

## SUMMARY

### Conclusion of the Accounts Chamber of the Russian Federation on the report on the federal budget execution for 2011 (key provisions)

#### I. Key results of audit of the report on the federal budget execution for 2011

1. In accordance with the results of the Accounts Chamber audits, the federal budget revenues amounted to 11 367 652,6 mln. rubles or 20,8 % GDP, the federal budget expenditures amounted to 10 925 617,4 mln. rubles or 20 % GDP, the surplus of revenues over expenditures was 442 035,2 mln. rubles or 0,8% GDP, the sources of financing of the federal budget deficit made 442 035,2 mln. rubles; these figures correspond with the report on the federal budget execution for 2011.

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

Amendments, regulating taxation for transfer pricing and aimed at creation of favorable conditions for conduction of innovative activities in the Russian Federation were introduced in the tax legislation. The salary funds for the workers of public sector, federal state enterprises, scholarship fund for post-graduates and doctoral candidates, financial allowance (salary) of judges and prosecutors were increased.

The increase of expenditures for national defense was aimed at implementation of measures connected with re-equipment of military forces with new and modern armament and military equipment, increase of monetary allowance and social protection of military men.

3. The federal budget execution in 2011 took place in the situation of continuing recovery of economic growth rates, positive dynamics of prices for key goods of Russian exports (hydrocarbons), reduction of a number of unemployed, low consumer prices growth rate. However, in 2011 there was a considerable outflow of the capital from the country; strengthening of the Ruble against the US dollar was changed by its weakening in the second half of the year, which was connected with increment of crisis developments at the world financial markets, the danger of the world economy recession became more clear.

In 2011 there was a slow-up of the dynamics of indicators, characterizing a living standard of population to compare with 2009 and 2010, when due to implementation of a range of measures aimed at overcoming of financial and economic crisis, considerable increase of the level of social support of population was achieved, which contributed to a considerable growth of a majority of indicators in the social sphere.

In 2011 there was still high differentiation of the level of income of population, remained a considerable difference in the levels of salary relating to different types of economic activity.

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 on the main macroeconomic parameters in 2011 were improving very slowly. Besides Russia as regards to the dynamics of macroeconomic indicators, lags behind a range of countries with transition economy and developing countries. **The share of Russia in the global GDP by purchasing power parity in 2011 was 3,02 %, practically the same to compare with 2010 (3 % of global GDP).** As a result of 2011 the share of GDP of the USA in global GDP was 19,1 %; of China – 14,3 %, of India – 5,7 %; of Japan – 5,6 %, of Germany – 3,9 %. Russia in accordance with this indicator occupies the sixth place in the world.

5. In 2011 separate activities in order to implement provisions, provided by the Key directions of activities of the Government of the Russian Federation were not implemented in full-scale, that led to slow down of the process of creation of necessary institutional conditions for competitive recovery, development of market economy and social sphere.

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 show that despite the improvement of a range of indicators, which characterize the quality of public finance management, it is important to continue its enhancement 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 **200,4 bln. rubles, or 1,8 %** and is connected with: absence of demand for federal budget funds, reserved by the Ministry of Finance of Russia for covering of deficits of the budgets of the Pension Fund of the Russian Federation and the Social Insurance Fund of the Russian Federation; non-implementation of funds, appropriated for execution of federal target programs; non-implementation of funds, appropriated for execution of investment projects; non-usage of funds for payment of contributions to international organizations due to absence of a decision of the Council of Anti-Crisis Fund of the Eurasian Economic Community, as well as due to adjournment of implementation of a number of international projects and programmes; non-usage of the federal budget funds, provided by the Central Election Commission for conduction of elections of the President of the Russian Federation; absence of demand for the federal budget funds, reserved by the Ministry of Finance of Russia for other payments on obligations of the state, including 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. 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.

9. In 2011 the financial situation in the majority of subjects of the Russian Federation was rather complicated, there was a rise of their state debt.

10. 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.

11. The volume of **state debt of the Russian Federation** as of the 1<sup>st</sup> January 2012 increased by **28,5 %** to compare with the 1<sup>st</sup> January 2011 and amounted **5 343 217,4 mln. rubles or 9,8 % GDP** (as of the 1<sup>st</sup> January 2011 – 9,2 % GDP, as of the 1<sup>st</sup> January 2010 – 8,3 % GDP). The growth of the volume of state debt of the Russian Federation by 28,5 % occurred as a result of increase of state internal debt by 42,5% with simultaneous decrease of state external debt by 5,3 %.

12. The Analysis of **the Plan of activities on implementation in 2011 of the Programme of the Government of the Russian Federation aimed at increase of efficiency of budget expenditures till 2012**, revealed that in 2011 44 % of the provided activities (in accordance with experts estimates) were not executed, which could lead to delays in implementation of the tasks and achievement of goals of the Programme.

13. 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.

14. 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 sent to the State Duma and the Federation Council, the Information Letter was sent to the President of the Russian Federation, the Information Letter was sent 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 2011.

## **II. Key proposals on the results of audit of the report on the federal budget execution for 2011**

In the Conclusion of the Accounts Chamber it is proposed for the Government of the Russian Federation to take measures, aimed at formation of a single integral system of state preliminary, on-going and follow-up internal control (audit) in all chief administrators, administrators and receivers of

budgetary funds, continuation of work on elaboration and implementation of a complex of additional measures, aimed at development of revenue potential of the budgetary system of the Russian Federation in the volume, which allows to provide stable financing of implementation of tasks, formulated in the Addresses of the President of the Russian Federation and programmes of the Government of the Russian Federation, provision of increase of efficiency of the state finances management, including execution of internal borrowings, management of the funds of the Reserve Fund, the Fund of National Welfare, balances on the accounts of the Federal Treasury, usage of 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, define a mechanism, which could allow to take into account in the budget process the volume of received revenues from authorized types of activities (revenues, received abroad), as well as the volume of expenditures, effected by the Russian foreign establishments by means of revenues from authorized types of activities (revenues, received abroad), consider the issue of indication in the budgetary reporting on execution of the federal budget of the cost of land plots, which belong to the federal authorities of executive power and their subordinate organizations in accordance with the right of permanent (gratis) use.

### **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.