



**PRINCIPLE 7 OF THE GUIDELINES FOR
INDEPENDENT REGIONAL PUBLIC
SECTOR AUDIT INSTITUTIONS.
GOOD PRACTICES FROM RUSSIA**

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Principle 7

A sufficiently broad mandate and full discretion over the object, issues, concept, time and methods of audit in the discharge of RAI functions.

Legal framework

- Basic legal framework for the functioning of RAIs, including the basic provisions on their mandate as well as planning and conduct of their audits, is established by the Federal Law No. 6-FZ “*On General Principles of Organization and Activities of the Control and Accounting Institutions of Constituent Entities of the Russian Federation and Municipal Entities*” of February 7, 2011;
- Legal framework as to precise mandate of each RAI is established in detail in regional laws. For example, the Law of the City of Moscow No.30 “*On the Chamber of Control and Accounts of Moscow*” of June 30, 2010; the Law of Saint-Petersburg No.455-85 “*On the Chamber of Control and Accounts of Saint-Petersburg*” of July 13, 2011.

Audit of public funds and financial operations. Expenditure

In Russia all public funds accumulated in budgets and territorial state extra-budgetary funds are subject to audit by RAIs.

Budget Code of Russia does not permit accumulation of public funds in any other funds.

Audit of public funds and financial operations. Expenditure. Example

One of the main goals of the Chamber of Control and Accounts of Moscow is the audit of the legality, efficiency and effectiveness of the execution of the Budget of Moscow and the Budget of the Territorial State Extra-budgetary Fund of Moscow.

Audit of public funds and financial operations. Expenditure. Example

To attain this goal the Chamber of Control and Accounts of Moscow has the mandate to conduct:

- audits of the execution of public programs of the City of Moscow;
- audits of legality and efficiency of the use of budget funds and subsidies from the Budget of Moscow by the Moscow City state authorities and organizations, as well as audits of the financial and economic activities of state authorities and institutions of the City of Moscow;
- audits of the use of the monetary funds of the Budget of Moscow and the Budget of the Territorial State Extra-budgetary Fund of Moscow;
- audits of the use of subventions, subsidies, other inter-budget transfers and budget credits from the Moscow City budget to the budgets of municipalities in Moscow.

Audit of public funds and financial operations. Revenues and public debt

RAIs have sufficient mandate to audit non-tax revenues and public debt.

RAIs mandate to audit tax revenues is limited by the denial of access to information under the regime of tax secrecy.

At the same time RAIs estimate the forecast of tax-revenues in the course of the expertise of the draft Budget of Moscow. They have also a mandate to express opinions on the effects of tax cuts established by regional legislation.

Audit of accounts

The basis for the audit of public accounts is formed by the provisions of the Budget Code of Russia that provide the annual external auditing of an annual report on the budget administration of a constituent entity of the Russian Federation. Such external auditing shall be conducted on the basis of data of external auditing of annual budgetary report documents of chief administrators of budgetary funds.

To perform this function the Chamber of Accounts of Vladimir region is empowered by regional legislation:

- To conduct external auditing of an annual report on the budget administration of the Vladimir region and of an annual report on the budget administration of the Territorial State Extra-budgetary Fund of Vladimir region;
- To audit legality, completeness and regularity of the drawing up and presentation of the budgetary report documents of chief administrators of budgetary funds, quarterly and annual reports on the budget administration of the Vladimir region.



Audit of public assets

Federal legislation provides that RAIs shall audit regularity of the management of public assets and disposal of public assets.

Many RAIs are empowered by regional legislation to broaden the scope of their audits in this area.

Audit of public assets. Example

The Chamber of Control and Accounts of Moscow is empowered to audit regularity and efficiency of the management of the property of Moscow.

RAIs mandate also includes powers:

- to audit of the state and use of objects of the property treasury of the City of Moscow;
- to audit revenues from the use of the property of Moscow;
- to audit expenditures on the maintenance of the property of Moscow.

Audit of public enterprises

RAIs are empowered by federal and regional legislation to audit public enterprises.

Example:

The Chamber of Control and Accounts of the Tver region has the mandate to audit public enterprises of the Tver region.

Audit of public enterprises

RAIs powers to audit enterprises (e.g. joint-stock companies) with the participation of the public authority and governed by private law are limited.

Nevertheless RAIs have powers to audit certain activities or an overall management of such companies while conducting:

- audit of the management of the public property (as an audit of the management of shares);
- audit of the use of public funds (including budgetary investments);
- audit of the use of public property by such enterprises.

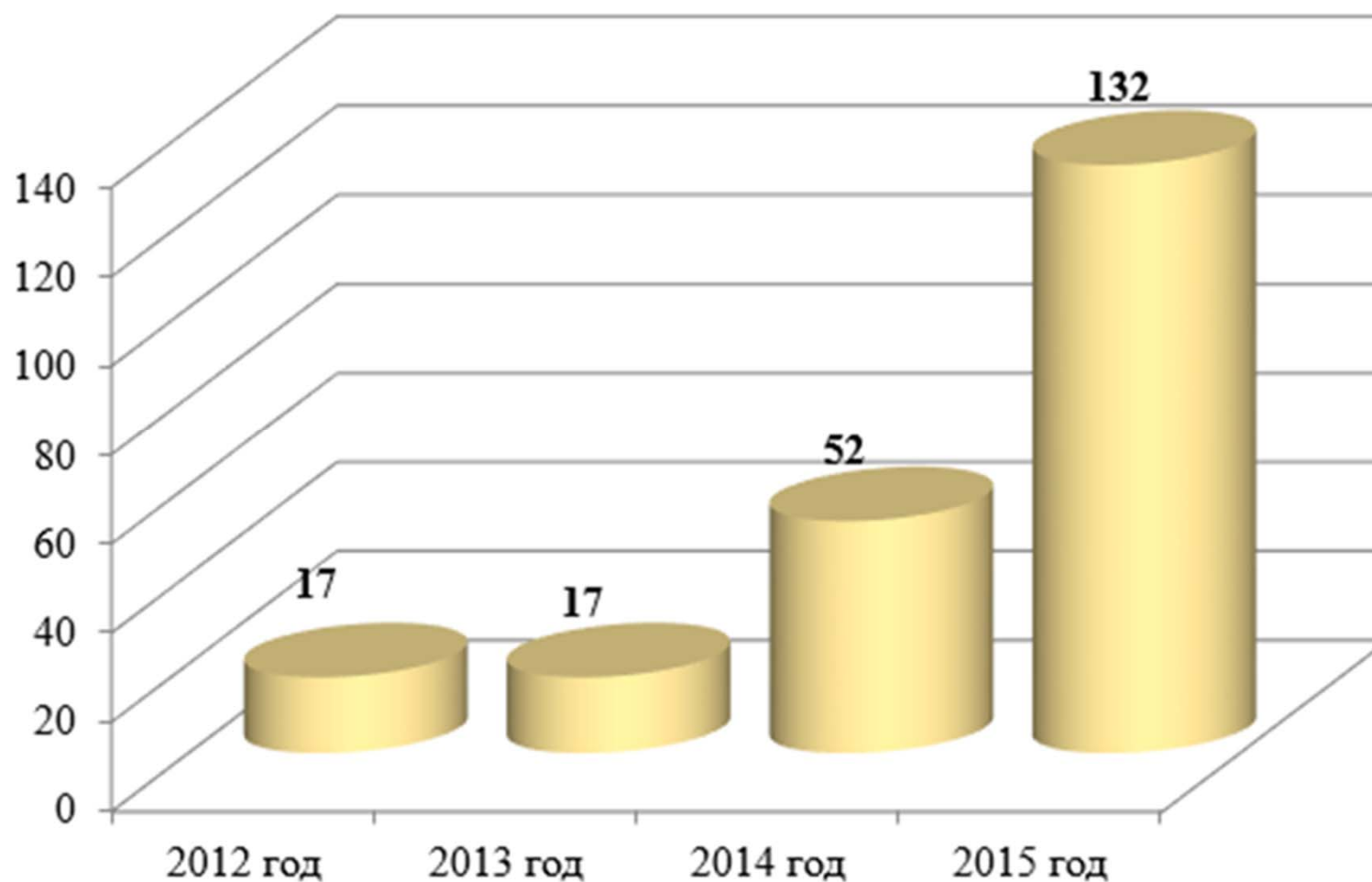
Drawing up records of administrative offences

Recently (especially starting from 2013) RAIs were empowered to draw up records of several types of administrative offences.

They can be divided into the following 6 basic categories:

- Improper use of budgetary recourses;
- Violation of terms of the provision and repayment of budget credits;
- Violation of terms of the provision of inter-budget transfers, subsidies and budgetary investments;
- Violations of regularity of drafting and submitting budget reports and accounts;
- Violations of regularity of formation and financing of assignments to provide public services;
- Other violations including violations of the regularity of assuming budgetary obligations, regularity of repayment and servicing of public debt.

Drawing up records of administrative offences. Example of Rostov region



Restrictions

Federal legislation provides only that RAIs shall be objective in their reporting.

Several regional laws contain direct prohibitions to include political assessments or evaluations in RAIs reporting.

- Legislation of Tver region provides that expert opinions of its RAI “shall not contain political assessments of the decisions taken by the authorities of the Tver region”;
- Legislation of Moscow provides that reporting on the results of audits and provision of expert opinions of its RAI shall not contain any political assessments of decisions made by the state authorities of the City of Moscow or by the local authorities of municipal units in Moscow.

Planning of RAI's activities

In accordance with the federal legislation RAIs shall independently develop and approve plans of their activities. For example, the Chamber of Control and Accounts of Moscow

The Chamber of Control and Accounts of Moscow independently develops and approves the plan of its activities taking into consideration the results of its audits and expert opinions in order to ensure comprehensive and systematic external public audit, as well as fulfillment of the requirements of the Russian Federation and Moscow City legislations.

Planning of RAI's activities

Some regional laws provide the minimal frequency of audits in the same audited entities.

For example, the Chamber of Control and Accounts of Rostov region shall audit chief administrators of budgetary funds and municipalities of Rostov region at least once every two and a half years in relation to the use of the budgetary funds and of the inter-budget transfers provided from the regional budget to the municipal budgets of Rostov region.

Planning of RAI's activities

Federal and regional legislation provides that RAIs shall include in their plan of activities those audits, which are requested by the regional parliament or by the head of the region.

Even in the case of such audits RAIs are free to select audit objects and issues, planning, programming, timing, conduct and reporting of these audits

Consultations between RAIs and audited entities

Most Russian RAIs conduct consultations between RAIs and audited entities on the results of the audit and the best ways to implement corrective actions.

For example, internal documents of the Chamber of Control and Accounts of Moscow provide that while conducting audits auditors and personnel “shall build relationship with the management of audited entities on the basis of mutual trust and respect and conduct meetings to discuss issues arising during the audit as well as to discuss the audit’s results. Conclusions and recommendations of the audit shall be discussed by the head of the audit or the head of the auditing team with the head of the audited entity”.

Expression of opinions on draft laws and regulations

A substantial part of RAIs mandate is the activities in relation to the expression of opinions on draft laws and regulations. Such opinions have no legal effect.

Expression of opinions enables RAIs to prevent irregularities in the course of administration of the budget as well as irregular or inefficient use of budget funds and public property.

Expression of opinions on draft laws and regulations.

Example

The Chamber of Control and Accounts of Moscow expresses its opinion on:

- the draft laws and other legal acts of the City of Moscow, including public programs of the City of Moscow related to the expenditures covered by the Moscow City budget, the budget Territorial State Extra-budgetary Fund of Moscow and other assets of the City of Moscow;
- the draft laws of the City of Moscow on the Moscow City budget and the budget of the Territorial State Extra-budgetary Fund of Moscow, as well as of amendments thereto.

Expression of opinions on draft laws and regulations.

Example

In the course of expression of RAIs opinions it is important to minimize any interference in the activities and spheres of responsibility of the Government.

To prevent such interference the Chamber of Control and Accounts of Moscow expresses its opinion on all draft laws not on all drafts of other legal acts of the City of Moscow, including public programs of the City of Moscow related to the expenditures covered by the Moscow City budget, the budget Territorial State Extra-budgetary Fund of Moscow and other assets of the City of Moscow.

Expression of opinions on draft laws and regulations.

Example

Opinions are expressed only on the drafts of:

- Decrees of the Government of Moscow adopting public programs of Moscow and amendments therein;
- Decrees of the Government of Moscow adopting general rules in relation to the drawing up, administration, control of administration and drawing up of accounts of the public programs of Moscow;
- Decrees of the Government of Moscow adopting general rules in relation to the drawing up, administration, control of administration and drawing up of accounts of the budget of Moscow and the budget Territorial State Extra-budgetary Fund of Moscow;
- Decrees of the Government of Moscow adopting general rules in relation to the formation, administration, accounting, control of administration and drawing up of accounts of the use of the public property and other assets of Moscow.