



EXPLANATORY NOTE

TO THE REPORT ON THE ACTIVITIES

OF THE ACCOUNTS CHAMBER

OF THE RUSSIAN FEDERATION

IN 2017

Explanatory note
to the Report on the Work of the Accounts Chamber of the Russian Federation in 2017

1. In 2017, the Accounts Chamber of the Russian Federation (the Accounts Chamber) focused on the following:

control over the execution of the Decrees of the President of the Russian Federation dated May 7, 2012;

monitoring and control over the development and implementation of priority projects and programs in the main areas of strategic development of the Russian Federation;

monitoring of the provision and implementation of measures to promote import phase-out processes.

The following were also priority tasks in 2017:

organization and implementation of control over the targeted and effective use of federal budget funds, budgets of state extra-budgetary funds of the Russian Federation;

an audit of the implementability and effectiveness of achieving the strategic goals of the social and economic development of the Russian Federation;

determination of effectiveness and compliance with the regulatory legal acts of the Russian Federation of the procedure for the formation, management and disposal of federal and other resources, including for strategic planning purposes;

analysis of identified shortcomings and violations in the process of forming, managing and managing federal and other resources within the competence of the Accounts Chamber, developing proposals for their elimination, and improving the budget process as a whole;

assessment of the effectiveness of granting tax and other benefits and advantages, budgetary credits from the federal budget;

assessment of the legality of the provision of state guarantees and sureties or securing performance of obligations by other means for transactions entered into by legal entities and individual entrepreneurs at the expense of federal and other resources;

determination of the reliability of the budgetary reporting of the chief administrators of the funds of the federal budget and the budgets of the state extra-budgetary funds of the Russian Federation and the annual report on the execution of the federal budget, and the budgets of the state extra-budgetary funds of the Russian Federation.

In 2017, there was adopted Federal Law No. 11-FZ dated February 7, 2017 "On Amendments to the Federal Law "On the Accounts Chamber of the Russian Federation" and Article 28.3 of the Code of Administrative Offenses of the Russian Federation", which:

specifies the powers with regard to the implementation by the Accounts Chamber of operational analysis and control in relation to the state extra-budgetary funds of the Russian Federation;

standardizes the terminology of the Federal Law "On the Accounts Chamber of the Russian Federation" in accordance with the norms of the Budget Code of the Russian Federation with respect to the auditees (objects of control), control methods;

clarifies certain provisions of the Federal Law "On the Accounts Chamber of the Russian Federation" concerning the organization of the activity of the Accounts Chamber (in terms of the contents of the orders, documentation of the results of control and expert-analytical activities, the compliance with the instructions of the President of the Russian Federation and the chambers of the Federal Assembly of the Russian Federation).

In addition, Federal Law No. 11-FZ dated February 7, 2017 "On Amendments to the Federal Law "On the Accounts Chamber of the Russian Federation" and Article 28.3 of the Code of Administrative Offenses of the Russian Federation" vests the Accounts Chamber with the authority to issue, on appeals of legislative (representative) bodies of state power of the constituent entities of the Russian Federation, opinions on whether candidates for the position of chairman of the control and accounting body of a constituent entity of the Russian Federation meet the requirements established by Federal Law No. 6-FZ dated February 7, 2011 "On general principles of Organization and Operation of Control and Accounting Bodies of the Constituent Entities of the Russian Federation and Municipal Entities".

To ensure the principle of transparency, which is laid down in the law on the Accounts Chamber, the monitoring body shall regularly inform the media, expert communities and the general public about its activities. Virtually on a daily basis, the official web-site of the Accounts Chamber publishes and distributes to journalists press releases on the results of inspections of the Accounts Chamber.

Monthly the site publishes an official publication - the Newsletter of the Accounts Chamber of the Russian Federation, in which, in accordance with the Federal Law "On the Accounts Chamber of the Russian Federation", reports on control and expert-analytical activities are published.

In 2017 the Accounts Chamber strengthened its social media presence. The Office was already enjoying successful representation in such social networks as on VKontakte, Odnoklassniki, Facebook, Twitter, Instagram, Telegram, and YouTube.

In 2017, the Accounts Chamber continued work on securing feedback from the population in the sphere of ensuring control over the most problematic sectors of the economy and executive bodies for achieving socially significant goals.

The Accounts Chamber (since April 2016) has been conducting surveys of citizens using the state information system "The official website of the Russian Federation in the information and telecommunications network "Internet" for publishing information on the implementation of state (municipal) financial audit (control) in the sphere of budget legal relations" on the quality of performance by objects of control and audit of the Accounts Chamber of their public functions and provision of services to the population.

The Accounts Chamber conducts public opinion polls with a view to determining the scope, subject-matter and objects of audit and control, problems in the sphere of activity of which are most relevant to the society.

The report on the work of the Accounts Chamber of the Russian Federation is submitted annually to the chambers of the Federal Assembly of the Russian Federation in accordance with Article 31 of the Federal Law "On the Accounts Chamber of the Russian Federation". The Report reflects the activities of the Accounts Chamber for the implementation of tasks identified by the legislation of the Russian Federation.

2. In the reporting period, the Accounts Chamber conducted 319 monitoring and expert-analytical activities¹.

A total of 4841² objects were covered by the by control and expert-analytical activities in 2017.

3. The revealed violations and shortcomings related to the receipt and use of the budget system funds totaled 1,865.6 billion rubles.

Violations of accounting records maintenance, preparation and submission of accounting (financial) statements and violations in the formation and execution of budgets account for the largest share in the total number of violations revealed.

In the course of compliance with the Chamber of Accounts' submissions, 19,151.7 million rubles were returned to the federal budget.

In addition, in 2017, the Accounts Chamber prevented illegal spending of federal budget funds in the amount of 12.4 billion rubles. Also, following the control activity conducted by the Accounts Chamber, the State Corporation for Space Activity Roskosmos repaid the debts of the past years to the federal budget at the end of 2017 under international treaties of the Federal Space Agency in the amount of 46.9 billion rubles.

4. Based on the results of the control and expert-analytical activities carried out, 374 submissions and 63 orders of the Accounts Chamber were sent to participants in the budget process, of which, as of January 1, 2018, 331 were fully or partially complied with.

In addition, 410 information letters were sent, including to the President of the Russian Federation - 17, to the Government of the Russian Federation - 62.

5. In 2017, the Inspectors of the Accounts Chamber initiated 389 cases of administrative violations, based on the results of their examination, 130 persons were held administratively liable

¹ Lists of key control and expert-analytical activities conducted by the Accounts Chamber in 2016 and activities conducted on the basis of instructions, appeals and requests from the President of the Russian Federation, resolutions of the Federation Council and resolutions of the State Duma, requests from committees and commissions of the Federal Assembly chambers, appeals and requests of the members of the Council of the Federation and deputies of the State Duma are given in Appendices Nos. 1 and 2 to the Report.

² Taking into account organizations to which requests for reference information were sent.

for violations committed in the financial and budgetary sphere, with fines of 15.2 million rubles paid to the state revenue.

6. Based on the results of the consideration of submissions and orders sent by the Accounts Chamber following control activities, 593 regulatory legal and other acts and their projects (NLAs) were adopted in 2017, including: 19 federal laws, 3 acts of the President of the Russian Federation, 59 NLAs of the Government of the Russian Federation and 512 departmental NLAs. Five NLAs were declared invalid.

The most relevant issues of regulation of these acts are the specifics of the execution of the federal budget in 2017, the forecasting of revenues to the federal budget and the assessment of the effectiveness of public spending, the use and placement of the Reserve Fund and the National Welfare Fund, making decisions on capital investments in state property of the Russian Federation outside the territory of the Russian Federation, approval of the procedure for the formation of programs of state guarantees of the Russian Federation, analysis of the financial condition of the principal at the time of provision of state guarantees of the Russian Federation and during their validity, the calculation and collection of fees for the negative environmental impact, providing disabled people with technical means of rehabilitation, providing social support to citizens exposed to radiation, state guarantees and compensations for people working and living in the Far North and equated areas, sending notices to the insured persons on the status of the funded pension account and the results of investing pension savings, state regulation of the production and turnover of ethyl alcohol, alcohol and alcohol-containing products and the restriction of consumption (drinking) of alcohol products.

It is necessary to separately mention normative legal acts related to the adjustment of (adoption in a new version, the introduction of changes to) state programs of the Russian Federation in the spheres of health, economic development and innovative economy, agricultural development and regulation of markets for agricultural products, raw materials and food, reproduction and use of natural resources, forestry development.

Much attention is paid to the problems of procurement of goods, works, services to provide for state and municipal needs (including research, development, technological works), of approving the requirements for certain types of goods, works, services (including the marginal prices of goods, works, services) being procured, departmental control in procurement for federal needs³.

7. 135 cases were sent following control activities to the prosecution authorities, pretrial investigation agencies, bodies of internal affairs and state security for taking response measures provided by the legislation of the Russian Federation, including criminal means of counteracting crimes.

³Summary data on the measures taken by the Accounts Chamber in 2017 based on the results of control and expert-analytical measures carried out in relation to the objects of audit (control) are given in Appendix No. 3 to the Report.

Based on the results of the examination of the Accounts Chamber's control activities materials, prosecution authorities, law enforcement agencies and state security agencies, in order to eliminate the revealed violations of the legislation of the Russian Federation, submitted to the competent officials 222 representations, announced 9 warnings about the inadmissibility of violation of the law, appealed against 16 illegal legal acts, prosecutors instituted 129 cases of administrative offences, 48 officials were held administratively liable, 61 lawsuits were filed with the aim of protecting the economic interests of the state in the courts of general jurisdiction and arbitration courts.

In addition, as a result of the response measures taken by the prosecution authorities based on the materials of the Accounts Chamber, 20.0 million rubles was returned to the state.

Based on the results of the supervisory inspections conducted by the prosecution authorities based on the audit activities of the Accounts Chamber, 105 materials were sent to the investigative authorities to consider institution of criminal proceedings in pursuance of the requirements of Article 37 of the Code of Criminal Procedure of the Russian Federation. Based on the results of their examination, investigators opened 35 criminal cases, 5 procedural decisions were rendered to refuse to open a criminal case, and for 84 materials, procedural investigation is ongoing⁴.

11. In 2017 the Accounts Chamber examined more than 2,260 drafts of regulatory legal acts, based on the results of consideration of which 1,315 Accounts Chamber final reports were prepared, as well as letters with comments and suggestions on draft federal laws and other regulatory legal acts.

12. In 2017, 2,764 appeals from citizens, associations of citizens, including legal entities (citizens) were registered and reviewed in the Accounts Chamber.

The applicants were sent 817 clarifications on the issues of interest to them, as well as 1,721 notices of referral of appeals for consideration by instances which have appropriate jurisdiction.

A total of 4,972 letters were prepared and sent as a response to citizens' appeals.

The information contained in the appeals of citizens was taken into account in the conduct of control and expert-analytical activities.

Based on the results of consideration of applications received from citizens and associations of citizens, 21 appeals concerning the execution of the federal budget and the budgets of the state extra-budgetary funds of the Russian Federation were used in carrying out planned control activities in 2017.

In the exercise of control functions, the materials of 14 applications of citizens are planned to be used within the frame of the external government audit (control) in 2018.

8. In 2017, the Accounts Chamber carried out a set of control and expert-analytical measures necessary for the preparation of opinions on draft federal laws on the federal budget, the budgets of

⁴ Summary data on the results of consideration of the materials of the Accounts Chamber by law enforcement and state security agencies for the objects of audit (control) are given in Appendix No. 4 to the Report.

the state extra-budgetary funds of the Russian Federation for 2018 and the planning period of 2019 and 2020, on the reports on the execution of the federal budget and the budgets of the state extra-budgetary funds of the Russian Federation for 2016, quarterly operational reports on the execution of the federal budget and the budgets of the state extra-budgetary funds of the Russian Federation for the year 2017. In order to achieve the objectives, 142 control and expert-analytical activities were conducted.

The results of the audit of the formation and control over the execution of the federal budget and the budgets of the state extra-budgetary funds of the Russian Federation in 2017 show that, despite the measures taken by the Government of the Russian Federation to improve the budget process, a number of systemic problems remain unresolved:

insufficient accuracy of forecasting indicators used in the calculation of federal budget revenues, lack of an approved methodology for forecasting the calculation of federal budget revenues;

lack of full-scale prioritization of state programs activities, optimization of expenses and discovery of reserves for activities;

lack of a comprehensive analysis of the implementation of presidential decrees dated May 7, 2012 using all sources of funding in the constituent entities of the Russian Federation, assessing the expenditures required for implementing decrees and the effectiveness of using these funds;

insufficient quality of public finance management by the chief administrators of budgetary funds;

steady growth in the volume of receivables of federal executive bodies and other participants in the budget process;

inclusion in the federal targeted investment program of facilities that are not supported by approved project documentation containing a positive conclusion of the state expertise, as well as facilities for which budgetary allocations are planned simultaneously for design and survey and construction and installation works, the lack of the recording of the dynamics of balances of uncommitted budgetary allocations as of the beginning and the end of the fiscal year when forming a federal targeted investment program, the lack of accounting for the level of performance of the key federal budget funds spending units of spending on federal targeted investment programs in the current financial year;

low efficiency of use of budgetary investments by joint-stock companies in conditions of insufficient control by the key spending units over the performance of contracts for the provision of budgetary investments;

the lack of an approved methodology for calculating the amount of revenues by sources of financing the budget deficit for the next financial year;

growth of the debt burden on the budgets of the constituent entities of the Russian Federation, continued significant dependence of regional budgets on financial assistance from the

federal budget, which is indicative of the existing problems in the economy of the regions, the formation and execution of their budgets.

9. As part of the audit of the implementability and effectiveness of achieving the strategic goals of the social and economic development of the Russian Federation, the Accounts Chamber conducted 43 control and 38 expert-analytical events in 2017.

Control over the implementation of the Decrees of the President of the Russian Federation.

The implementation of the Decrees of the President of the Russian Federation dated May 7, 2012 (the Decrees) is overseen out by the Accounts Chamber on a permanent basis during a complex of control and expert-analytical activities as part of subsequent monitoring of the execution of the federal budget, preliminary audit of the formation of the federal budget.

In 2017, the Accounts Chamber analyzed the effectiveness of the use, at year-end 2016, of federal budget funds allocated for the implementation of decrees and achievement of goals and objectives defined by decrees. The results of the analysis are reflected in the conclusions of the Accounts Chamber on the results of an external audit of compliance with the Federal Law "On the Federal Budget for 2016" and the budgetary reporting on the execution of the federal budget for 2016 in the Ministry of Finance of the Russian Federation and on the report on the execution of the federal budget for 2016.

Based the results of the analysis of the fulfillment of the tasks outlined in the decrees of the President of the Russian Federation dated May 7, 2012, an overall dynamics of positive changes in the spheres of health, education, culture, housing and utilities sector, provision of state and municipal services is observable as at end of 2017.

Control over the implementation of state programs of the Russian Federation.

In 2017, within the framework of the operational analysis of execution and control over the organization of the implementation of the federal budget, the Accounts Chamber carried out monthly monitoring of the implementation of state programs of the Russian Federation (the state program).

The federal law on the federal budget for 2017 and for the planned period 2018 and 2019 is formed in the program structure of expenditures on the basis of 40 state programs, expenditures for which in 2017 amount to 7,982.3 billion rubles.

In 2017, state programs "Development of the pension system for 2018 - 2035 years", "Ensuring the country's defense capacity" and "Social and economic development of the Republic of Crimea and Sevastopol for the period until 2020" were not approved.

As a result of adjustments in 2017 of the indicators in the federal law on the federal budget and the consolidated budget quarterly breakdown, the amount of financial support for the implementation of state programs did not correspond to the statutory budgetary allocations throughout 2017. In the materials on the draft laws "On Amendments to the Federal Law "On the Federal Budget for 2017 and the Planning Period of 2018 and 2020", information on changes in the

indicators of state programs was missing, which made it impossible to assess the appropriateness and effectiveness of planned expenditures.

10. At present, the paramount aspect of the international activities of the Accounting Chamber is the preparations for the XXIII INTOSAI Congress to be held in Moscow in 2019. This event lends a special status to the Accounts Chamber in the audit community: from 2019 to 2022, the Chairwoman of the Accounts Chamber will assume the duties of the President of INTOSAI, from 2016 to 2025 the Accounts Chamber is automatically a member of the INTOSAI Governing Board. In this context, active work was continued to promote the Russian language as an additional official language of INTOSAI.

In addition, the Accounts Chamber continued to increase its participation in INTOSAI bodies by actively working with the subcommittees of the INTOSAI Committee on Professional Standards: the Performance Audit Subcommittee, the Compliance Audit Subcommittee, and the Subcommittee on Internal Control Standards.

In the reporting period, the representatives of the Accounts Chamber expanded their participation in the work on the subject of audit in the area of environmental protection through the development of a research project on transparency in the audit of funds in the sphere of environmental protection in the framework of an INTOSAI working group.

In the reporting year, the exchange of knowledge and experience in the field of IT audit and the use of information technologies in the audit was continued within the framework of the INTOSAI and EUROSAI working groups on information technologies.

In 2017, the Accounts Chamber joined the research projects within the new INTOSAI working group on big data and proposed the development of a project on remote audit within the group.

Overall, in 2017, the Accounts Chamber took part in the activities of 20 groups, committees and subcommittees of INTOSAI, EUROSAI and ASOSAI.

Practical steps have been taken to establish a new format for interaction between the Supreme Audit Institutions in relation to the BRICS: agreements have been reached to strengthen the format of cooperation through regular seminars and monitoring activities; the provision on the interaction of the SAIs participants in the format is under development.

In 2017, the Accounts Chamber jointly with the Supreme Audit Institutions of Armenia, Belarus, Kazakhstan, Kirghizia continued its traditionally active work in the direction of the Eurasian Economic Union: external audit (control) in the bodies of the EAEU, as well as a check of compliance in 2016 by the authorized bodies of Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia with the Protocol on the procedure for the crediting and distribution of amounts of import customs duties (other duties, taxes and charges having equivalent effect) their remittance to the revenue of the budgets of the EAEU member states were carried out. In the interests of developing the methodological framework of the work being conducted, a working group on improving the

interaction of the Supreme Audit Institutions of the EAEU member states began to operate on the initiative of the Chairman of the Accounts Chamber.

11. As part of the exercise of its powers, the Accounts Chamber considers as one of the priorities ensuring and further development of the audit of the formation and control of the execution of the federal budget, the budgets of the state extra-budgetary funds of the Russian Federation, control over the implementation of production sharing agreements, and expert assessment of draft normative legal acts involving federal budget expenditures.

In the coming year, the Accounts Chamber will continue to audit the implementation of state programs of the Russian Federation, as well as monitoring and control of the development and implementation of priority projects and programs in the key areas of Russia's strategic development "Healthcare", "Education", "Monocities", "Safe and high-quality roads", "Housing and communal services and urban environment", "Mortgage and rental housing", "Ecology", "Small business and support of individual entrepreneurial initiative", "International Cooperation and Export", "Labor Productivity", "Reform of Control and Supervisory Activities".

Measures will continue to monitor the effectiveness of the use of federal budget funds aimed at developing priority areas (the Far Eastern and North Caucasus federal districts, the Baikal region).

In 2018, the Accounts Chamber will for the first time assess (analyze) the activities of the control and accounting bodies of 45 constituent entities of the Russian Federation.

In order to increase the effectiveness of ongoing monitoring and expert-analytical activities, the Accounts Chamber will strengthen constructive interaction with law enforcement agencies.

Ensuring methodological unity and improving the quality of monitoring and expert-analytical work, providing methodological assistance in the development of internal audit standards with due regard for international best practice remain an important component in the work of the Accounts Chamber in 2018.