and Security where the issues of condition, perspectives and legal regulation of military and scientific activity in the Armed Forces of the Russian Federation were discussed.

The Committee of the State Duma for Agricultural Issues examined the findings of audit of management of the funds of the federal budget allocated for the State Program of Agriculture Development in 2010.

With that, together with active participation of committees and commissions of the Houses of the Federal Assembly of the Russian Federation, the Accounts Chamber of the Russian Federation is continuously monitoring the realization of its own proposals and recommendations.

Thus, the feedback between the Accounts Chamber of the Russian Federation and the legislative power is performed in the field of solving problems of improvement of the government finance management and enhancement of effectiveness of the finance disbursement. At the same time, the Accounts Chamber of the Russian Federation receives the information about effects of audit findings on activities of audited entities.

In accordance with the recommendations adopted in Resolution No. 29-SF of the Federation Council of the Federal Assembly of the Russian Federation dated February 2, 2011 "On Report on the Work of the Accounts Chamber of the Russian Federation in 2010", the Accounts Chamber of the Russian Federation continued



to strengthen and develop the unified control system for management of the federal budget and budgets of state non-budgetary funds, for management and disposal of the state property, as well as to improve scientific and research, legal and methodological support of state financial control.

Also the Accounts Chamber of the Russian Federation continues to monitor the programs, aimed at innovative development of the Russian economy; to control effectiveness and efficiency of disbursement of budgetary funds aimed at development of nano-industry infrastructure, special economic areas, as well as to work within the arrangements on formation of the federal contractual system and the national payment system including in implementing appropriate pilot projects by the federal government authorities.

The Action Plan of the Accounts Chamber of the Russian Federation for 2011 includes the section "Control over the Concept of Long-term Social and Economic Development of the Russian Federation for the period to 2020 (section 2 "Stages of Innovative Development")" providing for a complex of appropriate activities.

In accordance with the Decision of the Collegium of the Accounts Chamber of the Russian Federation, the expert and analytical activity, called "Analysis of possibilities and measures to improve effectiveness in supplying goods, performing works, rendering services for government and municipal need under the conditions of formation of the federal contractual system", was included into the Action Plan.

The Accounts Chamber of the Russian Federation reviewed the disbursement of the funds from the federal budget for the Program "Development of Nanotechnologies for Creation of Materials, Devices and Systems of Space Engineering and its Adaptation to Other Engineering Branches and Production" ("Nano-technologies-SG").

During the reporting period, the Accounts Chamber of the Russian Federation was conducting audits of compliance with the Federal Law "On the Federal Budget for Year of 2010 and for the Planned Period of 2011–2012" regarding the disbursement of the federal budget funds aimed at development of special economic areas.

In accordance with the recommendations of the Federation Council – to develop the methodology of audit of effectiveness of disbursement of budgetary funds aimed at the activities specified by the National Anti-Corruption Plan, the Accounts Chamber of the Russian Federation developed the Methodological Recommendations for estimation of corruption risks associated with disbursement of budgetary allocations, and control over effectiveness of anti-corruption programs.

Federal Law No. 6-FZ of February 7, 2011 "On General Principles of Organization and Activity of Control and Accounting Bodies of the Constituent Entities of the Russian Federation and Municipal Entities" was passed with the direct participation of the Accounts Chamber of the Russian Federation.

The law enabled to strengthen the interaction of the Accounts Chamber of the Russian Federation with regional control and accounting bodies which operate as bodies of state external financial control at a sub-federal level. Most of national investment and social projects and programs are implemented on the basis of cofinancing by interested regions and municipalities. Thus, the Accounts Chamber of the Russian Federation interacts actively with control and accounting bodies both in conducting joint audits and in providing methodological and organizational support.

Such interaction is of key importance with a view to creating the unified walk-through system for strategically important tasks of social and economic development of the country at all levels of the budgetary system in Russia..



7.6. Interaction with Federal Bodies of State Power

During the reporting period the Accounts Chamber of the Russian Federation continued to cooperate with federal bodies of state power, law enforcement agencies and other bodies. The interaction of the Accounts Chamber of the Russian Federation with entities and organizations is founded on mutual agreements.

The Accounts Chamber of the Russian Federation concluded 141 cooperation agreements in total, including 82 agreements with bodies of state power, law enforcement agencies and other bodies, 59 agreements with control and accounting bodies of the constituent entities of the Russian Federation. Besides, 45 agreements were concluded with foreign partners.

In 2011, the Accounts Chamber of the Russian Federation concluded 15 agreements. Among them, there is the Cooperation Agreement between the Accounts Chamber of the Russian Federation and the Ministry of Culture of the Russian Federation, the Cooperation Agreement between the Accounts Chamber of the Russian Federation and the Ministry of Sports, Tourism and Youth Policy of the Russian Federation, the Cooperation Agreement between the Accounts Chamber of the Russian Federation and the Ministry of Regional Development of the Russian Federation, the Provision the procedure of interaction between the Accounts Chamber of the Russian Federation and the Investigation Committee of the Russian Federation and others.

The significant factor of efficiency of the activity of the Accounts Chamber of the Russian Federation is its interaction with the Prosecutor General's Office of the Russian Federation, other law enforcement agencies.

In the framework of the Provision about the procedure of interaction between the Accounts Chamber of the Russian Federation and the Investigation

Committee of the Russian Federation as well as with a view to improving effectiveness of such cooperation the Order "On establishment of Joint Working Group on Prevention of Offences in the Financial and Budgetary sector" was signed.

Under the agreements on audit of entities of mutual interest, concluded on a continuing basis with the Prosecutor General's Office of the Russian Federation, the Ministry of the Interior of Russia and the Federal Security Service of Russia, in 2011 the Accounts Chamber of the Russian Federation conducted 55 joint audits including 13 – together with the Prosecutor General's Office of the Russian Federation, 16 – together with the Ministry of the Interior of Russia and 26 – together with the Federal Security Service of Russia.

In accordance with the Agreement between the Accounts Chamber of the Russian Federation and the Ministry of the Interior of the Russian Federation the consultation with the representatives of the Department of Economic Security of the Ministry of the Interior of Russia was held under the leadership of Mikhail V. Odintsov, Auditor of the Accounts Chamber of the Russian Federation, which dealt with issues of control over safety and quality of food.

The law enforcement agencies together with departments, headed by the auditors of the Accounts Chamber of the Russian Federation, and the structural subdivisions of the Office of the Accounts Chamber of the Russian Federation are carrying out arrangements provided for by the Anti-Corruption Plan of the Accounts Chamber of the Russian Federation.

In the reporting period, together with the Federal Security Service of the Russian Federation the Accounts Chamber of the Russian Federation conducted audits of:

finances and business activity of the JSC "Transinzhstroy". The audit revealed fi-



financial violation in amount of 291.6 mln roubles. According to the findings of the audit the reports were sent to the Main Directorate of Special Programs of the President of the Russian Federation, the Moscow Government, and the information letter was sent to the President of the Russian Federation;

enhancement of effectiveness of use and development of the resource potential of the fishing complex for the period of 2009–2014 regarding the construction of research vessels and vessels for reproduction;

intended use of the federal budget funds during the period from 2009 to 2010 granted as the government support for the OJSC “NPO Energomash Named after Academician V.P.Glushko”. The results of the audit showed that the production activity of the OJSC “NPO Energomash Named after Academician V.P.Glushko” was unprofitable. In 2008–2009, the loss from sale of the RD-180 rocket engines amounted to about 880 mln roubles or almost 68% of the total losses of the Company for that period.

The managerial errors of the senior staff of the Company, lack of proper attention to the issues of technical reequipment of the production and reconstruction of capital assets lead to the fact that the most part of the equipment had been used for more 20 years, and the depreciation of the buildings and constructions was about 60%.

Based on the findings of the audit, by the decision of the Board of Directors of the OJSC “NPO Energomash Named after Academician V.P.Glushko”, the basic provisions of the program for stabilization of the enterprise’s financial situation were approved. Besides, 12 directors and 8 deputy directors were discharged; a draft of a new version of the Provision on Bonus Payments for the Senior Staff of the OJSC “NPO Energomash Named after Academician V.P.Glushko” was developed; and the terms and conditions of the existing contracts were revised. As a result, the salary

schedule for main workers increased by 1.8 mln roubles.

In the framework of the control over implementation of the Energy Strategy of Russia for the period to 2030, together with the Federal Security Service of Russia, the Ministry of the Interior of Russia and the Moscow Chamber of Control and Accounts, the Accounts Chamber of the Russian Federation conducted an audit of the intended and effective disbursement of investments of OJSC “Holding MRSK” for the period from 2008 to 2010, which revealed the undisbursed investments under the investment programs for the period from 2008 to 2010 at the cost of the profit, provided for by the energy rate, in the total amount of 3 323.6 mln roubles. To implement the Government Order of the Russian Federation, the Moscow Regional Energy Commission adjusted the required gross revenue of the JSC “MOESK” by the amount of more than 1 368 mln roubles. In accordance with the JSC “MOESK” letter, the remaining part of the funds will be taken into account in regulating the rates for 2012.

Together with the Prosecutor General’s Office of the Russian Federation, the Accounts Chamber of the Russian Federa-



Yuriy I. Kalinin, Member of the Federation Council, Alexandr P. Nikitin, Head of the Supervision Directorate of the Main Military Procuracy, and V.N. Samuseev, Military Prosecutor of the Strategic Rocket Forces, at a meeting of the Collegium of the Accounts Chamber of the Russian Federation. The issue of effectiveness of disbursement of the federal budget funds aimed for maintenance, social support and infrastructure of the Strategic Rocket Forces is being discussed.



tion conducted an audit of effectiveness of disbursement of the federal budget funds aimed for maintenance, social support and infrastructure of the Strategic Rocket Forces for the period from 2008 to 2009.

Together with the Transport Directorate of the Ministry of the Interior of Russia for the North-Western Federal District, the Accounts Chamber of the Russian Federation conducted the "Audit of Effectiveness of the Agreement on Public-Private Partnership concerning Reconstruction and Development of "Pulkovo" Airport

(Saint-Petersburg)" which revealed the disbursement of the funds with violation of the legislation in the amount of 4 809.2 mln roubles. Non-effective expenditures amounted to 65.5 mln roubles.

Such form of cooperation with law enforcement agencies proved to be effective.

In cases of detection of gross violations of the legislation or a great financial damage to the state, the Accounts Chamber of the Russian Federation sends corresponding materials to law enforcement agencies.

In 2011, the Accounts Chamber of the Russian Federation sent 176 materials of audits to prosecutor's offices and other law enforcement agencies. Based on the materials of the control activities of the Accounts Chamber of the Russian Federation, 72 criminal cases were initiated.

At the same time, the administrative measures were applied to responsible persons of the audited entities such as warning, reprimand, disciplinary penalty and dismissal. The total number of administrative punishments as a response to the reports of the Accounts Chamber of the Russian Federation for the reporting period was 765.

The cooperation agreements between the Accounts Chamber of the Russian Federation and the Ministry of Sports, Tourism and Youth Policy of the Russian Federation and the Ministry of Culture of the Russian Federation provide for the parties' interaction aimed at enhancement of efficiency of the activity in performing the functions of external and intra-departmental state financial control.

The agreements will facilitate creation of conditions favorable for reasonable disbursement of the federal budget funds, for safety of the federal property, for prevention, detection and suppression of offences related to the use of the federal budget funds and the federal property, for prevention of corrupt practices in these sectors.

The Accounts Chamber of the Russian Federation concluded the Cooperation Agreement with the federal state-funded



Alexandr A. Avdeev, Minister of Culture, at a meeting of the Collegium of the Accounts Chamber of the Russian Federation. The issues of disbursement of subsidies by the recipients of the government support in the sector of culture, cinematography and mass media are being discussed



Vitaliy L. Mutko, Minister of Sports, Tourism and Youth Policy, at a meeting of the Collegium of the Accounts Chamber of the Russian Federation. The issues of disbursement of the budgetary funds, allocated for organization, preparation and performance of the XXVII World Summer Student Games in Kazan in 2013 are being discussed



higher educational institution “The Russian Presidential Academy of National Economy and Public Administration”.

The Agreement provides for cooperation with a view to enhancing a skill level of civil officers, improving the system of training of specialists for work in state structures as well as organization of practical training for the Academy’s students. Under the Agreement, the parties will share information on issues of mutual interest, cooperate in the framework of preparation and carrying out of joint seminars and conferences, interact on issues of research activities in the field of state financial control as well as organize trainings for students, postgraduates and doctoral candidates of the Academy in the field of the activity of the Accounts Chamber of the Russian Federation.

This work is aimed at effective solving of one of major tasks – conducting an external audit of execution of the budget, which provides for external control over state revenues and expenditures of state funds by various links of the financial system. Such work would be impossible without close cooperation with other state



Irina P. Morokhoeva, Chairman of the Chamber of Control and Accounts of the Irkutsk Region, at a meeting of the Collegium of the Accounts Chamber of the Russian Federation. The issue of disbursement of the federal budget funds, granted to the Ministry of Justice of Russia for registration of civil acts in the Irkutsk Region, is being discussed

control and law enforcement bodies—authorized bodies of executive power, which are in charge of execution of the budget; with bodies of state internal financial control, established by the executive power; with tax bodies, the Prosecutor General’s Office, the Ministry of the Interior, the Federal Security Service and other state control institutions.

7.7. Interaction with Control and Accounting Bodies of the Russian Federation

In accordance with Article 22 of the Federal Law “On the Accounts Chamber of the Russian Federation” and Article 18 of the Federal Law “On General Principles of Organization and Activity of Control and Accounting Bodies of the Regional and Municipal Entities of the Russian Federation” the Accounts Chamber of the Russian Federation cooperates with control and accounting bodies.

Cooperation is performed on the basis of the signed cooperation agreements of the Accounts Chamber of the Russian Federation with control and accounting bodies of the regional entities of the Rus-



Signing of Cooperation Agreement between the Accounts Chamber of the Russian Federation and the Chamber of Control and Accounts of the Moscow Region



A video-conference with heads of legislative and control and accounting bodies of the constituent entities of the Russian Federation in the Information Center of the Emergencies Ministry

sian Federation, the Action Plan of the Accounts Chamber of the Russian Federation and the Action Plan of the Association of Control and Accounting Bodies of the Russian Federation (hereinafter referred to as the Association) for purposes of collaboration.

For the Accounts Chamber of the Russian Federation and all control and accounting bodies of the country the reporting year is marked with adoption of Federal Law No. 6-FZ of February 7, 2011 "On General Principles of Organization and Activity of Control and Accounting Bodies of the Regional and Municipal Entities of the Russian Federation" (hereinafter referred to as Federal Law No. 6-FZ) which stipulates the legal foundations for organization and activity of state and municipal external financial control bodies. The representatives of the Accounts Chamber of the Russian Federation and control and accounting bodies of the regional entities of the Russian Federation were actively participating in development of the Draft Law.

The Accounts Chamber of the Russian Federation and the Association have

been involved actively in process of compliance of the legislation on control and accounting bodies with Federal Law No. 6-FZ.

With a view to providing assistance to legislative bodies of state power of the regional entities of the Russian Federation and representative bodies of local self-administration, the Accounts Chamber of the Russian Federation and the Association developed and proposed a law on a control and accounting body of the regional entity of the Russian Federation, a provision on a control and accounting body of a municipal entity, methodological recommendations on calculation of the number of staff of control and accounting bodies.

The effective type of cooperation with control and accounting bodies proved to be a monitoring of the situation covering actual problems of external financial control in the regional entities of the Russian Federation.

During the year, we were monitoring the implementation of the legislation on external financial control and law enforcement practice in the constituent entities of the Russian Federation and municipal



entities. The preliminary results of the monitoring were discussed:

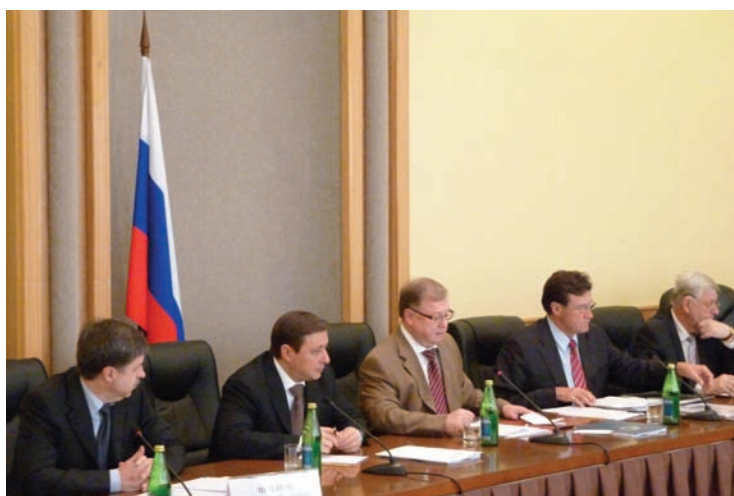
at the Parliament hearings "Legislation and Law Enforcement Practice in the External Financial Control System" in the Federation Council of the Federal Assembly of the Russian Federation;

at the meetings of boards of heads of legislative (representative) bodies of state power of the regional entities of the Russian Federation with the participation of the representatives of the Prosecutor General's Office of the Russian Federation and the Russian Presidential Plenipotentiary Representatives of the Urals, Siberian and North Caucasian Federal Districts.

In December of the reporting year the major results of functioning of Federal Law No. 6-FZ were summarized in the reports presented by Valentina I. Matvienko, Chairman of the Federation Council of the Federal Assembly of the Russian Federation, at the conference, held in the Accounts Chamber of the Russian Federation, and by Sergey E. Naryshkin, Head of the Administration of the President of the Russian Federation, at the All-Russian meeting of control institutions. Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation, Chairman of the Association, paid a special attention to the issues of organization of external financial control at a municipal level.

Using a great experience of international cooperation, the Accounts Chamber of the Russian Federation rendered an assistance to the Chamber of Control and Accounts of the Rostov Region in preparing and carrying out an international seminar where the practice of auditing the municipal authorities of the countries, which are the members of EURORAI, was discussed with the participation of the heads of regional and municipal control and accounting bodies of Russia and of a number of the European states.

The issues of foundation and activity of municipal control and accounting bod-



Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation, Alexandr G. Khloponin, Deputy Chairman of the Government of the Russian Federation and the Presidential Plenipotentiary Representative in the North Caucasian Federal District, Vladimir E. Shvetsov, Deputy Presidential Plenipotentiary Representative, and Alexandr E. Zhdankov and Sergey N. Ryabukhin, Auditors of the Accounts Chamber of the Russian Federation, at the meeting of heads of control and accounting bodies of the constituent entities of the Russian Federation, included in the North Caucasian Federal District, discussed the issues of improvement of interaction of regional control and accounting bodies with territorial bodies of the Investigation Committee of the Russian Federation

ies were examined in a detail in Tomsk at the X Conference of the Union of Municipal Control and Accounting Bodies. The Accounts Chamber of the Russian Federation rendered an organizational and methodological assistance in preparing this conference.



Valentina I. Matvienko, Chairman of the Federation Council of the Federal Assembly of the Russian Federation, speaks to the participants of the conference of the Association of Control and Accounting Bodies (the Accounts Chamber of the Russian Federation, December 12, 2011)



The Presidium of the All-Russian Meeting of Control Bodies (The President-Hotel, December 13, 2011): Sergey E. Naryshkin, Head of the Administration of the President of the Russian Federation; Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation; Vyacheslav M. Lebedev, Chairman of the Supreme Court of the Russian Federation; Yuriy Ya. Chayka, Prosecutor General of the Russian Federation; Konstantin A. Chuychenko, Aide to the President of the Russian Federation – Head of the Presidential Control Directorate of the Russian Federation



A Presidium of the International Seminar "Practice of Auditing the Municipal Authorities of the Countries, which are Members of EURORAI (practical experience, types of control activities, findings of reviews, reports, measures taken according to the results of detected violations), with examples from the practice"

In the reporting year, for the first time the practice of certification of control and accounting bodies within the framework of the Association was applied at a municipal level. At the request of the local self-administration bodies of the Volgograd city and the Voronezh city the Accounts Chamber of the Russian Federation rendered assistance in the complex analysis of activity (certification) of control and ac-

counting bodies of the above-mentioned municipal entities.

In organizing their cooperation the Accounts Chamber of the Russian Federation and control and accounting bodies paid special attention to control over socially relevant problems. It was realized in planning and conducting joint control and expert activities, in particular, in audit of effectiveness in rendering high-tech medical assistance to people. For this, the Accounts Chamber of the Russian Federation organized the Russian-British seminar with the active participation of the auditors of control and accounting bodies of the regional entities of the Russian Federation.

In close cooperation with control and accounting bodies of the regional entities of the Russian Federation, the Accounts Chamber of the Russian Federation conducted an audit of the Support Fund for the Reform of the Housing and Utilities Sector. The heads of control and accounting bodies took part in the meetings of the Collegium of the Accounts Chamber of the Russian Federation when examining the reports on the results of the performed joint control activities. The practice of control activities in the housing and utilities sector was examined in the Siberian Federal District (in Abakan) with the participation of the Chairman and the auditors of the Accounts Chamber of the Russian Federation.

With a view to improving organization and performance of joint control and expert activities and providing methodological support, the Accounts Chamber of the Russian Federation developed, accepted and recommended for use by control and accounting bodies the Standard of Activity Organization "On Conducting Joint or Concurrent Control and Expert Activities by the Accounts Chamber of the Russian Federation in Cooperation with Control And Accounting Bodies of the Russian Federation".



Due to considerable changes in the managing and auditing staff of regional and municipal control and accounting bodies, the Accounts Chamber of the Russian Federation rendered assistance to the Russian Presidential Academy of National Economy and Public Administration and to the Peoples' Friendship University of Russia in organization of professional courses.

The employees of the Accounts Chamber of the Russian Federation were regularly sharing their experience of cooperation with regional and municipal control and accounting bodies on the pages of the "Vestnik AKSOR" theoretical and practical magazine. For the same purposes, the Accounts Chamber of the Russian Federation held contests for a title "The Best Financial Controller of Rus-



Vadim S. Lopatnikov, Chairman of the Saint-Petersburg Chamber of Control and Accounts, at a meeting of the Collegium of the Accounts Chamber of the Russian Federation. The issue of reforming the housing and utilities infrastructure of the Saint-Petersburg city, finance and economic activity of OJSC "Pulkovo Airport" is being discussed

sia" and for the V.A. Tatarinov Award with the participation of representatives of the Accounts Chamber of the Russian Federation, regional and municipal control and accounting bodies.

7.8. International Cooperation

The international activity of the Accounts Chamber of the Russian Federation has been performed according to Article 32 of the Federal Law on the Accounts Chamber of the Russian Federation taking into account the requirements of the Lima and Mexico Declarations of the International Organization of Supreme Audit Institutions (INTOSAI). Besides, attention was focused on the issues of cooperation of the Accounts Chamber of the Russian Federation with international audit institutions and on more profound bilateral relations with SAIs of other countries on the basis of the concluded collaboration contracts.

Thanks to concurrent and joint audits and sharing the experience, the professional and substantive constituents of international activity of the Accounts Chamber of the Russian Federation received new impulses; the geography of international activity has extended. At the same time, the main objectives were to create favourable conditions for free access of the employees of the Accounts Chamber of the Russian Federation to the international practice of auditing, to master advanced practices and methods of auditing, to use international standards in core activity and to improve professional level of all employees as well as to enhance the



authority and role of the Accounts Chamber of the Russian Federation in the international audit society.

The international activity of the Accounts Chamber of the Russian Federation was focused on preparation of our delegation to participation in the VIII Congress of EUROSAI and in Governing Boards of INTOSAI in Lisbon, then in the III Conference EUROSAI – ARABOSAI, in the XXI Symposium of INTOSAI/UNO in Vienna, then in the I Conference of EUROSAI – ARABOSAI and in the 62nd meeting of the Governing Board of INTOSAI. A special attention was paid to the 3rd meeting of the Steering Committee of the INTOSAI Knowledge Sharing Committee.

The Chairman of the Accounts Chamber of the Russian Federation presented the report on “The Role of SAI in Accountability and of Responsibility of Public Officials” at the VIII Congress of EUROSAI, the report “On Relevance and Efficiency of Independent SAIs for Civil Society” at the conference in Abu-Dabi. In Vienna, Sergey V. Stepashin devoted

his report to problems of presentation of the results of SAI’s activity to the public. In Istanbul the presented report “The SAI’s Role in Enhancement of Awareness of the Parliament and the Society about Accountability and Transparency in the Public Management” formulated major requirements to SAIs at the present stage, the requirements which go beyond the usual understanding of the role and the place of SAI in the state’s structure, which touch upon and bring up to a new level the tasks of SAIs as the structure guarding the interests of civil society. Therefore, it is no coincidence that these reports aroused a genuine interest and got the highest appraisal from the participants of the arrangements.

The Accounts Chamber of the Russian Federation had worked much for holding the 3rd meeting of the Steering Committee of the INTOSAI Knowledge Sharing Committee in Moscow. The uniqueness of this event consisted in the fact that our active participation in work of the Committee was defined by the high interest in gaining the advanced practice



Participants of the 62nd meeting of the Governing Board of INTOSAI, Vienna, October 26-27, 2011



of auditing. Therefore the Accounts Chamber of the Russian Federation became a member of eight of eleven working groups of the mentioned Committee in which our specialists got a possibility to gain and use in practice the best methods and methodologies of the modern auditing. For the same reasons, the Accounts Chamber of the Russian Federation assumed the responsibility of a Goal 3 Liaison within the Committee.

The outstanding events in the working life of the Accounts Chamber of the Russian Federation have become the 4th meeting of the INTOSAI Working Group on Key National Indicators, which was held under our chairmanship in Helsinki, and the 3rd meeting of the EUROSAI Special Group on audit of funds allocated for disaster prevention and control, in Moscow.

A great attention was paid to our participation in international concurrent and joint audits such as audit of adaptation to climate changes and audit of pollution control of the Black Sea, conducted according to the plans of the EUROSAI Working Group on Environmental Auditing; audit of the IT structure of the Accounts Chamber of the Russian Federation on the basis of the COBIT standards with the participation of the SAI of the Republic of Lithuania within the framework of plans of the EUROSAI Working Group on IT auditing. Taking into account the importance of all forms of professional improvement,

the Accounts Chamber of the Russian Federation was widely practicing the participation of our specialists in international seminars, symposiums, conferences where theoretical and methodological problems of audits were being discussed. For adopting practices of other countries, the following arrangements were also important: the seminar of EUROSAI and the



Participants of the 3rd meeting of the Steering Committee of the INTOSAI Knowledge Sharing Committee, Moscow, October 5-6, 2011



Valery P. Goreglyad, Deputy Chairman of the Accounts Chamber of the Russian Federation, met with the participants of the 2nd Forum of rectors of academies of public administration of the SCO member countries



Contact Committee of SAls of EU member countries "Audit in the Sector of Public/Private Partnership", the seminar of the EU-ROSAl Working Group on Environmental Auditing "Audit of Wastes Management", the international seminar of INTOSAl on audit of privatization, economic regulation and public-private partnership, the international seminar on issues of professional ethics of SAls' employees and training of specialists in external expert assessments of SAls.

The Accounts Chamber of the Russian Federation has become a full member of the established INTOSAl special group on information database of SAls. The delegation of the Accounts Chamber of the Russian Federation took an active part in the first meeting which was held in Mexico.

Besides, the representatives of the Accounts Chamber of the Russian Federation took part in the meetings of 15 work-

ing groups and committees in which the SAl of Russia is a member.

As is known, the Governing Board of INTOSAl has worked much to give the status of the UN documents to Lima and Mexico Declarations. The final result of this initiative is the formation of the professional, highly-effective and transparent supreme audit institutions having a true operational independence from executive bodies. The Accounts Chamber of the Russian Federation has made its contribution to promotion of the initiative by having oriented the Ministry of the Interior of Russia and the Permanent Mission of the Russian Federation to UNO to support the draft resolution. In December 2011 at the plenary session, thanks to efforts of a number of states, and in the first place the position of the Russian Federation, initiated by the Chairman of the Accounts Chamber of the Russian Federation, the UN General Assembly adopted the corresponding resolution which fully supports



Participants of the XI session of the Council of the Heads of Supreme Audit Institutions of the CIS countries, Kiev, in September 8-9, 2011



the major principles of the activity of SAIs, stated in the Lima and Mexico Declarations, and recommends to all the UN member countries to strengthen Supreme Audit Institutions.

The Accounts Chamber of the Russian Federation has started working actively in ASOSAI. In particular, during the reporting period our specialists took part in four meetings of the Working Group on Implementation of the 9th Research Project "Estimation of Internal Control Systems and Interaction between Internal Control Bodies and SAIs". The work on organization of cooperation regarding EUROSAI – ASOSAI was successfully completed, and the Accounts Chamber of the Russian Federation played a leading role in this work. And as a result, in September the I Conference of these regional organizations was held in Istanbul. Besides, the Accounts Chamber of the Russian Federation offered itself as a candidate for hosting the II Conference to be held in 2014 in accordance with the schedule.

In the reporting period the Secretariat of the Council of Heads of the SAIs of the CIS member countries, established on the basis of the Accounts Chamber of the Russian Federation, continued its work in accordance with the plan. A great complex of arrangements related to preparation and conduct of the XI Session of the Council in Kiev was carried out. The book of documents of the previous X Session and the current XI Session of the Council was published and sent to the members of the Council, other participants of the session and to the CIS Executive Committee. The Methodological recommendations on the use of key national indicators in organizing and conducting audits of effectiveness, recommended by

the X Session of the Council, as well as the text of the resolution "About the Role and the Place of Supreme Audit Institutions of the Member Nations of the Commonwealth of Independent States in Control over Disbursement of Public Funds aimed at Prevention and Control of Natural and Anthropogenic Disasters", adopted at the XI Session, were sent to the Inter-Parliamentary Assembly CIS. We rendered assistance in work of the Council's web-site. The basic documentation, regulating the activity of the Working Group on Development of State Financial Control Standards for the SAIs of the CIS member countries, and its main principles of use were developed and agreed upon. Besides, the first meeting of the Group was held in Astana (Kazakhstan, May 17–19). In accordance with the Action Plan of the Council, the seminar "Practice of Audit of Effectiveness in State Control of the CIS Member Countries" was held in Bishkek, in April 26–27, 2011. Using the facilities of the Accounts Chamber of the Russian Federation, the 4th meeting of the Expert Group of the Council on Key National Indicators was held on May 24, 2011.

The result of the XI Session of the Council was the signing of the Memorandum of Results of the Concurrent Audit,



Signing of the trilateral Memorandum at the XI Session of the Council of Heads of the Supreme Audit Institutions of the CIS Countries, Kiev, September 8–9, 2011



performed by Supreme Audit Institutions of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation, of execution of arrangements for organization of the Customs Union, of preparation and implementation of documentation regulating interaction between the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation in forming a unified customs territory, and of results of the trilateral concurrent audit of

execution of arrangements for formation of the Customs Union.

From April to June, 2011 at the active stage we were coordinating the participation of the representatives of the Accounts Chamber of the Russian Federation in a number of projects of the INTOSAI Working Group on Environmental Auditing. Such projects included development of the INTOSAI Guidelines on integration of issues of fraud and corruption prevention into the audit of management of ecology and natural resources; updating of researches on water consumption issues; examination of ecological issues related with development of infrastructure, and development of the Guidelines on audit of wastes management.

The relationships of the SAls of member countries of the Shanghai Cooperation Organization have been developing successfully. Being authorized with the functions of the coordinator, the Accounts Chamber of the Russian Federation is organizing a next meeting of the heads of SAls of these countries in April 2012 in Shanghai.

Vadim V. Dubinkin, our representative, continued his active work in the UN Independent Audit Advisory Committee and Sergey Yu. Kutukov was reelected to the Independent Audit Committee of the Council of Europe. We prepared materials with notes and recommendations as to quality and general effectiveness of risk management procedures and disadvantages in the internal control system



A working visit of Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation, to the Republic of Abkhazia



A working visit of Alexandr S. Yakobson, Chairman of the State Control Committee of the Republic of Belarus, to the Accounts Chamber of the Russian Federation



A working visit of Alexandr S. Yakobson, Chairman of the State Control Committee of the Republic of Belarus, to the Accounts Chamber of the Russian Federation

of the United Nations Organization, effectiveness of auditing activity, the budget of the Office of the UN Internal Oversight Services.

The active position of the Accounts Chamber of the Russian Federation in the work of the international organizations of SAIs has encouraged development and strengthening of bilateral relationships with colleagues from other countries. Moreover, these two forms of international cooperation supplement each other well in solving a main issue: sharing the experience of auditing activity and acquisition of new skills. For this purpose in 2011 the Chairman of the Accounts Chamber of the Russian Federation paid official visits to Cyprus, Poland, Finland, Sweden, Switzerland, Norway, Turkey, Azerbaijan, the European Court of Auditors, Vietnam and the Palestinian National Administration as well as he paid working visits to the Republic of Abkhazia, the Palestinian National Administration, Hungary, Belgium and Luxembourg.

The Chairman of the Accounts Chamber of the Russian Federation was included in the official delegation of the Russian Federation led by the President of the Russian Federation during visits to Jordan and Palestine.

The President of the National Audit Office of the Republic of Serbia, the Auditor General of Mongolia, the Chairman of the Accounts Chamber of the Republic of Moldova, the State Controller of the Republic of Estonia, the State Controller of the USA, the Controller and the Auditor General of India, the Chairman of the Board on Audit and Inspection of Korea, the State Controller of the Republic of Latvia, the President of the Court of Audit of the Kingdom of the Netherlands, the Chairman of the Control Chamber of the Republic of Armenia paid official visits to the Accounts Chamber of the Russian Federation. Besides, the Chairman of the Control Chamber of the Republic of Armenia, the Chairman of the State Control Committee of the Republic of Belarus, the State



Controller of the Republic of Latvia and the Auditor General of the United Mexican States paid working visits to the Accounts Chamber of the Russian Federation.

The priority area of the bilateral cooperation was the conducting of concurrent and joint audits. In 2011, the Accounts Chamber of the Russian Federation conducted such audits in cooperation with colleagues from 8 countries. By results of these audits, the final documents were signed and in Moscow the joint meetings of the Collegium of the Accounts Chamber of the Russian Federation were held with the participation of the State Control Committee of the Republic of Belarus, the Council of the Control Chamber of the Republic of Armenia, the Governing Board of the National Audit Office of Mongolia, the State Control Council of Lithuania. The field joint meetings were held together with the State Auditor of Vietnam in Hanoi and together with the State Audit and Administrative Control Bureau of the Palestinian National Administration in Ramallah.

In the reporting period, the Accounts Chamber of the Russian Federation signed the cooperation agreements with the National Audit Office of the Republic of Serbia, with the National Audit Office of Finland, with the Supreme Auditor's Office of the United Mexican States and with the World Bank. Thus, the total number of such agreements has reached 63.

The Chairman of the Accounts Chamber of the Russian Federation met with the Head of the Palestinian National Administration, ambassadors of the Republic of Yemen, the Republic of Korea, the Slovak Republic, Cyprus, Vietnam and the Republic of South Africa, with the Deputy of the Chairman of the National Committee of the Chinese People's Political Consultative Conference and with the Prosecutor General of Cuba.

During the year, the Chairman of the Accounts Chamber of the Russian Federa-

tion paid working visits to France, Italy, Kazakhstan and Kirgizia.

On May 25, 2011 the meeting with the delegation of the Council of regional representatives of Indonesia was organized and held in the Accounts Chamber of the Russian Federation.

By following a consistent policy of development and deepening the mutually beneficial cooperation, the Accounts Chamber of the Russian Federation and the National Audit Office of the People's Republic of China developed and signed the program of bilateral cooperation for the period from 2011 to 2013. Within the framework of the program, the bilateral seminar "The Role of SAI in Fighting Corruption" was held in Beijing, and the Russian-Chinese seminar on problems of audit of environmental protection was organized in Moscow.

In the framework of cooperation with the SAI of the Great Britain in the field of performance audit, the Russian-British practical seminars were held in Moscow and London in order to train the employees of the Accounts Chamber of the Russian Federation and the regional control and accounting bodies of the Russian Federation to conduct a performance audit of disbursement of the funds in public health sector.

The bilateral cooperation of the Account Chamber of the Russian Federation with the General Auditor's Office of the Kingdom of Norway got further development. In March, the working meeting of the representatives of SAIs of Russia and Norway on the issues of concurrent audit of management of water and biological resources of the Barents Sea and the Norwegian Sea was held in Saint-Petersburg. In June, a meeting of working groups of the SAIs of Russia and Norway was organized in Moscow for additional interviews with the state authorities of the



Russian Federation, for development and discussion of the final documents based on the results of the concurrent audit on nuclear and radiation safety. In September, in Oslo the SAls of Russia and Norway signed a joint report on the results of the concurrent audit of disbursement of the funds allocated for the projects in the field of minimization of radioactive pollution effects.

The auditing experience, accumulated by the Accounts Chamber of the Russian Federation over the years of its existence which embodied advanced methodologies and ideas of foreign colleagues, allows us to render professional assistance to friendly SAls. For example, last sum-

mer the representatives of the Accounts Chamber of the Russian Federation carried out a fourday training seminar with the colleagues in Abkhazia; in October the Accounts Chamber of the Russian Federation organized a one-week training course for inspectors of the Accounts Chamber of Moldova. We consider a possibility to realize such courses with the specialists of the State Audit and Administrative Control Bureau of the Palestinian National Administration.

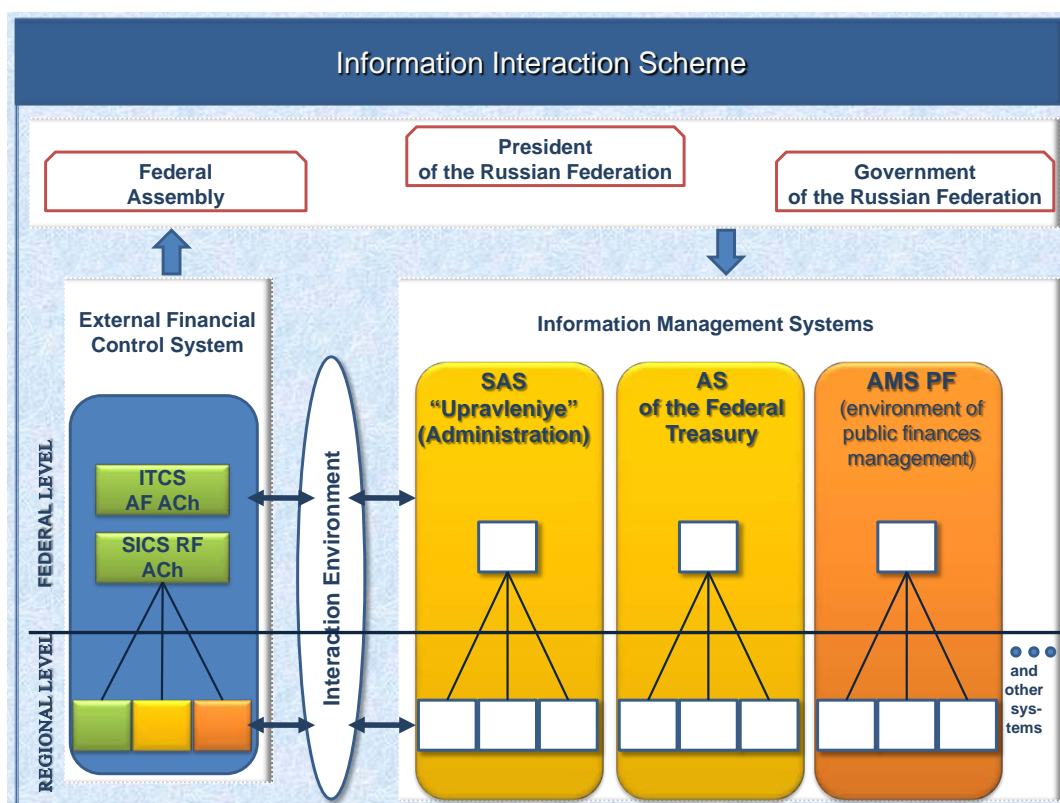
Summarizing the international activity for 2011, it may safely be said that the Accounts Chamber of the Russian Federation upheld considerably its positions in the international auditing community.

7.9. Information and Technical Support of the Activity of the Accounts Chamber of the Russian Federation

Development and maintenance of information and technical support of external state financial control was performed with a view to further improving the efficiency and quality of the auditing activity, creating the conditions and possibilities for effective conduct of complicated types of audits such as performance audit and strategic audit, improving the working schedules of day-to-day activity.

In the reporting period the scope of tasks, solved by the Accounts Chamber of the Russian Federation in the area of information technologies, extended considerably. In accordance with the decision of the Presidium of the Presidential Council of the Russian Federation on Development of the Information-Oriented Society in the Russian Federation, Gov-

ernment Order No.926-p of the Russian Federation of May 28, 2011 defined the Accounts Chamber of the Russian Federation as an operator of the State Information and Analysis System of Control and Accounting Bodies of the Russian Federation, which had been developed and created within the framework of the federal targeted program "Electronic Russia (from 2002 to 2010)". In accordance with the established powers, the Accounts Chamber of the Russian Federation implemented the first stage of the mentioned system composed of 34 entities, including in 30 constituent entities of the Russian Federation and one municipal entity, and organized its operation. 11 chambers of control and accounts of regional and municipal level were connected additionally to the unified information resources of the system.



ITCS AF ACh – Information and Telecommunication System of the Accounts Chamber of the Russian Federation

SIAS CAB RF – State Information and Analysis system of Control and Accounting Bodies

CAB – Control and accounting bodies

SAS "Upravleniye" – State Automated System "Upravleniye"

AS of the Federal Treasury – Automated System of the Federal Treasury

AMS PF – Automated Management System of Public Finances

The state information and analysis system of control and accounting bodies became one of the significant tools of effective realization of the Federal Law "On General Principles of Organization and Activity of Control and Accounting Bodies of the Russian Federation and Municipal Entities", adopted in 2011. Together with the "Control" information and telecommunication system of the Accounts Chamber of the Russian Federation, created and operating successfully in accordance with the Presidential Decree of the Russian Federation, it formed the unified informatization environment of external financial control bodies at all levels of the state budgetary system.

In 2011, in the Accounts Chamber of the Russian Federation the most important areas of informatization develop-

ment were extension of information interaction with external information systems, development of options of mobile access to information resources of the information and telecommunication system, support and modernization of more than 30 special program complexes, operating in the information and telecommunication system in accordance with the changes of legal and regulatory framework.

Thus, the deputies of the State Duma and the members of the Federation Council got a possibility to work with electronic database of the results of the auditing activity of the Accounts Chamber of the Russian Federation directly at their working places. This base contains the reports on results of control, expert and analytical activities carried out beginning from 2005.



The information interaction with the automated system of the Federal Treasury has been enhanced that will enable to use paperless technology for receiving all information of this department by the Accounts Chamber of the Russian Federation in 2012. Telecommunication interaction with 22 external information systems of state authorities and other organizations was provided.

On the basis of the infrastructural solutions of "electronic government" we

have developed the electronic service of presentation of statements to the Accounts Chamber of the Russian Federation, and this service will be implemented in 2012.

In the whole the complex of the works performed enabled us to solve tasks specified by the Program of Development and Support of the Information and Telecommunication System of the Accounts Chamber of the Russian Federation for a medium-term period.

7.10. Financial and Social Support of the Activity of the Accounts Chamber of the Russian Federation

In accordance with the Departmental structure of expenditures of the federal budget for 2011 (Annex No. 8) and Item 5 Part 1 Article 24 of Federal Law No. 357-FZ of December 13, 2010 "On the Federal Budget for 2011 and for the Planned Period of 2012 and 2013" (with revisions) and Article 217 of the Budget Code of the Russian Federation, the budgetary assignments for the Accounts Chamber of the Russian Federation in 2011 amounted to 2 119, 7944 thousand roubles.

Cash execution of the budgetary estimate of the Accounts Chamber of the Russian Federation amounted to 2,089,008.8 thousand roubles, including:

Sub-item 0106 "Support of the Activity of Financial Fiscal and Customs Bodies and Financial Supervision Bodies" – 1,995,050.1 thousand roubles where: for item 001000 "Management and Control in the Area of Established Functions" – 1,897,257.5 thousand roubles, for item 092000 "Performance of State Functions Related to State Administration" – 10,000.0 thousand roubles, for item 3300000 "Information Technologies and Communication" – 87,792.6 thousand roubles;

Sub-item 0108 "International Relations and International Cooperation" – 558.1 thousand roubles;

Sub-item 0112 "Applied Research Activities in the Field of National Issues" – 91, 9150 thousand roubles;

Sub-item 0705 "Professional Training, Retraining and Skill Improvement" – 1,4856 thousand roubles.

The man-hours for control activities both in the Russian Federation and abroad, as well as the cost of one man-day of a business trip in the reporting period were similar to the level of the same indicators of the year before and amounted to 19.0 thousand man-days and 6.0 thousand roubles correspondingly.

The average monthly salary of one employee of the Office of the Accounts Chamber of the Russian Federation (taking into account bonuses and other payments, provided for by the existing legislation) amounted to 91.2 thousand roubles (in 2010 – 89.0 thousand roubles).

In accordance with Federal Law of No. 83-FZ of May 8, 2010 "On the Amendments to Individual Legislative Acts of the Russian Federation Connected with Improvement of the Legal Status of Gov-



ernmental (Municipal) Institutions”, the regulatory foundations have been prepared for a transfer of the jurisdictional federal budgetary institution “The State Research Institute of System Analysis of the Accounts Chamber of the Russian Federation” from the estimate financing to the principle of execution of the state task by means of subsidiaries.

On the basis of Article 31 of the Federal Law “On the Accounts Chamber of the Russian Federation”, the senior officers of the Accounts Chamber of the Russian Federation were solving issues of organization of social and material support of employees of the Account Chamber of the Russian Federation.

In the reporting period, the material procurements were performed in accordance with the requirements of Federal Law No. 94-FZ of July 21, 2005 “On

Placement of Orders to Supply Goods, Carry out Works and Render Services for Meeting State And Municipal Needs”. For this purpose, 312 meetings of the United Commission of the Accounts Chamber of the Russian Federation were organized and held. The total estimated economy of the budget funds regarding the procurements for needs of the Accounts Chamber of the Russian Federation amounted to 14.8 mln roubles.

In the reporting period, the Accounts Chamber of the Russian Federation was performing the work associated with medical servicing of the employees, provision of vouchers to places of resort, sanatoriums, and reservations in the kindergartens. The housing conditions were improved for 8 employees who got apartments.



Public activities and sports in the Accounts Chamber of the Russian Federation



8

PUBLIC ACTIVITIES AND SPORTS I N THE ACCOUNTS CHAMBER OF THE RUSSIAN FEDERATION

One of public activities of the Accounts Chamber of the Russian Federation is still its active participation in the Association of Lawyers of Russia.

In February 2011, the meeting, led by Sergey V. Stepashin, of the Commission of the Association of Lawyers of Russia has been held on issues of public assessment of quality of higher legal education. At the meeting the decisions have been made which gave a start to the procedure of public accreditation of universities training personnel of law.

At the joint meeting of the commissions of the Association of Lawyers of Russia on legal education and on public assessment of quality of higher legal education, held in the Accounts Chamber of the Russian Federation, the participants have discussed the report on course of public accreditation of Universities of Law. At present 33 universities have been already audited, and 16 of them have re-

ceived positive references, in particular, the Academy of the Prosecutor General's Office of the Russian Federation, the Higher School of Economics, the Moscow University of the Ministry of Internal Affairs of Russia, the Russian Academy of Justice, the Far Eastern Federal University.

Besides, the list of universities, for which it is recommended to postpone the decision on public accreditation until elimination of deficiencies, has been prepared. A special attention has been drawn to the universities which have refused or avoid public accreditation. In particular, they include the Modern Humanitarian Academy, the Russian International Academy for Tourism, the Moscow Institute of Law and a number of other universities training personnel of law. Due to this we have made the decision to send to the Rosobrnadzor a letter with the proposal to conduct an individual audit of these educational establishments.

At the end of the meeting the Certificates of Public Accreditation have been given to the O.E. Kutafin Moscow State Academy of Law, the Faculty of Law of the Lomonosov Moscow State University, the Faculty of Law of the Saint-Petersburg State University, the Saratov State Academy of Law and the Ural State Law Academy.

In the Accounts Chamber of the Russian Federation the meeting of the presidium of the Association of Lawyers of Russia has been held where the participants have discussed the federal draft law "On the Federal Contractual System" as strategic law.

The developed draft law is supported fully by the Association of Lawyers of Rus-



Alexandr K. Golichenkov, Dean of the Faculty of Law, is handing the Certificate of Public Accreditation of the Faculty of Law of the Lomonosov Moscow State University



sia, and its adoption is considered well-timed.

Forming the contractual system is an essential condition of competitiveness of the country in a whole as well as tasks of formation of program-oriented and intended budget and the national payment system that have been said in the messages of the President of the Russian Federation.

Even the very best contractual system may be not an end in itself, but it must serve as a tool of public branch and regional policy, i.e. a system of social and economic effects, and it is definitely a main mission of public procurements and not only assistance in development of competitiveness and minimization of prices of separate goods, works and services.

In improving the draft law it is necessary to apply the reference approach in order to preserve all the best elements from Federal Law No. 94-FZ of July 21, 2005 and from the international practices.

Pavel V. Krashenninikov, Deputy of the State Duma Chairman of the Association of Lawyers of Russia, and Alexandr P. Torshin, First Deputy Chairman of the Federation Council, have taken also part in the meeting.

Sergey V. Stepashin, Co-Chairman of the Association of Lawyers of Russia, and Tamazi Doguzov, Minister of Justice of the Republic of South Ossetia, have concluded the Cooperation Agreement between the all-Russian public organization "Association of Lawyers of Russia" and the Ministry of Justice of the Republic of South Ossetia. Under the Agreement the parties plan to cooperate within the framework of preparation of draft laws for the Criminal Code of the Republic of South Ossetia, the Civil Code of the Republic of South Ossetia, the Code of Civil Procedure of the Republic of South Ossetia, the Code of Administrative Offences of the Republic of South Ossetia; draft laws in the field of judicial system and jurisdiction (brining to conformity of the laws of the Republic of South Ossetia, acting on the territory of the Republic of South Ossetia, namely, "On the Judicial



Sergey V. Stepashin, Co-Chairman of the Association of Lawyers of Russia, has spoken at the meeting of the presidium of the Association of Lawyers of Russia and presented the report on federal draft law "On the Federal Contractual System"

System", "On the Judiciary in the Republic of South Ossetia", "On the Status of Judges", "On Organs of Judicial Community" as well as the Provision on qualification chamber, other draft laws in the field of state construction).

In accordance with Instruction No. Pr-2179 of Dmintriy A. Medvedev, President of the Russian Federation, of July 27, 2010, the designing of construction of the Cultural and Business Center for the International public organization "Imperial Orthodox Palestinian Society" has been finished in Bethlehem in the first quarter of 2011.



Tamazi S. Doguzov, Ministry of Justice of the Republic of South Ossetia, at a meeting of the Association of Lawyers of Russia



Start of construction of the Cultural and Business Center of the Imperial Orthodox Palestinian Society in Bethlehem

The repair and restoration works of the Moscow mission of the International public organization "Imperial Orthodox Palestinian Society" have been started. In April 7, 2011 Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation, Chairman of the Imperial Orthodox Palestinian Society, has held a field meeting at this object with the participation of the representatives of the Government of Moscow, where the issues of progress of commissioning of the Moscow mission of the International public organization "Imperial Orthodox Palestinian Society" have been discussed.

Sergey V. Stepashin, Chairman of the Imperial Orthodox Palestinian Society, has taken part in the foundation stone ceremony of the Cultural and Business Center of the Imperial Orthodox Palestinian Society in Bethlehem. From the Palestinian side, the representatives of the leaders of the Palestinian National Administration, the officials and the public of the city have taken part in the ceremony. In Ramallah Sergey V. Stepashin has met with Makhmud Abbas, Chairman of the Palestinian National Administration, and at the meeting they have discussed actual issues of bilateral cooperation, condition and

perspectives of the Middle Eastern peaceful process.

In December 21, 2011 Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation, has met with Metropolitan Ilarion of Volokolams, Chairman of the Department of External Church Relations of Moscow Patriarchate. The parties have exchanged opinions on development of public-church dialogue, discussed issues of development of the Cooperation Agreement between the Accounts Chamber of the Russian Federation and the Russian Orthodox

Church which was signed by Sergey V. Stepashin and Patriarch Cyril of Moscow and All Russia in June 10, 2010. In particular, the agreement provides for cooperation of the parties for preventing corruption and other social vices which affect seriously moral state of society.

In the framework of this Agreement Metropolitan Ilarion of Volokolams has addressed the staff of the Accounts Chamber of the Russian Federation on the subject "Spirituality and moral control as corruption prevention in the modern world", he has answered the questions of the employees of the control institution of the country. The Chairman of the Department of External Church Relations has visited to the House Church of St. Sergius of Radonezh in the building of the Accounts Chamber of the Russian Federation.

Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation, heads as a president the Russian Book Union founded in 2001.

The Russian Book Union is a non-public non-commercial organization which unites the leading domestic publishers, distributors of books, printing workers, representatives of paper industry, a number of writers' organizations and associa-



tions – more 1500 subjects of the book industry in all.

The objective of the activity of the Russian Book Union is to serve to a book, to develop cultural and moral potential of our country.

Sergey V. Stepashin has given 100 volumes of classical literature to the Classical School of the Spaso-Preobrazhensky Cloister in Murom. He has stressed that it is very important to enjoy highly artistic literature from the earliest childhood; neither Internet, nor television, glossy magazines will be able to substitute a book. It is a book that familiarizes with the Russian language, universal and moral values, and native land.

In Volgograd Sergey V. Stepashin, President of the Russian Book Union, has held a field meeting of the administrative board of the Russian Book Union, and has announced about establishment of the office of the Book Union in Volgograd, has given the certificate on 500 books for extension of the book fund of the Uryupinsk Boarding School named in honor of Lieutenant General S.I.Groshkov, where children-orphan are brought up.

In the Laskovsky settlement of the Ryazan oblast, which was damaged seriously by forest fires in summer of 2010, the medical and obstetrical station has been built and opened by means of money collected by the employees of the Accounts Chamber of the Russian Federation. Vladimir S. Katrenko, Auditor of the Accounts Chamber of the Russian Federation, has taken part in opening of the sta-



Sergey V. Stepashin, Chairman of the Imperial Orthodox Palestinian Society, has taken part in the foundation stone ceremony of the Cultural and Business Center of the Imperial Orthodox Palestinian Society in Bethlehem

tions; he has congratulated villagers and handed the keys to the medical assistant.

The Accounts Chamber of the Russian Federation cooperates actively with the Russian Taxpayers Union. The Chairman of the Council of the Russian Taxpayers Union is Sergey M. Shakh-ray, Head of Staff of the Accounts Chamber of the Russian Federation.



Metropolitan Ilarion of Volokolams has addressed the staff of the Accounts Chamber of the Russian Federation on the subject "Spirituality and moral control as corruption prevention in the modern world"



Vladimir S. Katrenko, Auditor of the Accounts Chamber of the Russian Federation, has handed the keys to the medical assistant of the medical and obstetrical station in the Laskovsky settlement of the Ryasan oblast

One of the most important measures for preventing and fighting corruption in the world is the system of external independent control which is performed by the public and by specially-established constitutional bodies such as accounts chambers.

All activity of officials must become transparent and under control. This task may and must be solved within the framework of partnership between the state and the public, and namely, with the direct participation of the Russian Taxpayers Union which in case of fighting corruption acts objectively as a partner of

the state as a whole and control authorities, in particular. Thereupon it is important to strengthen interaction of regional chambers of control and accounts and the branches of the Russian Tax-payer Union, which may be presented as initiation of audits and participation in expert activities concerning draft laws and budgetary programmes.

The Russian Taxpayers Union and its regional branches not only perform educating work with population, inform the public and authorities about facts of non-tageted and non-effective use of the state budget funds and the property, but also implement their own initiatives aimed at strengthening of the financial control system in place and enhancement of transparency of activities of local authorities on issues of disbursement of budgetary funds.

In 2011 the regional network of the Russian Taxpayers Union has developed actively, and its objective is to develop comprehensively the partnership of the public and the state in the area of control over rational and effective disbursement of the budget funds and other public resources.

The Novosibirsk Regional Office of the Russian Taxpayers Union has reached more outstanding progress. It has united the representatives of all segments of population of the region, including deputies of the Regional Legislative Assembly, local Councils, state and municipal employees, specialists and employees of organizations of various forms of ownership, pensioners and young people.

The branches of the Russian Tax-payers Union operate also at a local level that enables them to keep the track of vital problems of rural taxpayers.

The Accounts Chamber of the Russian Federation works side by side with the Russian public-state organization "Voluntary Society of Assistance to the Army, Aviation and Navy of Russia" (the DOSAAF of Russia).



A meeting for hearing reports and electing new officials in the Novosibirsk regional branch of the Russian Taxpayers Union



The DOSAAF of Russia is a historical organization which from the soviet times trains young people for service in the Armed Forces and takes part actively in military-patriotic education of the rising generation.

In January 21, 2011 the Accounts Chamber of the Russian Federation has concluded the Cooperation Agreement with the DOSAAF of Russia.

This document, signed by Sergey V. Stepashin, Chairman of the Accounts Chamber of the Russian Federation, and Sergey A. Maev, Chairman of the DOSAAF of Russia, provides for exchange of methodological and information materials on issues of mutual interest as well as for rendering an expert and consultative assistance. Within the framework of this Agreement the Parties will perform various joint activities (working meetings, subject seminars, round tables) in order to elaborate proposals on problems of mutual interest;



Sergey A. Maev, Chairman of the Russian public-state organization "Voluntary Society of Assistance to the Army, Aviation and Navy of Russia" when signing the Cooperation of the Russian Federation Agreement with the Accounts Chamber

they will send (upon mutual consent of the Parties) their representatives to participate in arrangements organized by the Parties, as well as create joint working groups.



Gennadiy P. Aleshin, Chairman of the Central Sports Club of the State Civil Service, has presented with the Cup the team of the Accounts Chamber of the Russian Federation which has ranked first regarding the results of the II Spartakiada Games of employees of central bodies of ministries and departments of the Russian Federation



A victory of the badminton team of the Accounts Chamber of the Russian Federation among the teams of the III Spartakiada Games of employees of central bodies of ministries and departments of the Russian Federation

Developing physical culture and sports and encouraging a healthy lifestyle are the important direction of activity of the Accounts Chamber of the Russian Federation. The employees of the Accounts Chamber of the Russian Federation take part actively in amateur and professional sports teams and represent the Accounts Chamber of the Russian Federation in football, chess, volleyball and other clubs.

In 2011 the employees of the Accounts Chamber of the Russian Federation have taken part actively in the III Spartakiada Games of employees of central bodies of ministries and departments of the Russian Federation, in such kinds of sports as badminton, skiing, darts, chess, volleyball, football, swimming, tennis. In skiing the team of the Accounts

Chamber of the Russian Federation has ranked second.

The combined badminton team of the Accounts Chamber of the Russian Federation has taken part in the II Russian Badminton Championships among the control and accounts organs of the Russian Federation, held in Kazan.

Our badminton players have taken part also in the tournament in honor of 50 anniversary of space flight of Yuriy A. Gagarin, which has been held in the "Staraya Ploshchad" (Old Square) Sports Complex, and have ranked third.

In the badminton tournament among the teams of the III Spartakiada Games of employees of central bodies of ministries and departments of the Russian Federation the team of the Accounts Chamber of the Russian Federation has ranked first.



Guidelines for action of the Accounts Chamber of the Russian Federation in 2012



9 GUIDELINES FOR ACTION OF THE ACCOUNTS CHAMBER OF THE RUSSIAN FEDERATION IN 2012

For the period from 2012 till 2014 and in accordance with the action plan for 2012 the priority directions of activity of the Accounts Chamber of the Russian Federation include a complex of control, expert and analytical activities for performing tasks and functions assigned to the Accounts Chamber of the Russian Federation by the Federal Law "On the Accounts Chamber of the Russian Federation" and the Budget Code of the Russian Federation.

Among the major tasks, which will be the focus of attention and efforts of the Accounts Chamber of the Russian Federation in 2012, there is a support and further development of the unified system of preliminary, operative and further control over formation and execution of the federal budget and the budgets of state non-budgetary funds.

It is planned to intensify the control over handling of public funds allocated for financing the measures to provide for strategic objectives and priority tasks formulated in the Annual President's

Message to the Federal Assembly of the Russian Federation and in the Budget Message of the President of the Russian Federation.

In accordance with the tasks formulated in the President's Message to the Federal Assembly of the Russian Federation of December 22, 2011, in 2012 the Accounts Chamber of the Russian Federation will perform a complex of control and auditing, and expert and analytical activities, and their results will enable to estimate effectiveness of the measures, taken by the government authorities, for implementation of:

The Concept of Long-term Social and Economic Development of the Russian Federation for the period till 2020;

The National Security Strategy of the Russian Federation to 2020 and the Military Doctrine of the Russian Federation; the State Armaments Programme for 2011–2020;

The National Anti-Corruption Strategy;



and other state branch and regional strategies and development programmes of the most important fields and sectors of economy as well as large-scale economic regions.

In 2012 the Accounts Chamber of the Russian Federation will focus on:

- estimation of efficiency of investment projects, degree of their innovativeness and orientation to modernization of sectoral economy;

- analysis of measures of energy efficiency and energy-saving taken in certain areas of the real sector of economy; effectiveness of reforms in the energy sector;

- analysis of dynamics of indicators of social and economic development of the subjects of the North Caucasian Federal District;

- analysis of efficiency of fiscal, customs and budgetary legislation; detection of reserves of budget revenues, including due to improvement of fiscal and customs administration; detection of corruption risks in budget management; and making proposals on improvement of legislation for fighting corruption;

- analysis of debt stability of economy (in budgetary and corporate areas), improvement of effectiveness of use of debt instruments;

- audits and a complex analysis of effectiveness of state property management;

- audit of effectiveness of disbursement of budgetary funds allocated for:

 - implementation of priority national projects, reforming of the pension fund scheme of citizens of the Russian Federation;

 - estimation of efficiency and economy of the state programmes of the Russian Federation, of social and economic development of the Russian Federation,

 - performed with use of methods of designed audit;

 - providing stable growth of economy, formation of development potential and improvement of the international level of the Russian Federation, strengthening of defence capability and security of the state, realization of functions of judicial authority.

The analysis of execution of programmes, measures and arrangements, performed by the federal bodies of executive power and the government authorities of the subjects of the Russian Federation for executing the National Anti-Corruption Plan, as well as prevention and suppression of corruption occurrences in the budgetary area and in management of public resources remain higher-priority tasks.

One of priorities is also control over implementation of such major international projects as preparation and conduct of the XXII Olympic Winter Games and the XI Winter Para Olympic Games in 2014 in Sochi, the forum "Asia-Pacific Economic Cooperation" in Vladivostok, the XXVII World Summer Universiade 2013 in Kazan, as well as a complex of control activities for implementation of the Concept of the federal targeted programme "Complex Programme of Housing and Communal Services Modernization and Reforming for 2010–2020".

As for budgetary relations the Accounts Chamber of the Russian Federation will concentrate on control over implementation of the Concept of intra-budgetary relations and organization of budgetary process in the subjects of the Russian Federation and municipal entities for the period till 2013, and making recommendations on consolidation of



revenue basis of regional and local budgets.

Achieving stated objectives is closely related with improvement of effectiveness of the activity of the Accounts Chamber of the Russian Federation due to:

improvement of scientific and methodological, legal, information and technical support of control and auditing, and expert and analytical activity;

support and further development of staffing, organizational, institutional,

materiel and financial potential of the Accounts Chamber of the Russian Federation as continuously operating state financial control body;

improvement of level and quality of interaction of the Accounts Chamber of the Russian Federation with Supreme Audit Institutions of foreign countries, with control and accounts organs of the subjects of the Russian Federation and municipal entities, law enforcement agencies.



Conclusions and proposals



10 CONCLUSIONS AND PROPOSALS

10.1. During the reporting period execution of the objectives and tasks of the Accounts Chamber of the Russian Federation, assigned by the Constitution of the Russian Federation, the Federal Law "On the Accounts Chamber of the Russian Federation", the Budget Code of the Russian Federation and other legislative acts, has been provided.

10.2. Development of budgetary legislation, mobilization of mechanisms of private-public partnership in implementing large-scale investment and innovative projects require further improvement of legal regulation of the activity of the Accounts Chamber of the Russian Federation, and, from the side of the Accounts Chamber, – use of forms and methods of audit on basis of experience, accumulated for past years, search and application of all available reserves for improvement of quality of control and expert and analytical work.

It is necessary to continue further strengthening and development of the unified control system of execution of the federal budget and budgets of state non-budgetary funds, for improvement of scientific and research, legal and methodological support of state and municipal financial control.

10.3. The settled practice of state financial control, the accumulated (by the Accounts Chamber of the Russian Federation) experience of control activities of formation and execution of the federal budget, budgets of state non-budgetary funds, use of federal property and its management enable to draw a conclusion that it is necessary to define a legal status of

external and internal financial controls, to create uniform legal and methodological foundations of the integral state financial control system.

To date the problem of distribution of functions of external and internal state financial controls is not solved; the internal financial control system is not developed; and there is duplication of functions of state financial control bodies.

It is necessary to complete preparation of a new version of Section IX "State and Municipal Financial Control" of the Budget Code of the Russian Federation defining the terms of external and internal state financial controls; principles of its organization, forms and realization methods; the system of state and municipal financial control bodies; legal foundations of establishment and activity of mentioned bodies.

For further improvement of legislative regulation of state financial control it is required to make complex amendments in the Budget Code of the Russian Federation and the Code of Russian Federation on Administrative Offences as for determination of responsibility for violations of the budgetary legislation.

For further improvement and enhancement of effectiveness, intensification of effectiveness of state financial control over execution of the federal budget and budgets of state non-budgetary funds, it is necessary to improve the legislation about the Accounts Chamber of the Russian Federation.

10.4. For development of standardization of state financial control it is required to implement the Medium-Term Improvement Plan for Methodological



Support of the Activity of the Accounts Chamber of the Russian Federation for 2010–2012, accepted in accordance with the approved System of Standards of the Accounts Chamber of the Russian Federation, and to create appropriate methodological base for all activities of the Accounts Chamber of the Russian Federation taking into account the international standards of public audit, and first of all, the standards of INTOSAI.

For implementation of provisions of Federal Law No. 6-FZ of February 7, 2011 "On General Principles of Organization and Activity of Control and Accounts Organs of the Subjects of the Russian Federation and Municipal Entities" it is required to continue work for determining general requirements to the standards of external state and municipal financial control.

It is necessary to continue further improvement of information and technological support of the activity of the Accounts Chamber of the Russian Federation.

10.5. The results of control and expert and analytical arrangements, performed by the Accounts Chamber of the Russian Federation in 2011, enable to draw the following conclusions concerning main tendencies and problems of development of economy, budgetary system and budgetary process in the Russian Federation.

In 2011 execution of the federal budget was under conditions of gradual recovery of economic growth, maintenance of high prices for main goods of Russian exports, gradual decrease in the number of unemployed, retardation of consumer prices growth. Besides, in 2011 a considerable outflow of capital from the country was registered.

The total volume of revenues of the federal budget exceeded the forecasted volume, established by the statute, and, besides, the expenditures were not executed in accordance with the volumes established by the statute. During the year the federal expenditures have been executed unevenly.

In 2011, in spite of reduction of quantity of amendments of the consolidated budget quarterly breakdown in comparison with the year of 2010, the total quantity of amendments is still considerable.

During the year of 2011 cash execution of expenditures for implementation of a number of Federal Targeted Programmes had been at a low level. The Federal Targeted Programmes perform not fully their function of catalyst of development of production and social infrastructure, stimulation of innovative and investment activity. Lack of systematic approach to formation of the complex of program arrangements impedes full-scale implementation of program and targeted principle of organization of activity of government authorities and, respectively, policy budgets at all levels of management.

Uneven execution of expenditures for separate arrangements of the program and targeted principle depends mainly on the schedule of assets supply as well as on payment on state contracts according to fact of supply, duration of preparation and conduct of tender procedures.

Overfulfilment of revenues and non-execution of expenditures of the federal budget according to the approved volumes resulted to surplus in equal volumes at revenues and expenditures of the federal budget established by the statute.

Increase of public debt of the Russian Federation caused increase of service expenses which are comparable with the total amount of federal expenditures by items "Housing and Communal Sector", "Culture, Cinematography" and "Environmental Protection".

10.6. For improvement of fiscal legislation, budgetary process and more transparency in forming and executing the federal budget, the Accounts Chamber of the Russian Federation supposes that it is reasonable:

to adopt the Federal Law "On Amendments to the Budget Code of the Russian Federation and the Code of the Russian Federation on Administrative Offences in



the part of regulation of state and municipal financial control and responsibility for violation of the budget legislation of the Russian Federation”;

to elaborate and implement the system of measures of the Government of the Russian Federation, aimed at development of revenue potential of the budgetary system in the volume which allows to guarantee stable financing of state expenditures and lowering of dependence of the federal budget from opportunistic revenues;

to implement the Programme of the Government of the Russian Federation on improvement of effectiveness of budget expenditures for the period till 2012, including taking measures aimed at cardinal improvement of quality of public finances management by the Ministry of Finance of Russia and by chief administrators of the federal budget funds, at creation of a reliable internal financial control system meeting modern requirements;

to make amendments to the Fiscal Code of the Russian Federation, eliminating a possibility of illegal reduction of tax payments by minimizing the tax base;

to improve a calculation method and a payment procedure for value-added tax, for excise taxes on ethyl alcohol, alcoholic and alcohol-containing production, for tax on extraction of commercial minerals;

to make amendments to the legislation of the Russian Federation on taxes

and collections allocated for stimulating innovative activity of economic entities;

to take measures on timely preparation and adoption of normative legal acts of the Government of the Russian Federation providing observance of the federal law on the federal budget for an appropriate financial year;

to take measures on improvement of quality of macroeconomic prognostication;

to execute evenly federal revenues and expenditures, to use effectively the budgetary funds during a year, to execute federal expenditures in full scale;

to minimize a quantity and volumes of changes in the budget quarterly breakdown in the course of execution of the federal budget;

to work actively with the public customers of Federal Targeted Programmes to improve their responsibility for achievement of targeted indicators in performing program arrangements;

to reduce federal budgeted deficit successively;

to continue work in the area of inter-budgetary relations for achieving optimal balance between objectively required leveling of budgetary support and creation of incentives for increase of economic and fiscal potentials of the subjects of the Russian Federation and municipal entities as well as for reducing the level of their need in grants.

Chairman of the Accounts Chamber
of the Russian Federation

Sergey V. Stepashin



SUMMARY

1. This edition is a Report on the Work of the Accounts Chamber of the Russian Federation in 2011.

The Accounts Chamber carries out its activities in accordance with the Constitution of the Russian Federation, the Federal Law "On the Accounts Chamber of the Russian Federation", the Budget Code of the Russian Federation, other regulatory legal acts of the Russian Federation and the Plan of Work of the Accounts Chamber of the Russian Federation for 2011.

The Federal Law "On the Accounts Chamber of the Russian Federation" provides that the Accounts Chamber shall exercise control over the federal budget execution on the basis of the principles of legality, objectivity, independence and publicity. The annual Report on the Work of the Accounts Chamber is submitted to the Council of Federation and the State Duma and is subject to mandatory publication.

2. In 2011, the Accounts Chamber carried out 501 control and expert-analytical activities, including 370 control activities.

In 2011, the Accounts Chamber carried out a set of audit and expert-analytical activities, the findings of which gave an opportunity to evaluate the effectiveness of the use of budgetary funds allocated for implementation of the most important tasks set by the President of the Russian Federation, in particular, pertaining to the issues associated with innovations and modernization of economy, strengthening of the air-space defense of the country, equipment of the Armed Forces of the Russian Federation with sophisticated weaponry, implementation of measures to ensure the operation of the Customs Union, formation of the single economic space within the Eurasian Economic Community, development of the international cooperation in the field of security, support of the Skolkovo Innovation Center.

In the reporting period, the Accounts Chamber strengthened control over the use of public funds allocated for financing the measures to ensure accomplishment of the strategic goal and priorities determined in the annual Message of the President of the Russian Federation to the Federal Assembly of the Russian Federation and the Budget Message of the President of the Russian Federation.

The Accounts Chamber prepared and submitted to the Parliament its opinions on the draft Federal Laws on the federal budget and the budgets of public off-budget funds for 2012 and up to 2014; on the Statements of the Government of the Russian Federation on the execution of the federal budget and the budgets of public off-budget funds in 2010; quarterly operational reports on the progress of the execution of the federal budget and the budgets of public off-budget funds in 2011, including the information on implementation of priority national projects, the demographic policy and the information on the use of the federal budget funds allocated for financing the activities associated with ensuring the preparation to and holding the XXII Olympic Winter Games and the XI Paralympic Winter Games in Sochi in 2014 and the XXVII World Summer Universiade in Kazan in 2013; implementation of the Concept of Federal Target Program



"The Comprehensive Program of Modernization and Reform of Housing and Communal Services in 2010–2020".

In 2011, the Accounts Chamber focused its attention and efforts on such main tasks as:

- maintenance and further development of the unified system of preliminary, current and follow-up control over the formation and execution of the federal budget and public off-budget funds;

- carrying out a set of the core control and expert-analytical activities, the results of which allow evaluating the degree of achievement of strategic objectives and implementation of priorities of the Russian Federation assigned by the President of the Russian Federation and the Federal Assembly of the Russian Federation to federal executive authorities;

- focusing the audit and expert-analytical activities of the Accounts Chamber on the control over the effectiveness of measures taken to implement the Concept of Socio-Economic Development of the Russian Federation up to 2020, the Strategy of National Security of the Russian Federation up to 2020, the Program of the Government of the Russian Federation to Improve the Efficiency of Budgetary Expenditures up to 2012, as well as a number of other paramount concepts, strategies and programs of the Government of the Russian Federation and executive authorities.

In the context of creating an effective state, a set of measures has been carried out to control the implementation of the Concept of State Property Management and Privatization in the Russian Federation, the Concept of Creating the Unified Federal System of State Registration of Property Rights and State Cadastral Registration of Real Estate.

In the framework of innovative development and modernization of economy, a set of measures has been carried out to control the implementation of the Energy Strategy of Russia up to 2030, to evaluate the performance of investment projects and the degree of their innovativeness and to focus on the modernization of industrial economy, as well as the analysis of activities in the field of energy efficiency and energy saving undertaken in certain areas of the real sector of economy, the effectiveness of reforms in the sphere of power industry.

An important area of current control is the monitoring and analysis of the progress of financing in 2011 of the activities in the framework of the Subprogram "The Development of Vladivostok as an International Cooperation Center in the Asia-Pacific Region", the Federal Target Program "The Economic and Social Development of the Far East and Transbaikalia up to 2013", including the construction of the bridge from Vladivostok to Russky Island in the framework of the preparation for the APEC Summit in 2012.

The Accounts Chamber informed about the results of control and expert-analytical activities the Chambers of the Federal Assembly, the Government of the Russian Federation, the heads of executive authorities, enterprises, institutions and organizations.

Particularly important results of control and expert-analytical activities were reported to the Head of the State. The President of the Russian Federation received the information on the total of 16 issues, including:

- the results of the audit of the use of financial resources allocated for implementation of the Federal Target Program "The Global Navigation System";

- the audit of the target and effective use of funds allocated for development and maintenance of the transport complex of Moscow;

- the audit of the use of budgetary funds allocated for development of physical culture and sports in the Republic of Dagestan;

- the audit of the efficiency of the use of public funds allocated for development of special economic zones in 2006–2011.



3. Law violations in the financial and budgetary sphere amounting to 718,5 billion roubles were identified in the frame of control activities in 2011.

336 submissions of the Accounts Chamber were sent to the Government of the Russian Federation, the Finance Ministry of the Russian Federation, key spending units of the federal budget funds and other participants of the budget process to enable them to eliminate the violations identified and take appropriate measures.

The amount of inappropriate use of budgetary funds in 2011 was 1,2 billion roubles. The total of 3,6 billion roubles was blocked and reimbursed.

176 findings of the audits carried out by the Accounts Chamber were sent to Prosecutors' Offices and other law enforcement agencies. 72 criminal cases were initiated in 2010 based on the findings of control activities of the Accounts Chamber.

4. In the frame of expert-analytical activities, the Accounts Chamber carried out the expertise of federal laws and regulations of federal authorities providing for the use of federal budget funds or influencing the formation and execution of the federal budget and the budgets of federal off-budget funds; analyzed compliance with the law; prepared proposals to improve the budgetary legislation in the Russian Federation, in particular, to amend the Budgetary Code of the Russian Federation in respect of the issues of state and municipal financial control, as well as the responsibility for violations of budget legislation of the Russian Federation.

The findings of control and expert-analytical activities resulted in submission to the Russian Parliament of basic proposals to solve the problems of the development of economy, budget system and budget process in the Russian Federation, such as improvement of the quality of macroeconomic forecast, development and implementation of target programs, the efficiency of spending budget funds.

In 2011, special attention was paid to methodological, information and research and development support to improve the efficiency of the core activity of the Accounts Chamber

The Accounts Chamber interacts with control and accounting agencies of the Russian Federation, both in the framework of the Association of Control and Accounting Institutions of the Russian Federation (AKSOR) and on the basis of bilateral agreements. At present, agreements have been signed with all control and accounting institutions of the constituents of the Russian Federation. According to the Plan of Work of the Accounts Chamber for 2011, 21 control activities were carried out together with control and accounting institutions of the constituents of the Russian Federation.

In 2011, interaction agreements were concluded between the Accounts Chamber of the Russian Federation and the Ministry of Culture of the Russian Federation; between the Accounts Chamber of the Russian Federation and the self-regulating organization "Non-Commercial Partnership 'National Association of Non-Governmental Pension Funds'". A cooperation agreement was signed between the Accounts Chamber of the Russian Federation and the Accounts Chamber of the Moscow Region.

The next step forward was made in the international activities of the Accounts Chamber. As before, special attention was paid to cooperation of the Accounts Chamber with the international audit organizations: INTOSAI, EUROSAI and ASOSAI. The Accounts Chamber also substantially increased its activities in the Board of Heads of the SAIs of the CIS Member States, as well as among the SAIs of the SCO Member States.

The professional and conceptual aspects of the international activities of the Accounts Chamber received a new impetus in the frame of parallel and joint audits and exchange of experience. In this respect, its main objectives were creation of favorable conditions to provide employees of the Accounts Chamber with unimpeded access to the international experience of audit activities, mastering of advanced methods and



techniques of checks, application of international standards in carrying out the core activity and the professional level improvement.

The centerpiece of the international activities of the Accounts Chamber was the participation of our delegation in the work of the VIII EUROSAI Congress, the 37th and 38th meetings of the Governing Board of this organization held in Lisbon (Portugal) from 30 May to 2 June, as well as in the 3rd Conference of EUROSAI – ARABOSAI held in Abu Dhabi (United Arab Emirates), the XXI Symposium of INTOSAI/UN traditionally held in Vienna (13–15 July) and the It Conference of EUROSAI – ASOSAI (Istanbul, Turkey, 21–24 September).

The Accounts Chamber actively cooperates with non-governmental organizations, in particular, with the non-commercial organization “Association of Lawyers of Russia, the international non-governmental organization “Imperial Orthodox Palestine Society”, the non-governmental non-commercial organizations “Russian Book Union” and “Russian Union of Taxpayers”.

The Accounts Chamber carried out the focused work to implement effective technologies and advanced methods of personnel management, aimed at improving professional competence and motivation of federal state civil servants and providing conditions for increasing the effectiveness of professional service performance.

The Accounts Chamber of the Russian Federation

Official Publication

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