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**Accounts Chamber of the Russian Federation**

## **Country Paper**

**Subtheme 1:**

**Basic Approaches and Challenges for Ensuring Transparency  
and Accountability**

**The Role of SAIs for Raising Awareness in Parliament and in the  
Society for Promoting the Reinforcement of Accountability and  
Transparency in Public Management**

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The legislative branch of power, both in old and new democracies, is authorized to supervise the supreme executive body. As a rule these tools and mechanisms are provided in constitution and other regulatory documents. The way the parliament exercises its prerogative depends on the legislative base of its activities guaranteeing the powers of the parliament as a supervisory body and ensuring its independence in the frame of existing political system.

When we consider the role of supreme audit institutions (hereinafter SAI) in raising the awareness of the parliament and society of ensuring accountability and transparency in public management, it is necessary to note the double nature of SAIs in many countries. On the one hand, these are controlling state bodies, on the other hand, they are **civil society institutions** designed to ensure control over the use of public resources. Thus, SAIs are not just public audit agencies, their existence in this or that country is by itself a crucial factor of development of democratic institutions.

The notion of accountability was defined in the Resolution of the UN General Assembly 64/259 of May 5, 2010, as the obligation to be answerable for all decisions made and actions taken, and to be responsible for honouring the commitments; objective, truthful and timely reporting on performance results; responsible management of resources and funds.

**The principle of transparency** as recorded in the Lima Declaration of Guidelines on Auditing Precepts plays a significant role in providing society and power with objective and independent information on the most important issues.

**Transparency and publicity** are the main tools to ensure the role of a SAI as a crucial element in the system of interaction between civil society institutions and power providing social stability.

When considering the role of the Accounts Chamber of the Russian Federation in the process of raising the awareness of the Parliament of the Russian Federation and the Russian society of ensuring accountability and transparency in public management, the following should be noted.

Article 101 of the Constitution of the Russian Federation states that the Federal Assembly of the Russian Federation shall establish the Accounts Chamber to exercise control over the federal budget execution.

The powers of the Accounts Chamber are determined in 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 regulatory acts.

The peculiarities of interaction between the Chambers of the Federal Assembly of the Russian Federation and the Accounts Chamber are defined in the Federal Law “On the Accounts Chamber of the Russian Federation”, as well as in regulations of the Federation Council and the State Duma of the Federal Assembly of the Russian Federation, the Regulations on the Accounts Chamber of the Russian Federation.

The interaction with the Council of Federation is carried out in the frame of the Commission of the Council of Federation for Interaction with the Accounts Chamber of the Russian Federation.

The Regulations of the State Duma contains a separate Chapter “Procedure for Considering Issues Connected with Relations between the State Duma and the Accounts Chamber of the Russian Federation”.

One of the tasks of the Accounts Chamber is to submit regularly to the Federation Council and the State Duma information on the progress of the federal budget execution and the results of monitoring and expert-analytical activities.

According to the Federal Law “On the Accounts Chamber of the Russian Federation” and the Budget Code of the Russian Federation, the Accounts Chamber shall execute continuous three-year cycle of control over the execution of the federal budget and the budgets of public off-budget funds for each financial year at three consecutive stages: the stage of preliminary control of draft budgets for the next financial year; the stage of operational control directly in the process of the execution of the budgets for the current financial year; and the stage of follow-up control of executed budgets for the reporting financial year.

The set of control and expert-analytical activities carried out in the frame of the preliminary, operational and follow-up control constitutes the single system of the

Accounts Chamber's control over formation and execution of the federal budget and the budgets of public off-budget funds. It is added with thematic audits and expert-analytical activities carried out under the working plan of the Accounts Chamber and under the instructions of the Chambers of the Federal Assembly of the Russian Federation and appeals of the members of the Council of Federation and the deputies of the State Duma.

The Accounts Chamber submits to the Federation Council and the State Duma the opinions on draft laws on the federal budget and the budgets of public off-budget funds for the next financial year and the planning period, quarterly operational statements on the progress of the federal budget execution for the current financial year, opinions on draft laws regarding amendment of the budgets for the current financial year and the planning period, opinions on the annual statement of budget performance, opinions on other issues within the scope of its competence; regularly submits information on the results of ongoing control activities.

The Accounts Chamber carries out its work in accordance with plans and programs. Instructions of the Federation Council and the State Duma, appeals of at least one fifth of the total number of deputies (members) of the Federation Council or deputies of the State Duma are to be obligatory included into the plans and programs of work of the Accounts Chamber.

In particular, inquiries of committees and commissions of the Chambers of the Federal Assembly of the Russian Federation, members of the Federation Council and deputies of the State Duma are to be obligatorily considered at the formation of the plans and programs of work of the Accounts Chamber.

Extraordinary control activities are carried out on the base of resolutions of the Federation Council and the State Duma upon the appeal of at least one fifth of the total number of members of the Council of Federation and deputies of the State Duma or on the base of the decision of the Collegium of the Accounts Chamber.

Thus, in 2010 the Accounts Chamber conducted 501 monitoring and expert-analytical activities, which covered 154 objects in 81 constituent entities in the Russian Federation. 33 control activities were carried out under the instructions of the

Chambers of the Federal Assembly, appeals of members of the Federation Council and deputies of the State Duma, including 20 activities under the instructions of the Council of Federation and appeals of members of the Federation Council, and 13 activities under the instructions of the State Duma and appeals of deputies of the State Duma.

Pursuant to Article 33 of the Federal Law “On the Accounts Chamber of the Russian Federation”, the annual statement on the work of the Accounts Chamber shall be submitted to the Federation Council and the State Duma and shall be subject to mandatory publication.

The Chairman of the Accounts Chamber, the Deputy Chairman of the Accounts Chamber and auditors of the Accounts Chamber are entitled to attend any open or closed meeting of the Federation Council or the State Duma, take part both in open and closed parliamentary hearings. The Chairman of the Accounts Chamber also has the right to make a special speech at a meeting of the Federation Council.

In 2010 alone, members of the Collegium and officials of the Accounts Chamber took part in 135 meetings and activities conducted by the Chambers of the Federal Assembly of the Russian Federation, including 83 activities conducted by the Federation Council and 52 activities conducted by the State Duma.

In the frame of activities carried out by the parliament chambers, the members of the Collegium of the Accounts Chamber took active part in discussing the following issues:

- on measures to improve efficiency of budget expenditures;
- banking system of Russia at overcoming the crisis: priority tasks;
- on legislative provision of modernization and innovation development of Russian economy;
- the analysis of the effect of the financial and economic crisis consequences on the socio-economic situation and the problems of execution of consolidated budgets of constituent entities of the Russian Federation; assessing the effectiveness of the efforts of executive bodies of constituent entities of the Russian Federation aimed at minimizing and overcoming the financial and economic crisis consequences;

on the efforts of the Government of the Russian Federation to modernize and carry out technological renovation of the economy.

We also would like to note that, at the initiative of the Accounts Chamber the procedure for conducting a “Government’s hour” in the frame of plenary meeting of the Federation Council has been changed since 2008. In order to ensure the provision of objective information on the topics of speeches of heads of federal ministries and agencies, auditors of the Accounts Chamber responsible for the appropriate field of activities are to be obligatorily invited to a plenary meeting.

In most countries the main guarantor of the functional independence of SAI are the bodies of the representative power. SAI’s ability to ensure really effective control over expenditure by executive bodies of budget funds, which are, in fact, taxpayers’ funds, largely depends on active and independent position of the parliament. It also provides an opportunity to prevent the situation when ill-conceived decisions of power affect social interests of general population.

In this respect, the interaction between the Accounts Chamber and the State Duma in implementing the social security reform, the so-called “**benefits monetization**” in 2004 is a very vivid example. The essence of the reform was in transition from a natural form to a monetary form of providing services and goods for socially vulnerable citizens. This reform was not supported with necessary financial resources. As a result, categories of citizens entitled to benefits, for example, pensioners, were not able to receive monetary compensation for the same volume of medicines or transportation services they had before the reform in kind. As a consequence, a wave of social protests ran over many regions.

In this situation, **in close cooperation with the State Duma**, a working group was established, and on-line monitoring of the reform implementation started with participation of regional control and accounting agencies. Besides, the data of sociological opinion polls were studied. Basing on the results of this work, the Accounts Chamber promptly sent to the legislators its comments and suggestions on amendment of the relevant Law. Each citizen was provided with the opportunity to choose for himself/herself the form of preferential provision. These proposals were

implemented in a fairly short time, which helped to diminish the social tension quite promptly and prevent infringing the interests of the least socially protected categories of population.

It is important that the results of our audits are considered at parliament hearings and meetings of the relevant committees attended by representatives of audited organizations and agencies. Such approach allows ensuring more responsive performance of representations and directions of the Accounts Chamber. For instance, last year such regime of consideration was applied to the results of audits and expert-analytical activities in respect of the issues of the efficiency of anti-crisis activities in health care, payment of social allowances to poor citizens, situation with regional and municipal budgets under conditions of crisis, effectiveness of the implementation of the Privatization Forecast Plan, etc.

The lack of regional subdivisions, as well as the enormous territory of our country makes it very urgent to ensure detailed coordination and constant contacts of the Accounts Chamber with regional control and accounting agencies for the purpose of monitoring local social situation. For this purpose, the Association of Control and Accounting Agencies of the Russian Federation, and later the Union of Municipal Control and Accounting Agencies were established more than ten years ago. We regularly receive operation information on such publicly important issues as the implementation of priority national projects “Health”, “Accessible Housing”. Materials provided by regional control and accounting agencies were used by the Accounts Chamber in the period from 2009 to 2010 for preparing quarterly analytical materials on the impact of the consequences of the financial crisis on the socio-economic situation of the constituent entities of the Russian Federation, which were sent to the Federation Council and the State Duma.

Furthermore, in order to obtain objective information on how budget funds are used and to personally examine local socio-economic situation, the members of the Collegium of the Accounts Chamber visited 39 Russian regions in 2010-2011.

In order to create a comprehensive system of financial control complying with existing social and political realities, the Federal Law “On General Principles of

Organization and Activities of Control and Accounting Agencies of Constituent Entities of the Russian Federation and Municipal Entities” was adopted on February 7, 2011. The implementation of the provisions of this Law is fairly important in the context of activities to prepare for the re-distribution of powers among federal authorities, executive agencies and agencies of local self-government.

Another element of SAI’s influence on the development of civil society institutions is the creation of a wide network of **contacts with independent public and expert organizations**. For example, the Accounts Chamber actively interacts in its work with such important non-governmental organizations of the country as the Public Chamber of the Russian Federation, the Association of Lawyers of Russia, the Union of Taxpayers and a number of other organizations.

The interaction of the Accounts Chamber with non-governmental organizations and associations and expert communities is built on the basis of relevant agreements. Such agreements have so far been concluded with the Russian Union of Industrialists and Entrepreneurs, the Chamber of Commerce and Industry of the Russian Federation, the Analytical Centre under the Government of the Russian Federation, the Institute of Social and Political Studies of the Russian Academy of Sciences, the Public Chamber of the Russian Federation, the Audit Chamber of Russia, and a number of other organizations.

Great attention is paid to expert and analytical work, the development of proposals on improvement of the legislation affecting the budget process. In this regard, **the Expert Advisory Board**, consisting of representatives of science and business, is acting under the Chairman of the Accounts Chamber. In the frame of this work, active contacts are maintained with public structures representing the interests of business: the Russian Union of Industrialists and Entrepreneurs, the Chamber of Commerce and Industry, the Association of Russian Banks, and a number of others.

Representatives of scientific and expert organizations are widely involved in the work on improving the control and audit and expert-analytical activities of the Accounts Chamber in the frame of ensuring the unified system of control over formation and execution of the federal budget and the budgets of off-budget funds.

Thus, in 2010, the Presidium of the Expert Advisory Board under the Chairman of the Accounts Chamber and Economy Section of the Social Sciences Department of the Russian Academy of Science held a joint meeting, which considered the draft Opinion of the Accounts Chamber on the Draft Federal Law “On the Federal Budget for 2011 and the Planning Period of 2012 and 2013”. The results of the discussion were taken into account during the preparation of the final version of the Opinion. It should be noted that such format of discussion of the Opinion of the Accounts Chamber on the Draft Law “On the Federal Budget” (prior to its consideration by the Collegium) was applied for the first time. Such approach, in our opinion, gave an opportunity to enhance the openness of the budget process and to involve in the discussion a large range of specialists and experts with various points of view.

The Accounts Chamber constantly informs the society of financial violations identified during the audits, as well as of its activities as a body of public financial control. Operational press releases dedicated to the current activities of the control agency and the results of the meetings of the Collegium of the Accounts Chamber are sent to media almost daily. The Accounts Chamber informs citizens of its activities via the official web-site [www.ach.gov.ru](http://www.ach.gov.ru), the Public Reception Office, interview and speeches in the media of the Chairman of the Accounts Chamber and the members of the Collegium. The official edition of the Accounts Chamber – the Bulletin of the Accounts Chamber of the Russian Federation has been published monthly since 1997, the public subscription to it has been available since 1998. Only the results of the last year gave the media an opportunity to issue more than 27,000 articles on the work of the Accounts Chamber; about 440 pieces appeared on TV, about 465 on the radio.

Disseminating the information on the results of its control activities the Accounts Chamber uses lexical formats without professional terminology. They are available to the vast majority of the population, which, in particular, is proved by the high traffic ranking of the official site of the Accounts Chamber, which amounted to 850,000 people in 2010.

The Accounts Chamber organizes activities to raise the public awareness on its work, using, along with the media, such network platforms as video service YouTube and social network Twitter. Besides, the Higher Public Audit School (faculty) of Lomonosov Moscow State University plays essential role in raising the public awareness on the activities of the Accounts Chamber. The Higher Public Audit School trains specialists for Russian control and accounting agencies, and its professors and lecturers widely use the university tribune for disseminating system knowledge on the activities of the public financial control agencies.

Citizens' right to appeal to a state agency is enshrined in Article 33 of the Constitution of the Russian Federation. At the same time, the Federal Law "On the Procedure for Processing Appeals of Citizens of the Russian Federation" was adopted on May 2, 2006, which provided for the legal mechanism of these activities. **The Public Reception Office** is active in the Accounts Chamber to give citizens the opportunity to execute their right to appeal to state authorities.

In 2010, about 200 people appealed to the Public Reception Office personally, about 2,000 written applications were processed. Appeals were also coming via the interactive service "Public Reception Office", which was specially created on the official site of the Accounts Chamber.

The appeals concerning a wide range of problems – from the execution of rights to housing, social security, salary, health care, to the issues of the federal budget execution and the use of federal property – represent an essential source of information giving an opportunity to extend the thematic framework for planning and carrying out control and audit activities of the Accounts Chamber.

By appealing to the Accounts Chamber, citizens potentially participate in identifying the violations of budget legislation and, thus, in the possible prevention of emerging negative trends, which could result in improvement of legislation in the sphere of budget process, budget structure and public control.

The information of the appeals is used in various areas of activities of the Accounts Chamber in planning and developing programs of control activities.

Creation of direct channels of communication with citizens is very important from the viewpoint of SAI's participation in combating such kind of violation as corruption, which is difficult to identify. Last year, we established a precedent when representatives of the initiative group that accused the mayor of the city of corruption were invited to the Collegium in the frame of processing the results of the audit of the use of federal transfers in one of the regions. During the audit these facts were confirmed and added to the materials sent to law enforcement agencies.

The accumulated positive experience of cooperation with citizens is analyzed, systematized and reported to the Chairman and the members of the Collegium of the Accounts Chamber. This experience is also replicated through the efforts of such non-governmental organizations as the Association of Control and Accounting Agencies (AKSOR) of the Russian Federation and the Union of Municipal Control and Accounting Agencies; such editions as "Financial Control" and "Reporter of AKSOR".

In our opinion, another important factor assisting in raising the awareness of the Parliament and the society on ensuring the accountability and transparency in public management are **contacts with the supreme leadership of the country**.

The multi-channel nature of information received by the supreme leadership of the country (and the Accounts Chamber is one of such channels) ensures the required number of feedbacks between the society and the power, assists in identifying problems, which might adversely affect socio-economic development of the country, promptly inform both the power and the society on the resulting risks.

Such contacts, which, thanks to TV and media coverage, become public, are very important for several reasons.

First, society gets an opportunity to actually observe the reaction of senior officials on the most important issues.

Second, this confirms this confirms the high demand from the power for information received from an independent audit institution.

Moreover, this increases the credibility of an audit institution, which is eventually accountable to ordinary taxpayers.

Exercising the functions of SAI as a tool of feedback between society and power suggests new requirements to the methods of work. In our activities, we strive to reorient to the qualitative analysis and the system assessment of sufficiency and effectiveness of the use of public resources to address the goals set by the leadership of the country.

This means that we seek to shift the focus of our work from the control over financial flows to the control over the results brought by the use thereof. The most important tool for accomplishing this task is for us **the performance audit**, which suggests not only the qualitative analysis of achieving the planned results, but also the development of recommendations on elimination of system factors preventing it.

I would like to illustrate the importance of this kind of audit for our work by an example of **the performance audit of the use of medical equipment** (mainly computer tomographs) in the frame of implementation of the national priority project “Health”. The lack of a uniform pricing policy led to substantial difference in import contract prices and government contracts (from 1.5 to 2.5 times). As a result, according to our estimates, the amount of ineffective use of funds was more than 1 billion roubles (over US\$30.000.000). The results of this audit were communicated to D.A. Medvedev, the President of the Russian Federation, and all materials were sent to law enforcement agencies.

As I have already mentioned, the implementation of the qualitative approach in public audit suggests not only the identification of “bottle necks”, but also formation of system proposals on elimination thereof. These recommendations, as a rule, relate to issues of improving the legislation.

Basing on the results of audits, the Accounts Chamber not only reveals violations in purchasing for public needs, but for the last three years, has been carrying out active work to improve the relevant law. Thus, representatives of the Accounts Chamber were integrated into the working group under the specialized committee of the State Duma. Furthermore, the Accounts Chamber, together with the Ministry of Economic Development and the Federal Anti-Monopoly Service, has developed a draft amendment, which suggests, for instance, accounting of average

market prices in determining the initial tender price and the need for tender participants to submit a banking guarantee.

According to the Accounts Chamber, the main area of reforming the public procurement system is the transition to the federal contract system, which suggests a clear linkage of procedures for forecasting the needs for goods and services, planning, budgeting and administration of procurement. At present, under instruction of the President of the Russian Federation, the Accounts Chamber, together with other control and law enforcement agencies, is carrying out the audit of the entire system of governmental and municipal procurement.

Concurrently, the work is carried out to introduce the federal contract system into practice. In particular, the joint group of the Defence Ministry of Russia and the Accounts Chamber for transition of public procurement in this Ministry to the contract system has been established and is working actively. Similar groups have been established in the Republic of Bashkortostan and the Republic of Tatarstan to develop the mechanisms of the contract system implementation at the regional level.

Implementation of the principles of openness has always been one of the most important and high-priority areas of activities of the Accounts Chamber as the supreme audit institution.

Building up the system of accountability and openness of the Accounts Chamber, we continue the work on improving the methodological framework of its control and expert-analytical activities, forming public and scientific interest in the results of the most significant control and expert-analytical activities by means of their representing in a form available to general public (in the format of summaries, diagrams, video presentations and press releases).

We believe that these areas of activities of the Accounts Chamber, which we are planning to develop subsequently, assist in raising the awareness of the Parliament and society of ensuring accountability and transparency in public management.