

## SUMMARY

### Conclusion of the Accounts Chamber of the Russian Federation on the report on the federal budget execution for 2010 (key provisions)

#### I. Key results of audit of the report on the federal budget execution for 2010.

1. In accordance with the results of the Accounts Chamber audits, the federal budget revenues amounted to 8 305,4 bin. rubles or 18,5 % GDP, the federal budget expenditures amounted to 10 117,4 bin. rubles or 22,5% GDP, the excess of expenditures over revenues was 1 812,0 bin. rubles or 4% GDP, the sources of financing of the federal budget deficit amounted to 1 812,0 bin. rubles; these figures correspond with the report on the federal budget execution for 2010.

2. The Government of the Russian Federation took measures, aimed at implementation of the Budget Address.

As a result of implementation of measures aimed at improvement of demographic policy, social support of citizens, development of pensions system, promotion of employment, has decreased the level of infant mortality, has increased the birth rate and life expectancy at birth, has enhanced the educational level, has increased the average old-age retirement pension, has decreased the level of unemployment and the number of people with money income below subsistence line.

The amendments to separate legislative acts were introduced, providing improvement of the legal status of state (municipal) bodies and organizations, which provide state and municipal services, tax administration, provision of investment tax credits; the law on compulsory medical insurance in the Russian Federation was approved. The Programme of the Government of the Russian Federation aimed at increase of efficiency of the budget expenditures for the period till 2012 was approved as well.

3. The federal budget execution in 2010 took place in the situation of recovery of economic growth, favorable and stable price conjuncture for key goods of Russian exports, gradual reduction of a number of unemployed during the speed up in the growth of consumer prices in the second half of the year and considerable capital exports from the country.

The anti-crisis measures, taken by the government of the Russian Federation and the Bank of Russia allowed the economy of the country to achieve the path of recovering economic growth, enhance the stability of functioning of finance and banking systems, substantially improve the situation at the labor market.

Nevertheless, the expenditures of the federal budget for implementation of measures aimed at speed up of modernization processes and creation of conditions for transfer from the anti-crisis regime of functioning of the economy to the solution of innovative tasks were not implemented in full scale (90,3%).

4. The comparison of dynamics of a range of macroeconomic indicators in the Russian Federation and foreign countries reveals that the positions of Russia towards the economically developed countries, as well as some developing countries and countries with transition economy, which had deteriorated in

the period of financial and economic crisis, were improving very slowly. **The share of Russia in the global GDP by purchasing power parity in 2010 was 3,0%, practically the same to compare with 2009 (3,02% of global GDP).** As a result of 2010 the share of GDP of USA in global GDP was 19,4%; of China - 13,6%, of Japan - 5,8%, of India - 5,4%; of Germany - 4,0%. The share of Russia in global GDP in 2010 turned to be practically at the level of 2005 (2,99%).

5. In 2010 were not implemented nearly 40% of activities (in accordance with the experts estimates), which were provided by the Plan of preparation of acts on implementation in 2009 - 2010 of the Key directions of activities of the Government of the Russian Federation, that led to slow down of the process of creation of necessary institutional conditions for stable social and economic development, competitive recovery and achievement of strategic goals of the country.

6. Level of execution of the federal budget revenues was negatively influenced by such factors as shortcomings of legislature mechanisms and mechanisms of payment of several taxes, insufficient measures aimed at increase of efficiency of tax administration and low efficiency of the system of state property management.

7. The results of audit of the federal budget execution call for necessity to considerably increase the quality of public finances management by the Ministry of Finance of Russia and chief administrators of funds. The volume of unexecuted budgetary appropriations, defined by the consolidated budgetary spending list, taking into consideration amendments, amounted 184,1 bin. rubles, or 1,8% and is connected with: non-payment of contributions to the Anti-crisis fund of Eurasian Economic Community due to the absence of demand for financial resources, absence of demand for federal budget funds, reserved for enforcement of writs of execution relating to claims to the treasury of the Russian Federation and for execution of the decisions, accepted by the President of the Russian Federation and the Government of the Russian Federation.

There were considerable sums of indebtedness on budget credits (loans), debit and credit indebtedness.

8. The analysis of execution of the budgetary funds in 2010 revealed that, despite the achievement of positive results in a number of directions of social and economic development, the differentiation of population by a level of income and salaries in different sectors of economic activities is unacceptably high. In a number of cases the dynamics of achieved results relating to the indicators of activities is substantially lower, then the rate of growth of corresponding expenditures of the federal budget.

9. Separate activities of a range of Federal Target Programs were not executed, the aims, tasks and performance indicators, set in them were not reached, there was a continuing growth of volumes of incompleting construction at the objects of Federal Address Investment Programme.

10. In 2010 the financial situation in the majority of subjects of the Russian Federation was rather complicated, there was a considerable rise of their state debt.

11. The system of internal financial control, conforming to international standards, which, in accordance with the opinion of the Accounts Chamber, should promote increase of the level of financial discipline, quality of management of state finances, efficiency and effectiveness of budget expenditures was not formed.

12. The volume of state debt of the Russian Federation as of the 1<sup>st</sup> January 2011 increased by 28,6% and amounted 4 158,2 bin. rubles or 9,3% GDP to compare with the 1<sup>st</sup> January 2010. The growth of the volume of state debt of the Russian Federation occurred as a result of increase of state internal debt by 40,4%, and state external debt by 7%.

13. The Analysis of the Plan of activities on implementation in 2010 of the Programme of the Government of the Russian Federation aimed at increase of efficiency of budget expenditures revealed that in 2010 only 30% of activities (in accordance with experts estimates) was executed, which could lead to delays in implementation of the tasks and achievement of goals of the Programme.

14. On the results of control activities, conducted by the Accounts Chamber, were revealed facts of inappropriate use of the federal budget funds. The Accounts Chamber also revealed the facts of violation of separate requirements of the budgetary, tax and customs legislation.

15. On the results of consideration of the Conclusion of the Accounts Chamber at the meeting of the Board of the Accounts Chamber, the Conclusion was forwarded to the State Duma and Federation Council, the Information Letter was forwarded to the President of the Russian Federation, the Information Letter was forwarded to the Government of the Russian Federation, the submissions were forwarded to the chief administrators of the federal budget funds in order to take measures to liquidate revealed shortcomings, which took place during the federal budget execution for 2010.

## **II. Key proposals on the results of audit of the report on the federal budget execution for 2010**

In the Conclusion of the Accounts Chamber to the Government of the Russian Federation is proposed to take measures, aimed at speeding-up the elaboration of the draft federal law "On introducing 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", elaboration of the system of measures, aimed at development of revenue potential of the budgetary system of the Russian Federation in the volume, which allows to overcome its deficit and guarantee stable financing of state expenditures, enhance efficiency of usage of the federal budget funds, including funds of international financial organizations.

To the Ministry of Finance of Russia it is proposed to introduce suggestions, aimed at liquidation of violations and shortcomings, consider the issue of introduction of amendments and alterations to legislative and other normative legal acts of the Russian Federation, providing application of sanctions

for untargeted use of budgetary funds by the bodies of state financial control.

### **III. Extracts from the Budget Code of the Russian Federation on preparation and external audit of the budgetary reporting of the Russian Federation (Chapter 25<sup>2</sup>)**

In this part are given norms of the Budget Code of the Russian Federation, which regulate the procedures of preparation and submission of the annual budgetary reporting by the chief administrators of the federal budget funds, report on execution of the federal budget for a reporting financial year, conduction by the Accounts Chamber of the Russian Federation of external audit of the state reporting and preparation of conclusion by the Accounts Chamber on the annual report on the federal budget execution.