



Optimizing external audit procedures for local budgets

(on an example of Moscow)

Vyacheslav Litvintsev, Auditor of the
Chamber of Control and Accounts of
Moscow

Contents

- General data
- Delegation of authority in the external audit of local budgets
- Monitoring of budget reporting
- External audit of the annual reports on the execution of local budgets
- Reform of local government



FEATURES OF THE ORGANIZATION OF LOCAL GOVERNMENT IN MOSCOW

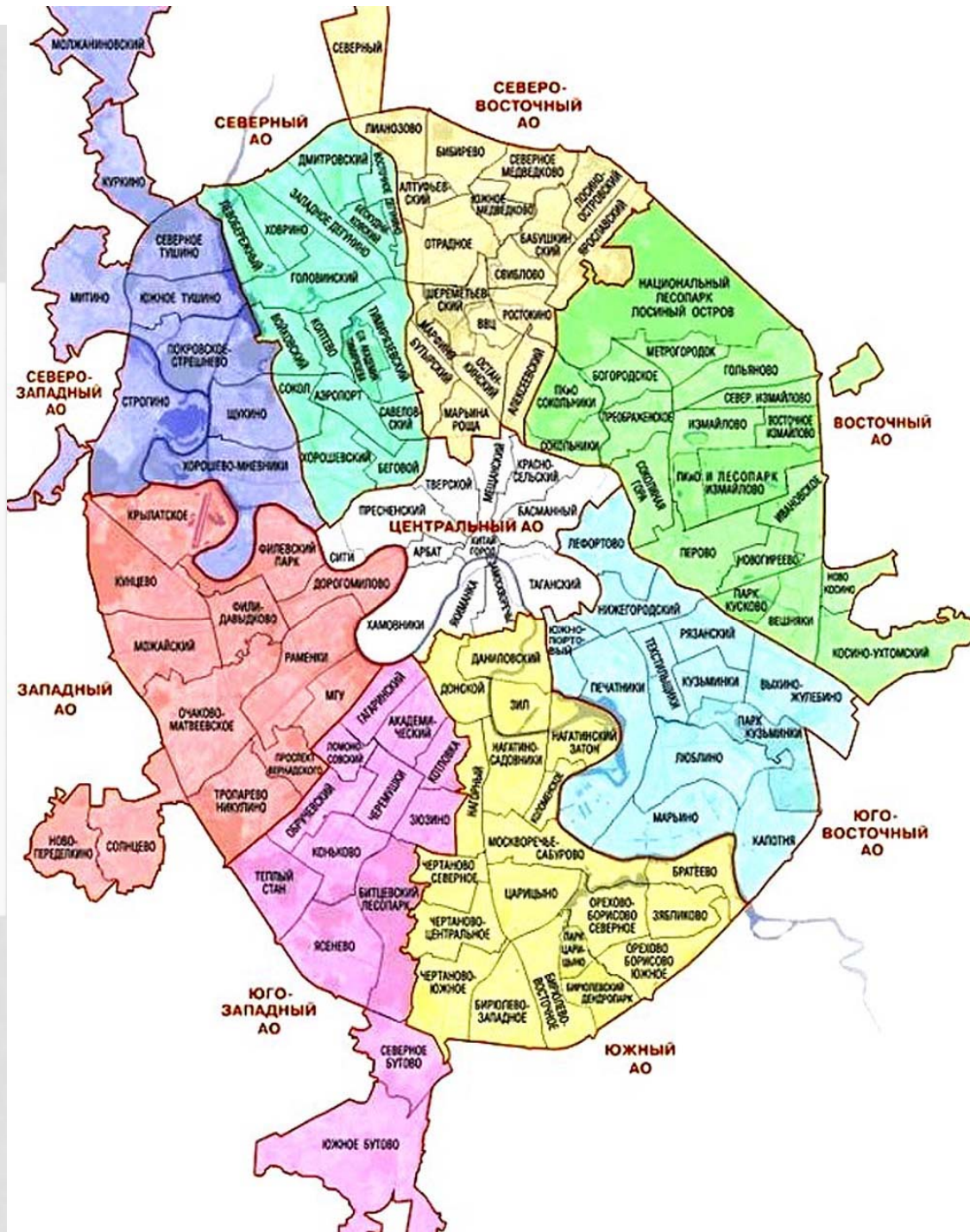
Moscow authorities independently determine:

- list of local issues;
- sources of revenues of local budgets;
- standards of income deductions to local governments;
- mode, volume, order and conditions of inter-budget transfers to the local budgets;
- list, the procedure of execution and maintenance of ICME* Register of expenditure commitments



*Inter-city municipal establishment

Administrative districts and divisions of Moscow before 01.07.2012: area - 1091 km², population - 11.5 million people; 10 administrative districts (cantons); 125 districts



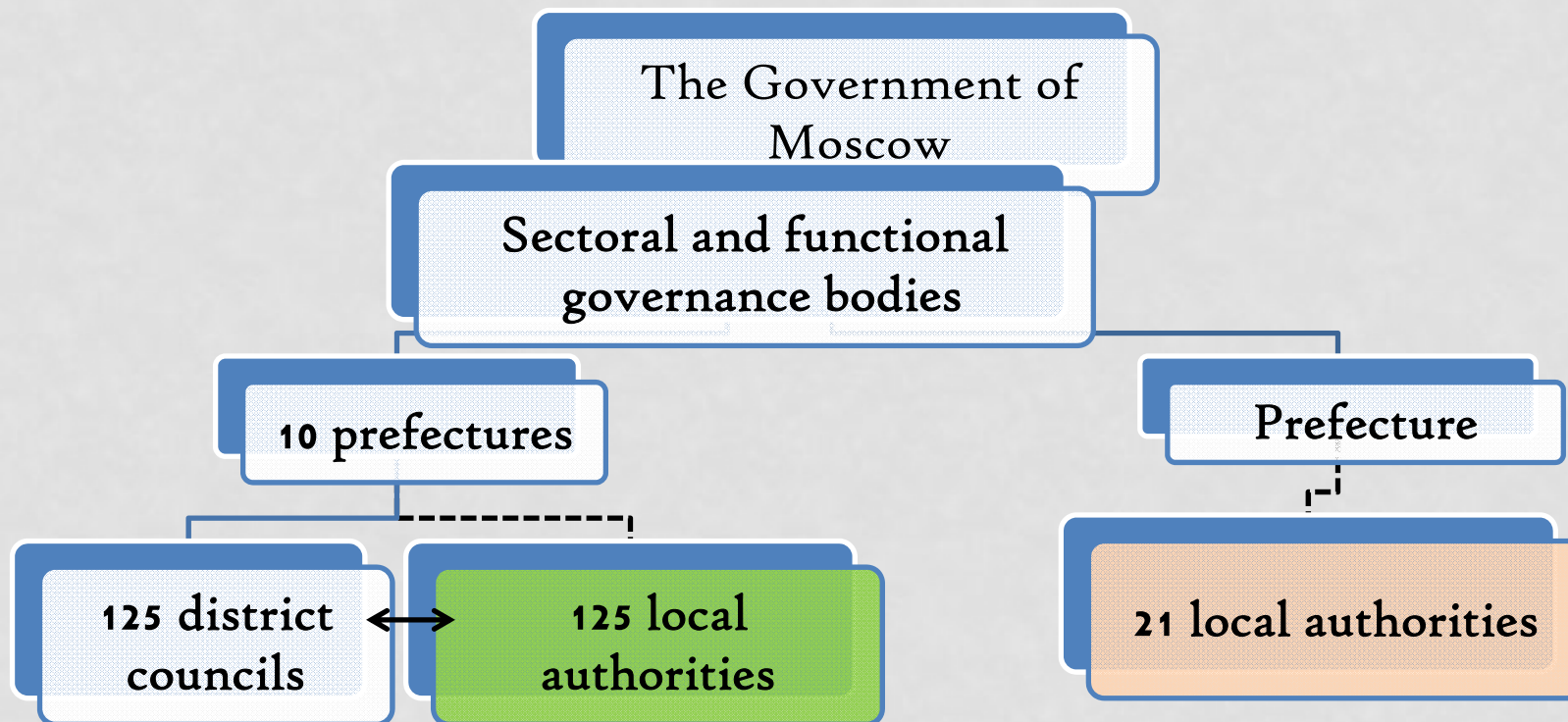
Territories annexed
by Moscow authorities
after 01.07.2012:
1419 km²;
235.6 thousand people
(as of 01.01.2011);
295 communities



GOVERNMENT AND LOCAL GOVERNMENT

«Old Moscow»

«New Moscow»



The application

3 days

Draft agreement

5

days

Agreement

1 month

Decision on the conclusion of the Agreement

Municipal meeting

CCA of Moscow



AGREEMENT ON AUTHORITY DELEGATION

Information exchange regulations



Consolidated reporting
on the execution of the
local budget



Reporting on the
execution of the budgets
of revenues and
expenditures



Reporting on the number
of municipal officers and
the staff costs



Budgetary reporting,
other documents

Monitoring

Agreement

CCA of
Moscow
website

Output:
analytical note

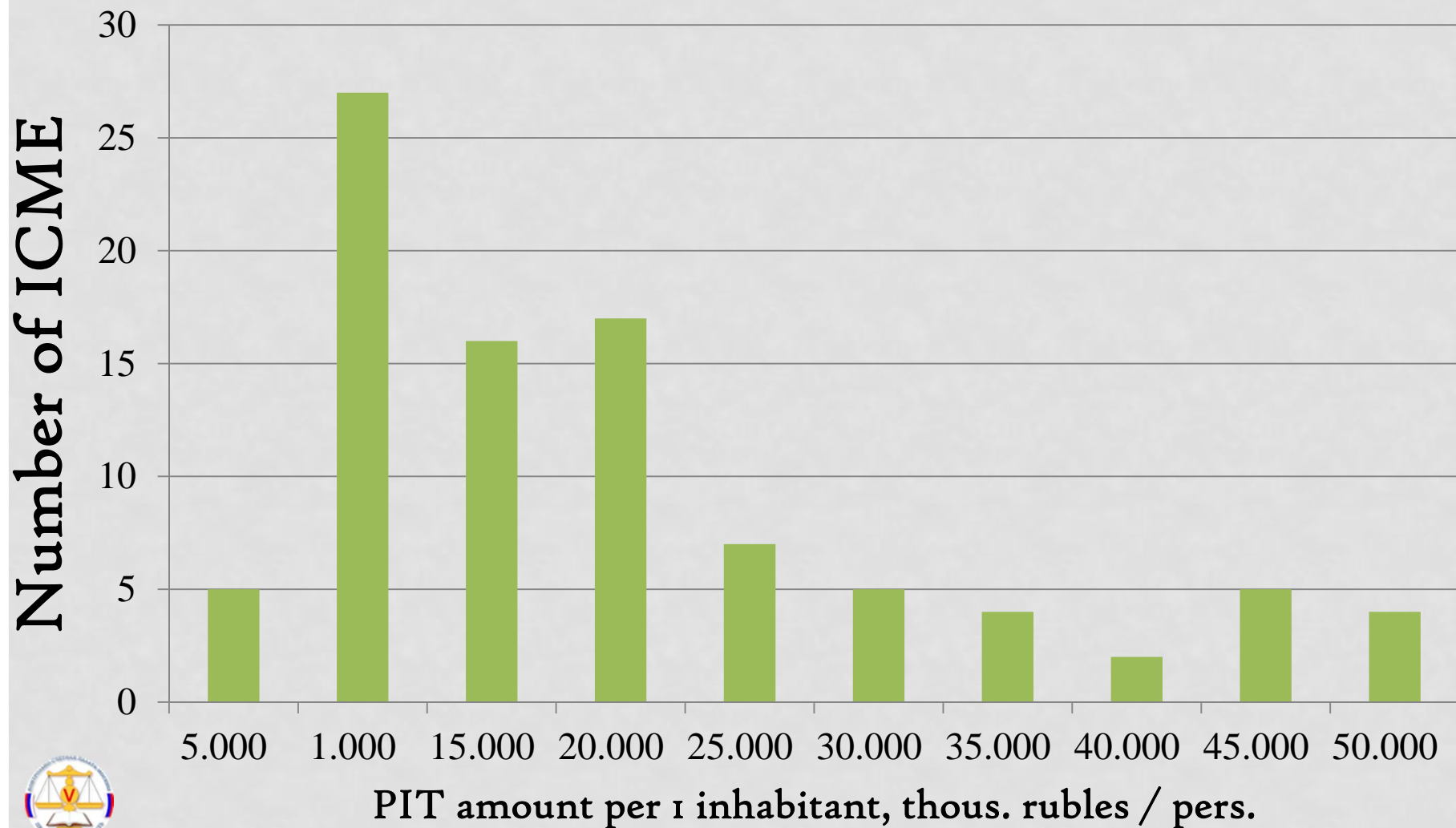


DYNAMICS OF THE MAIN PARAMETERS FOR ESTIMATION OF THE ICME BUDGET REVENUES

Year	2009	2010	2011	2012	2013
Average standard deductions of Personal Income Tax ("PIT") (%)	0,363	0,357	0,352	0,464	0,342
Growth index of expenditure commitments (%)		89,7	108,6	126,9	94,7
Growth index of revenues from PIT into the budget of Moscow (%)		109,6	112,0	110,3	111,8
Growth index of revenues from PIT into the local budgets (%)		107,7	110,5	145,6	82,4

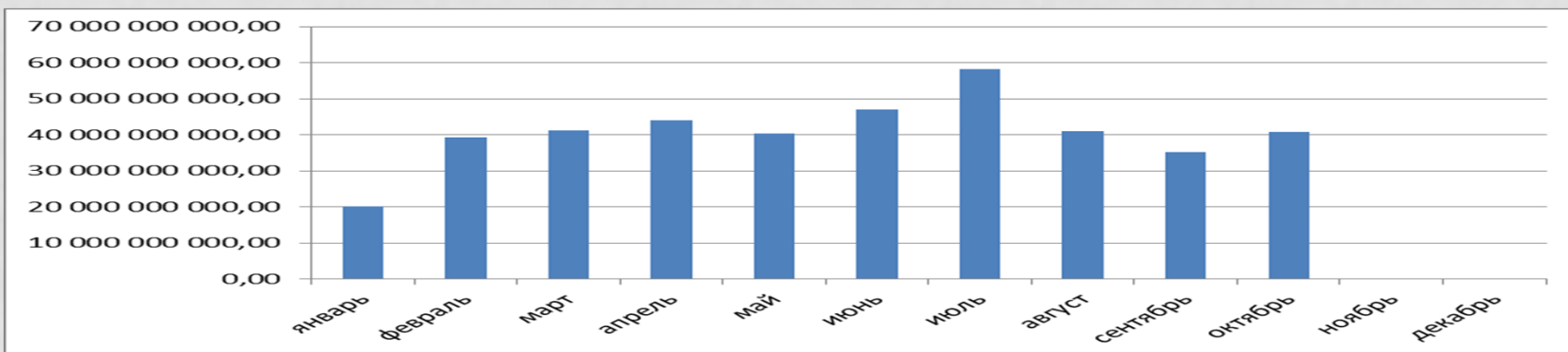


DIFFERENTIATION OF ICME TERRITORIES ON PER CAPITA INCOME OF PIT

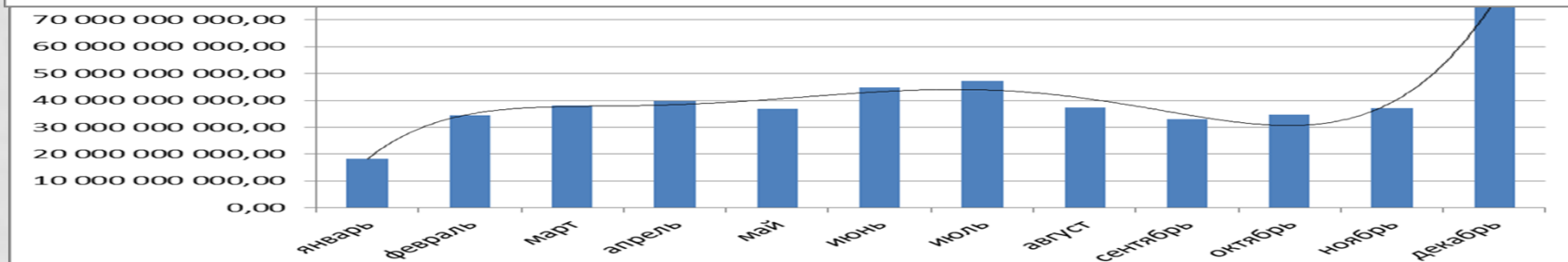


PIT revenues in the budget of Moscow

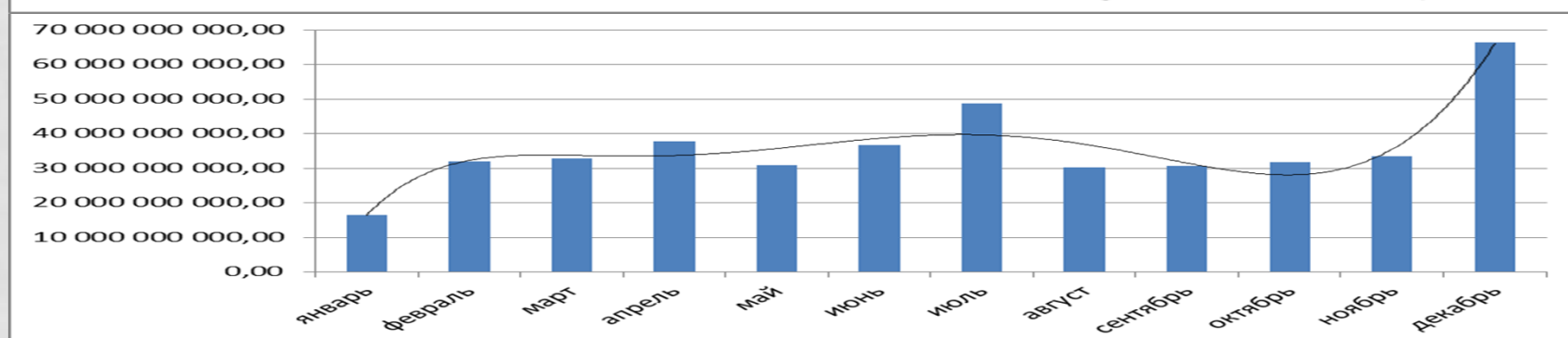
2012



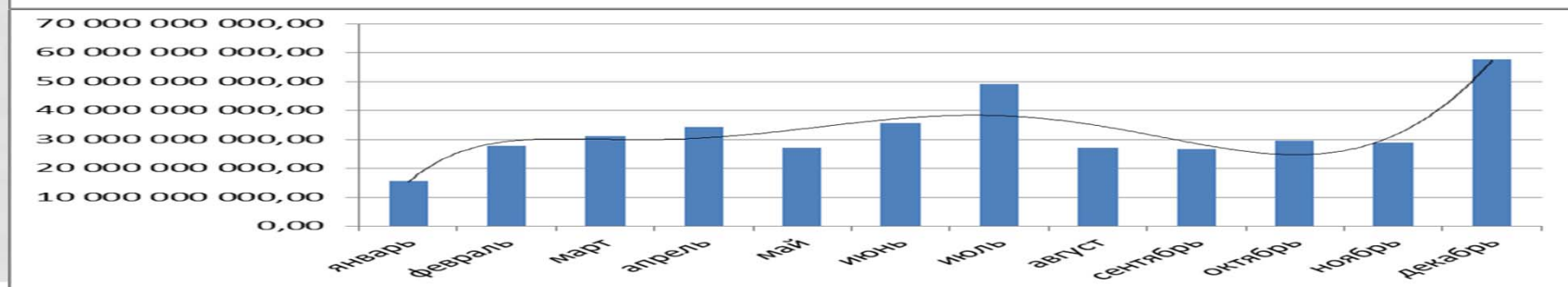
2011



2010

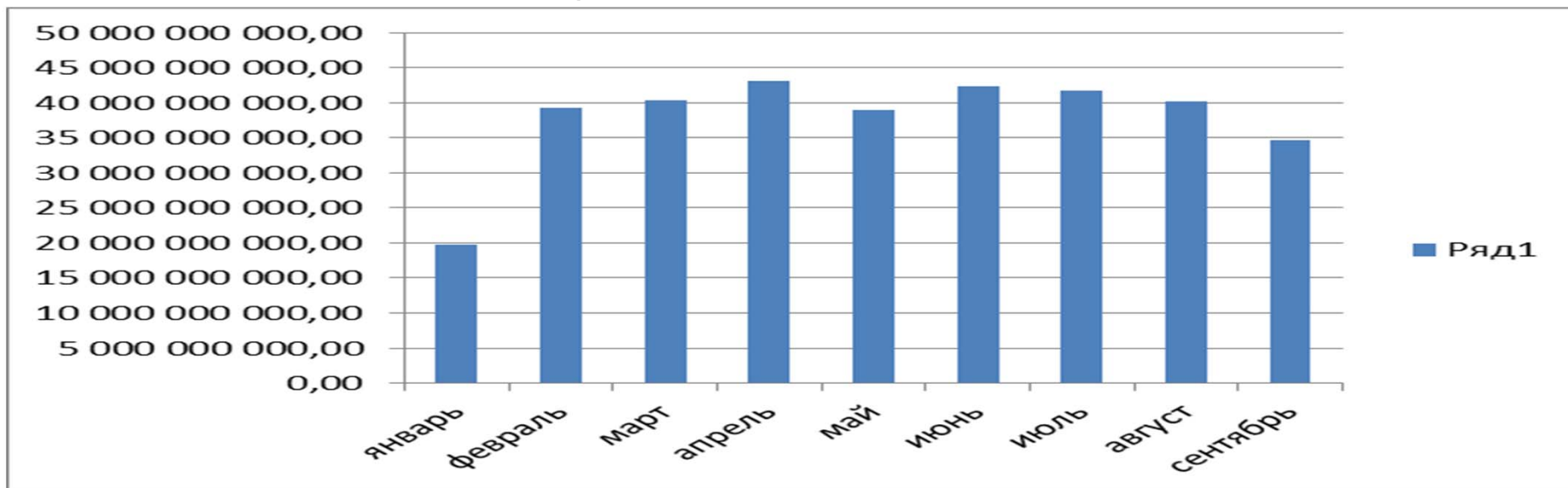


2009

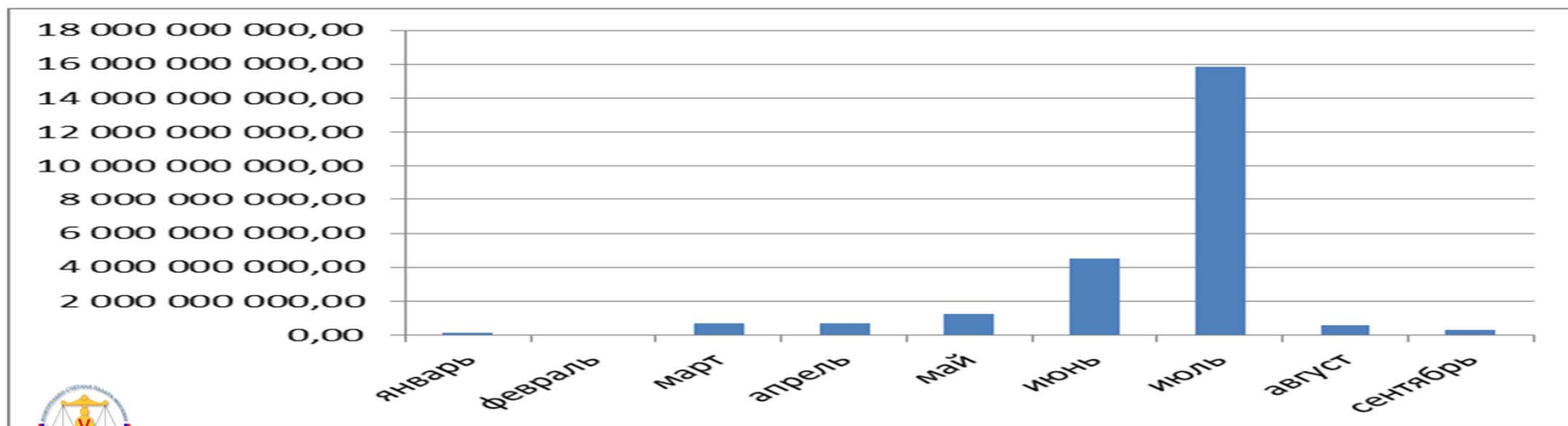


PIT revenues in 2012

From fiscal agents (BCC 10102010010000*)

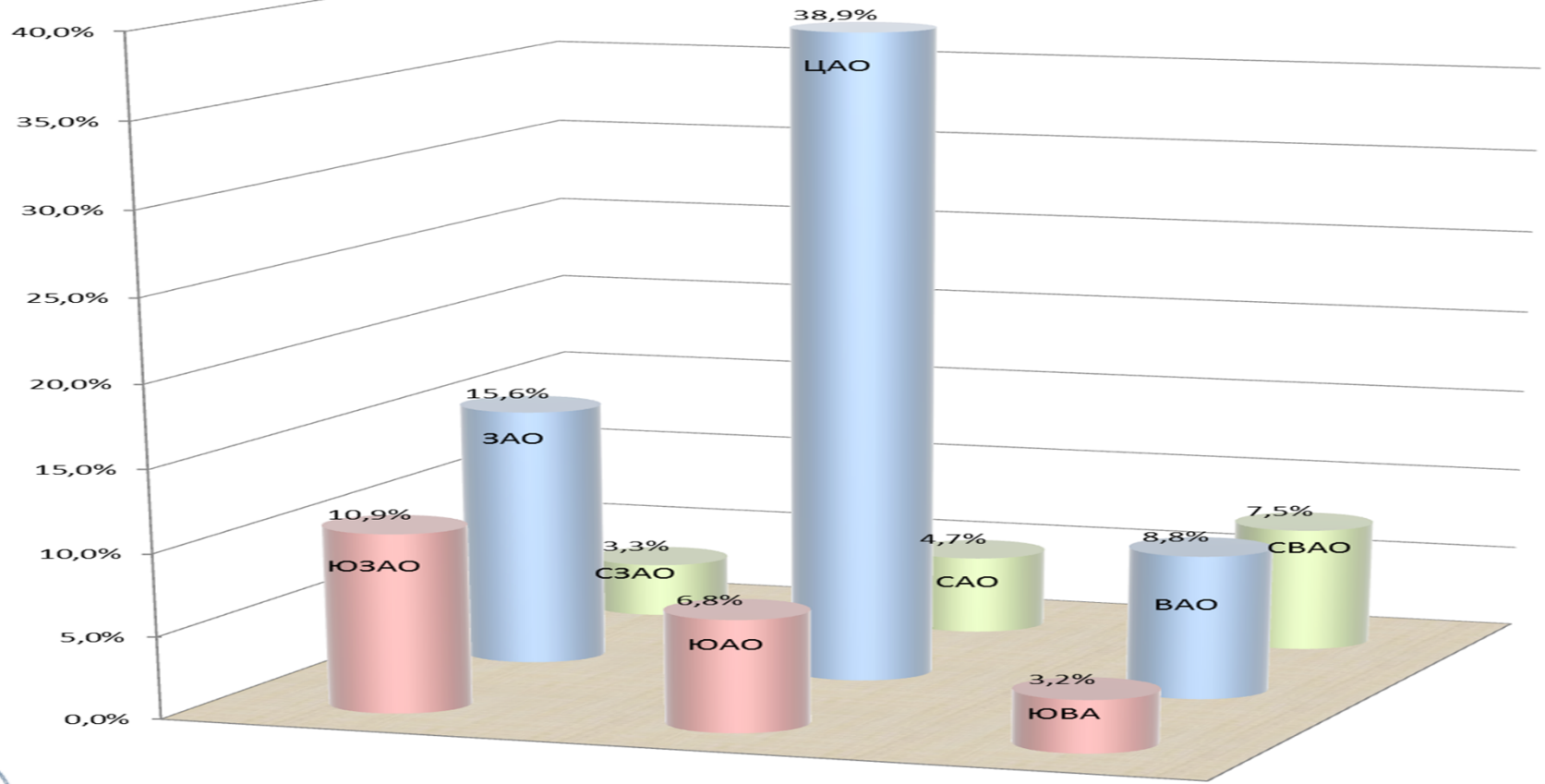


From individuals (BCC 10102030010000*)

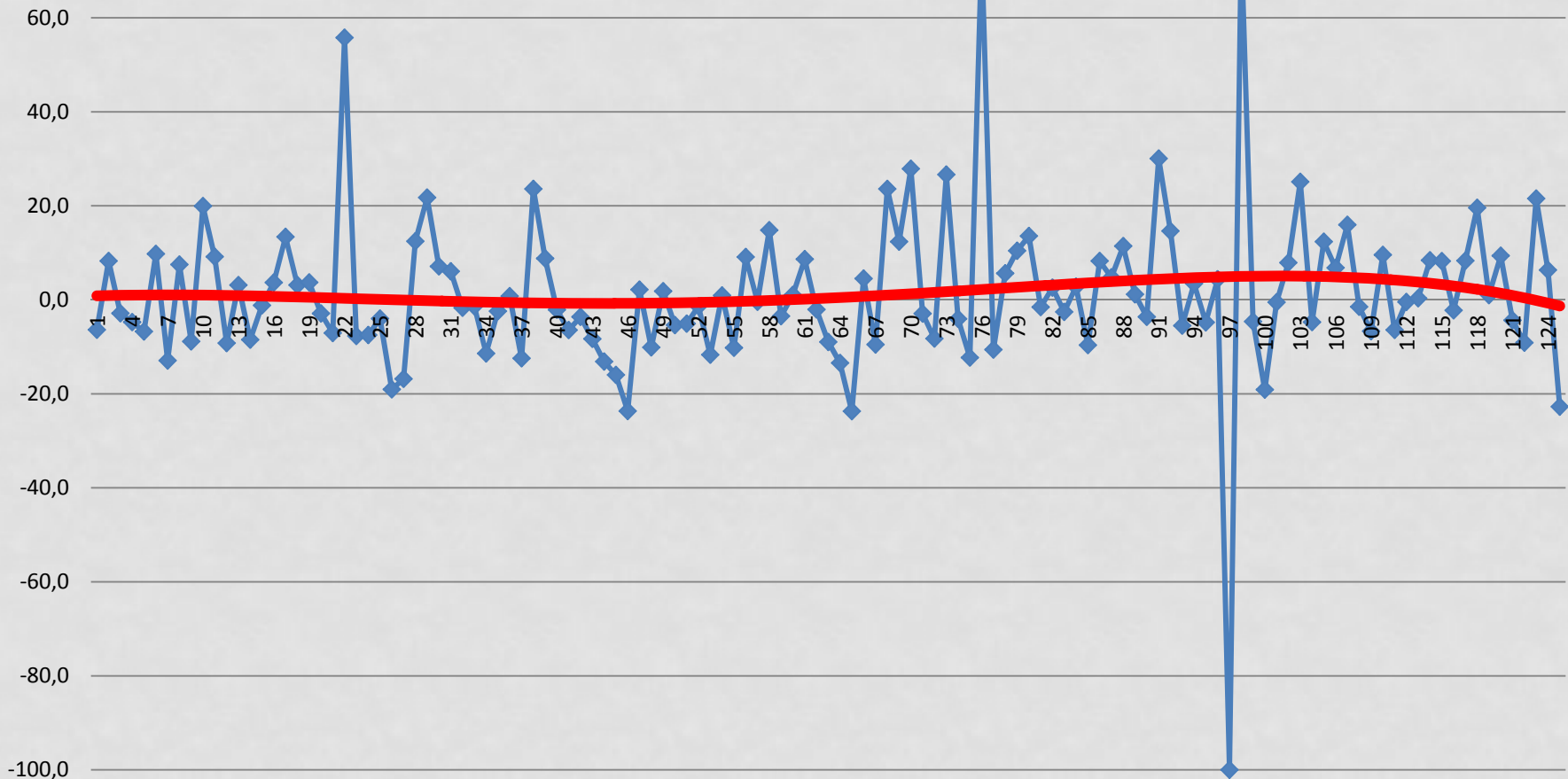


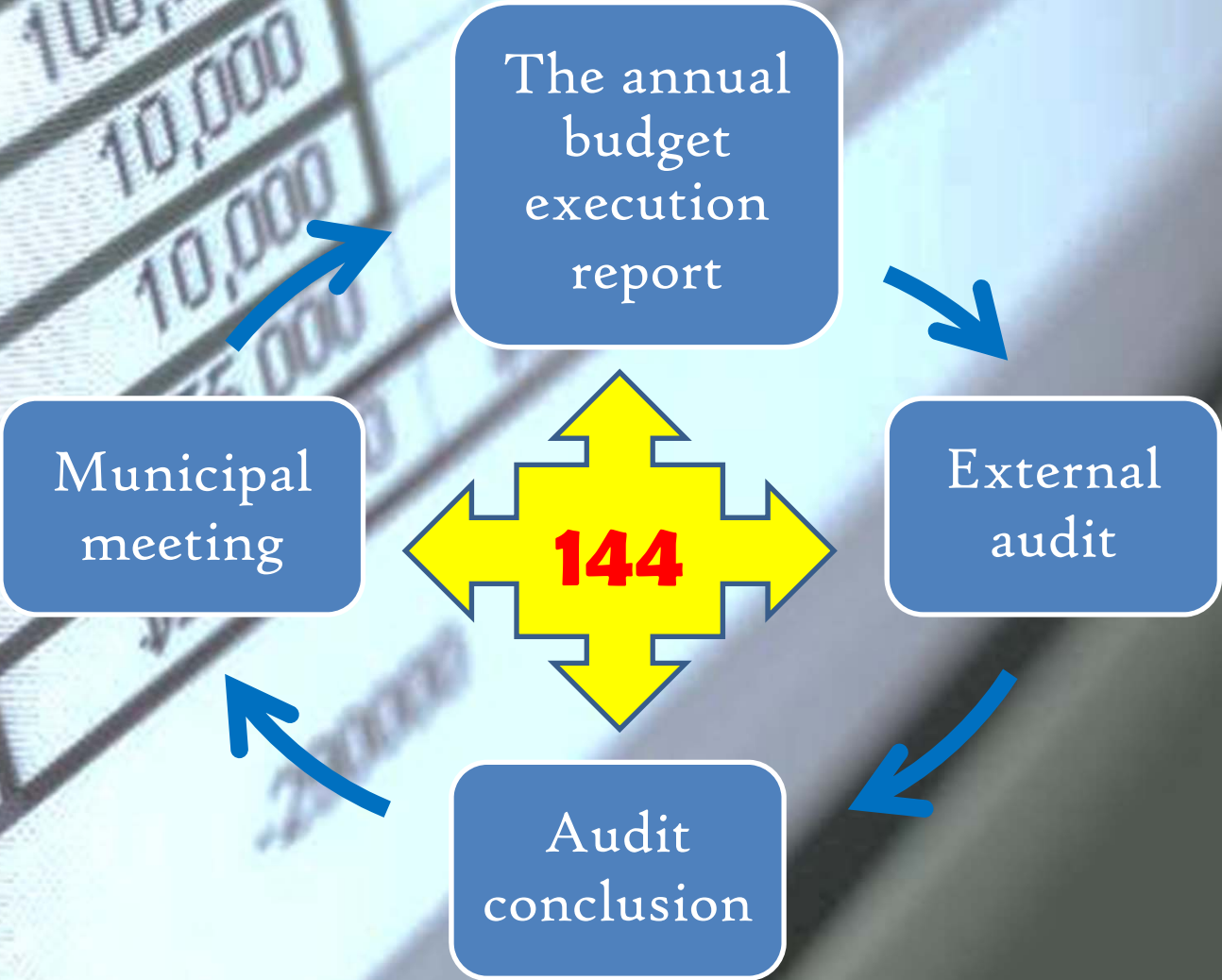
*budgetary classification code

DIFFERENTIATION ON PIT REVENUES WITHIN ADMINISTRATIVE DISTRICTS

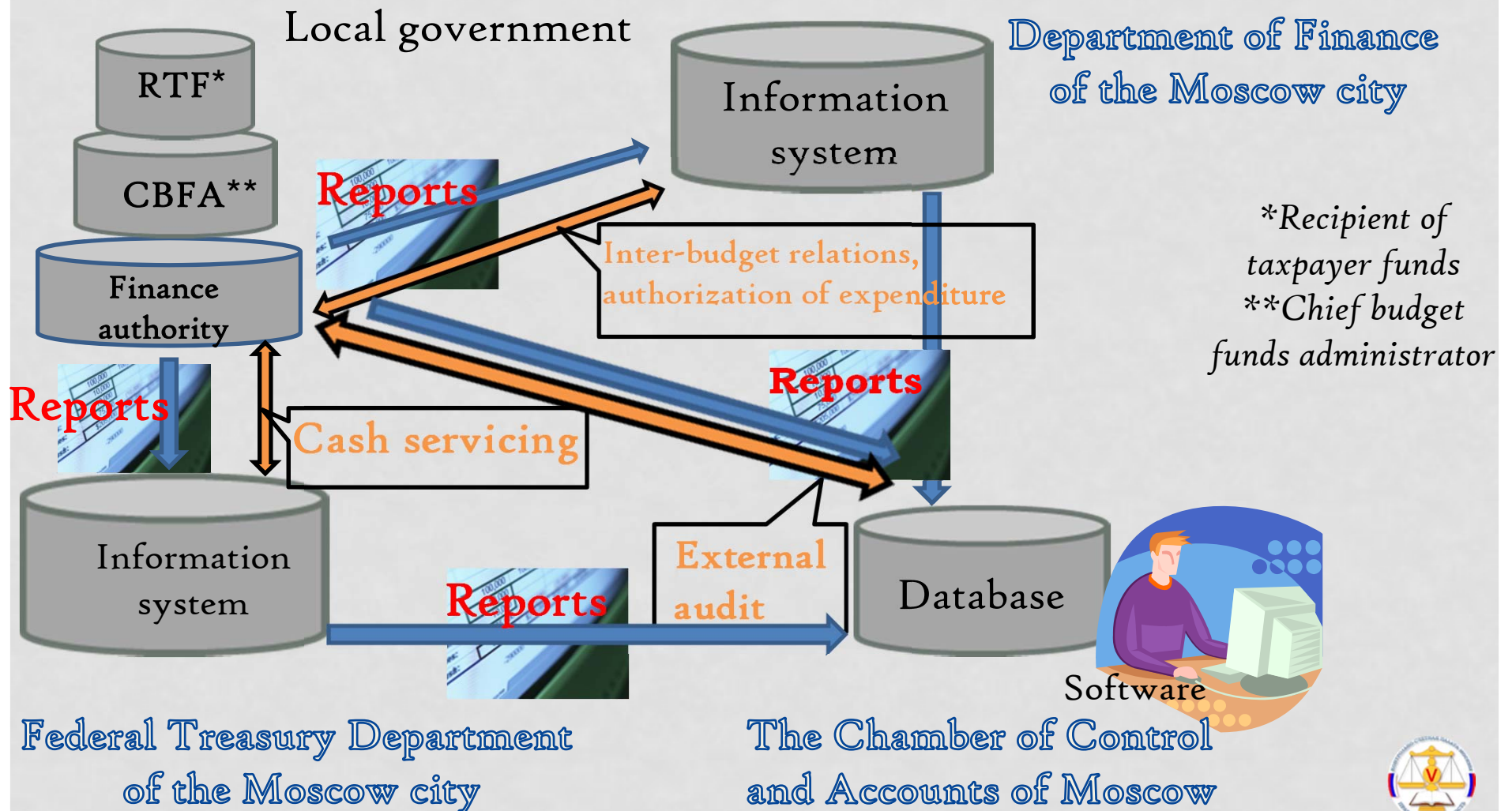


DEVIATION OF ICME EXPENDITURE COMMITMENTS' FULFILMENT





DATA FLOWCHART

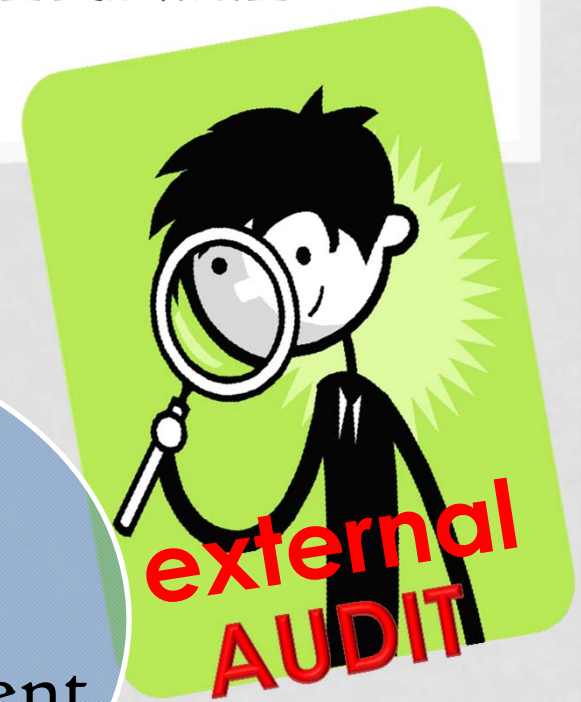
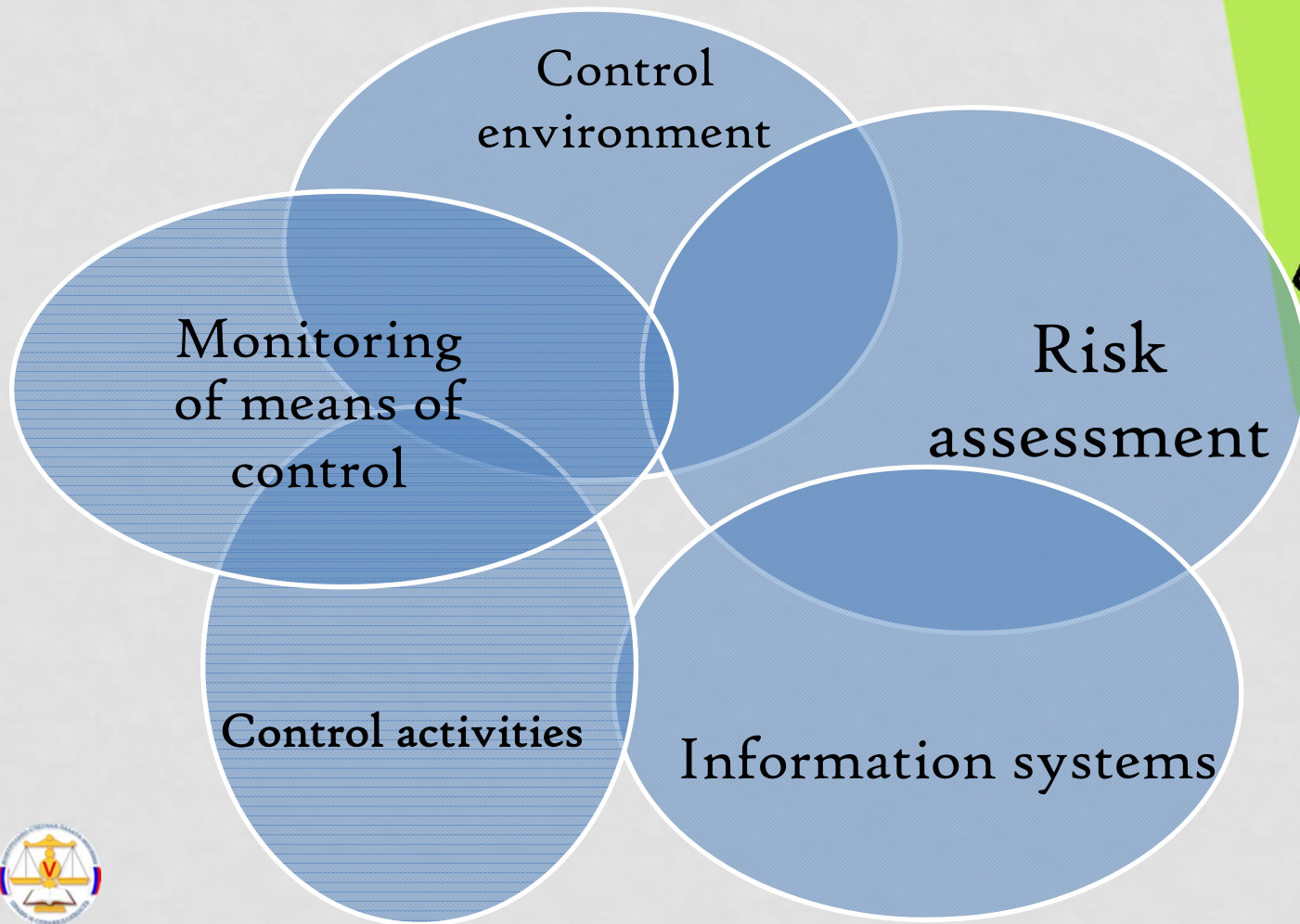


STANDARDS SYSTEM FOR EXTERNAL AUDIT OF ICME BUDGET REPORTING

- «Basic principles, rules and procedures for external audit of annual local budget execution reports»
- «Preparation and planning of external audit»
- «Documentation of control activities»
- «Risk assessment»
- «Determination of materiality level»
- «Determination of sampling scope»
- «The result of external audit»
- «Quality control»



ELEMENTS OF THE INTERNAL AUDIT SYSTEM



TESTING OF THE INTERNAL CONTROL SYSTEM

The screenshot shows a software application for filling out a questionnaire for the Moscow Regional Audit Chamber. The interface includes a menu bar, a toolbar, and a main content area with multiple tabs. A 'Start' button is located in the top left corner. A 'Company overview' callout points to the top right section, which contains fields for 'Наименование', '1.1. Наименование представительного органа местного самоуправления (далее - ОМСУ)', 'Устав ВМО', '1.2. Сведения о государственной регистрации исполнительного распорядительного', '1.3. Данные о постановке на учет в налоговом органе', 'Сведения о должностных лицах', and '1.6. Сведения о руководителе'. A 'Internal control system' callout points to the middle section, which contains questions 2.1 through 2.6. A 'System of organization of budgetary accounting' callout points to the bottom right section, which contains questions 3.1 through 3.7. The interface also includes fields for 'Дата подписания опросного листа', 'Подпись: Руководитель исполнительного распорядительного ОМСУ', 'Подпись: Руководитель исполнительного распорядительного ОМСУ', and 'Подпись: Главный бухгалтер'.

Company overview

Start

Internal control system

System of organization of budgetary accounting



AUDIT OF FINANCIAL STATEMENTS

In-house audit



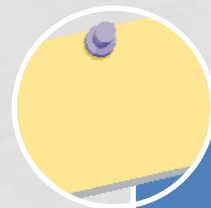
Forms of financial statements



General ledger



Accounting registers



Primary accounting documentation

Audit at premises of the object



Standardization



Automation + Outsourcing



Twofold cost saving (or more) due to
statutory audit of accounts



THE EFFECTS OF AUDIT OF ACCOUNTS



Increased transparency of the budget process



Improved planning quality and validity of experts' conclusions on draft budget



Strengthened financial discipline



RESULTS OF EXTERNAL AUDIT OF THE ANNUAL REPORTS ON THE EXECUTION OF ICME BUDGETS (2009-2012 YRS)



Year

2009

2010

2011

2012*



High quality of reporting pack

7 10 17 29



Accounts are reliable and represent true and fair view. Revealed some facts that can undermine the authenticity

113 105 103 82



External audit did not provide sufficient grounds to make the conclusion about authenticity and true and fair view.

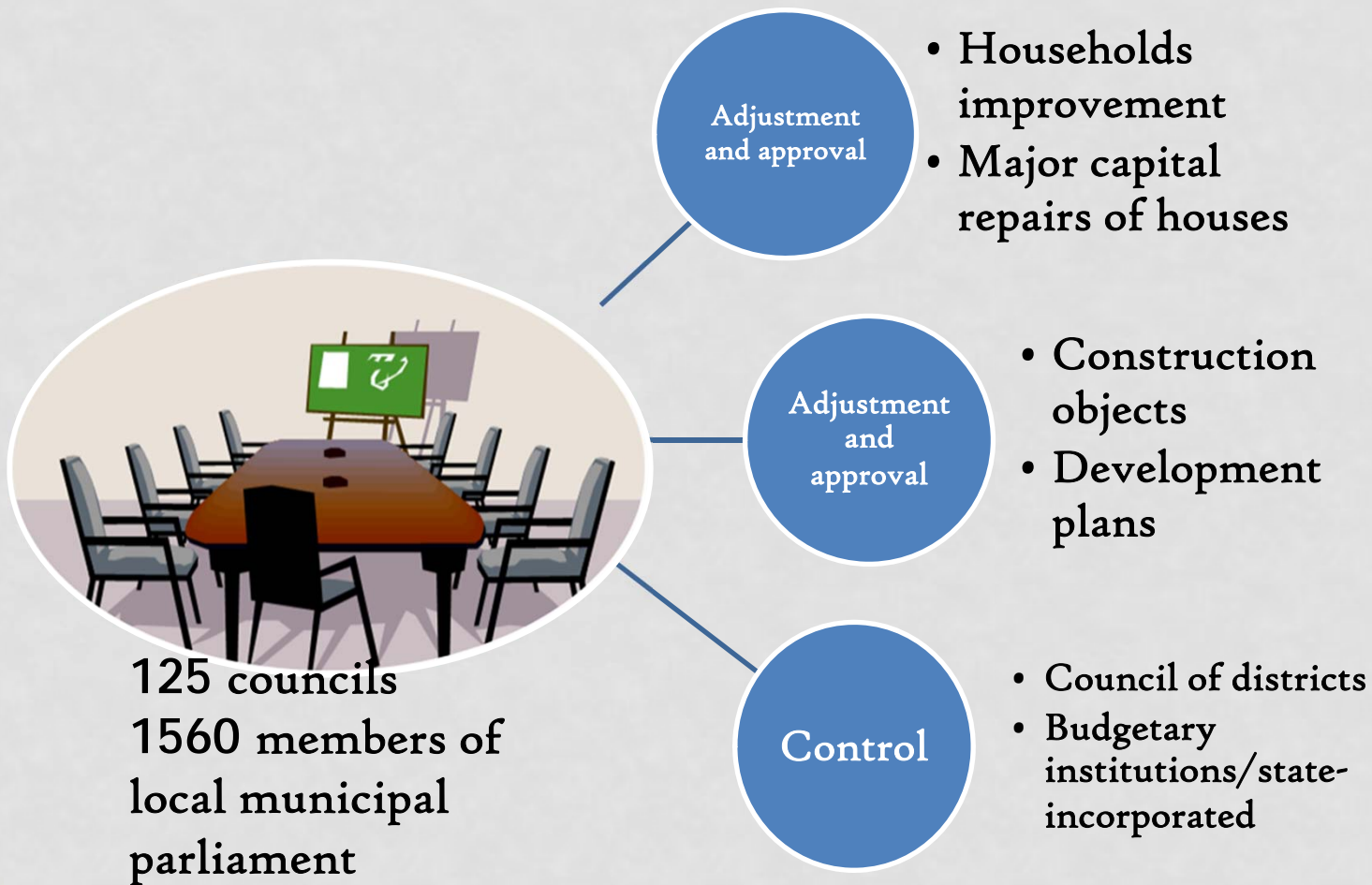
5 10 5 11



* 3 ICME didn't submit the financial reporting pack. External audit for 2012 wasn't conducted



REFORM OF LOCAL GOVERNMENT IN MOSCOW (MUNICIPAL DISTRICTS)



ADJUSTMENT AND APPROVAL SCOPE

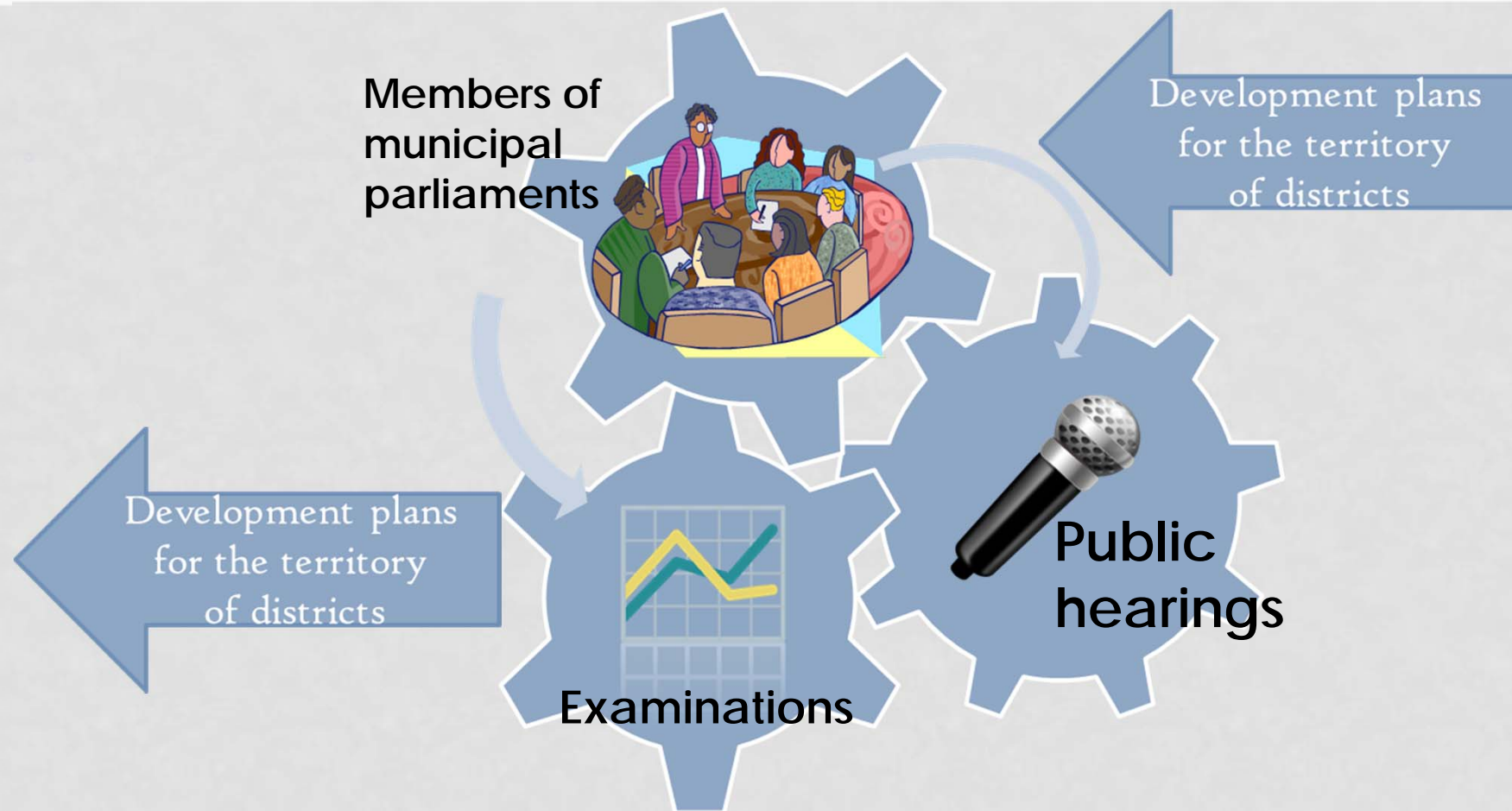
2012



2013



THE ROLE OF CCA OF MOSCOW IN IMPLEMENTATION OF THE REFORM OF LOCAL GOVERNMENT



VYACHESLAV LITVINTSEV,
AUDITOR OF THE CHAMBER
OF CONTROL AND ACCOUNTS
OF MOSCOW

litvintsev@ksp.mos.ru

<http://www.ksp.mos.ru/en/>

(495) 690-87-51

(495) 690-87-46

