

## Summary

### **Sergei Ryabukhin, Mikhail Beskhmel'nitsyn, Gennady Batanov**

(p. 3)

The report on the results of the audit of the proper use of federal budget means allocated to construction and restoration works in the Republic of Sakha (Yakutia); execution of the budget of the Republic of Sakha (Yakutia) in 2001 and the 1<sup>st</sup> quarter of 2002 as the Russian Federation Constituent Member receiving financial assistance from the federal budget.

The audit has unveiled the following:

- the federal budget means envisaged by the Resolution of the Russian Federation Government of 22 June 2001 № 478 for a new construction amounting to RUR 880,000 thousand, emergency and restoration works amounting to RUR 1,350,000 thousand are fully transferred to the Republic by the Finance Ministry of Russia;

- the volume of construction by contract organizations of new habitation is executed to the amount of RUR 975,551 thousand. This has exceeded the sum of means allocated from the federal budget on RUR 95,551 thousand;

- at the moment of the check-up the volume of the executed emergency and restoration works on the objects of social sphere is financed to the amount of RUR 158,520.1 thousand (financing is carried out due to the federal budget loan and the means of the Republic of Sakha (Yakutia) budget;

- during the operation of a great deal of newly built houses inhabited by those suffered from flooding a number of drawbacks both of constructive and production manner has been found out;

- in 2001 and the 1<sup>st</sup> quarter of 2002, the financial situation in the Republic of Sakha (Yakutia) concerning the execution of the Republic's consolidated budget was stable;

- the Government of the Republic of Sakha (Yakutia) has admitted inefficient use of federal means; the unused federal loan means received on 5 September 2001 as of 15 April 2002 amounted to RUR 255,769.4 thousand;

- the violations of the Russian Federation Budgetary Code concerning non-observance of set up dates of fiscal year (Article 12) and principles of the Russian Federation budgetary system (Article 5) have been found out to take place in the Republic of Sakha (Yakutia).

### **Sergei Ryabukhin**

(p. 22)

The report on the audit of disbursement of the federal budget means allocated in 2001 and the expired period of 2002 to the Chita Region under Section "Financial Assistance to the Budgets of Other Levels".

In 2001, the financial assistance from the federal budget to the Chita Region was remitted completely.

The debts of budgets of the municipal formations to the regional budget under the loans received and outstanding loans as of 1 January 2002 have amounted to RUR 727.6 million.

The arrears of the deferred and suspended tax payments, penalties and fines to the budgets of all levels and tax indebtedness as of 1 January 2002 have amounted to RUR 4,387.6 million.

As of 1 April 2002, the current indebtedness on wages to the employees of budgetary sphere has amounted to RUR 6,724.0 thousand, and accrued indebtedness has amounted to RUR 450,038.0 thousand. As of 1 May 2002, the indebtedness on monthly child benefits has amounted to RUR 643,576.0 thousand.

The audit has pointed out that the efficiency of execution of measures of the Federal Target Program "Children of the North" remained on a low level. This resulted from insufficient financing and distribution of federal budgetary means by the state program customer, the Ministry of Federation, National and Migration Policy of Russia, without taking into account budgetary applications of the Region.

## **Vladimir Panskov**

(p. 43)

The report on the results of the thematic audit over development of the tax base of the ship-building industry enterprises and organizations and ensuring of complete and timely receipt of tax payments to the federal budget. The audit took place at the Russian Ship-building Agency, the federal state unitary enterprise "Admiralty Shipyards", the open joint stock company "Baltic Ship-building Plant Yantar", and the open joint stock company "Zvezda".

The audit has unveiled the following:

- the volume of production of the ship-building industry in comparable prices has increased in 2000 to a level of 1999 by 23.2 %, in 2001 in comparison with 2000 - by 1.8 percent;
- in 2001, 40 branch enterprises and the organizations admitted the losses in production sales (27,2 % of those rendered accounts) amounting to RUR 3,521.4 million (in 2000 - RUR 859.2 million);
- one of the principal causes of budgetary debts arisen at the enterprises and the organizations of the ship-building industry is the chronic indebtedness of the state customers on payment of defensive order;
- unevenness and insufficiency of financing of the state defensive order leads to delay in ship construction, sharp increase of the prime cost and price of products;
- discrepancy of volumes of financing of the defensive order to the executed amounts of work forces the branch enterprises to complete the construction due to the own turnaround means and obtaining loans;
- branch indebtedness on tax payments to the budgets of all levels remains significant and as of 1 January 2002 amounted to RUR 3,800.9 million.

## **Gennady Batanov**

(p. 66)

The report on the results of the complex audit of the execution of the revenue and expenditure items of the budget of the Russian Federation Pension Fund in 2001. The complex audit was held at the Pension Fund of the Russian Federation and several of its regional branches.

The audit has unveiled the following:

- the 2001 budget of the Russian Federation Pension Fund was approved by the Federal Law only on 8 August 2001;
- as a whole, the 2001 budget of the Russian Federation Pension Fund has been executed in accordance with the Federal Law of 8 August 2001 № 125-FZ "On the Budget of the Russian Federation Pension Fund for the Year of 2001". The Fund's revenues have totalled up to 111.7 %, expenditures - 102 %;
- the administration of the Russian Federation Pension Fund failed to take sufficient measures for complete recovery of means which, being basically illiquid, were invested with credit organizations;
- the violations of the Order of Expenditure Distribution According to Appropriate Subject Items and Sub-Items of the Economic Classification of the Budgetary Expenditures of the Russian Federation approved by the Order of the Ministry of Finance of Russia on 23 July 1999 № 48n amounted to RUR 577.4 thousand leading to improper disbursement of these means;
- as of 1 January 2002, the Russian Federation Pension Fund has not fulfilled the submission of the Accounting Chamber of the Russian Federation forwarded following the results of the previous audit.

## **Yuri Voronin, Nikolai Loktionov, Vladislav Ignatov**

(p. 81)

The report on the results of the audit of completeness of receipt, proper and an effective disbursement of the means of the federal budget and extra budgetary sources in 2000-2001, as well as proper and efficient utilization of the federal property according to the current legislation, held at the Russian Academy of Sciences.

The audit has shown, that the means received by the Russian Academy of Sciences from the federal budget, on defining of financing amounts of the scientific institutions in the Academy are allocated in two flows: basic financing of the scientific institutions and programs of target expenditures of the Presidium of the Russian Academy of

Sciences. Existing normative and legal documents do not define the customer of the scientific production created in the scientific institutions of the Russian Academy of Science at the expenses of the federal budget.

While organizing scientific research work that is carried out due to the federal budget means allocated to the Russian Academies of Science the practice of organizing of competitions to solve the scientific tasks important for Russian economy has not been introduced. The Academy fails to keep records of the general number of security documents pertaining to the objects of the intellectual property available at the system of the Russian Academy of Sciences, as well as to take on necessary work on setting up, protection and utilizing of the scientific institutions' property rights on the results of intellectual activity (including "know-how"), created by these institutions' employees in connection with their execution of official duties, and unprotected by the security documents envisaged by the current patent legislation.

The Russian Academy of Sciences has admitted inefficient use of the federal budget means allocated to finance the expenditures on patenting of the results of the scientific and technical activities of the Academy's organizations and institutions and keeping in force of existing patents.

In 2000-2001, groundless submission by the Russian Academy of Sciences of the budgetary applications to finance several international scientific organizations took place. The Russian Academy of Sciences has not provided for necessary scientific and methodical management of the exhibition activities. It is required that the process of sending of scientists and experts of scientific and research institutions on missions to perform scientific works, participate in various meetings at the expense of foreign organizations within the framework of personal invitations and grants be put in good order and legally regulated.

At present, the practice of the state support of the Russian Academy of Sciences regarding assignment of means to complete the construction of the Academy's objects results in inefficient disbursement of the federal budget means. The Agency managing the property of the Russian Academy of Sciences poorly keeps the register of the enterprises, organizations and institutions subordinate to the Russian Academy of Sciences. Essentially, it does not even supervise the activities of the joint-stock and limited liability companies founded by the Academy which authorized capitals contain federal property. There have been unveiled the facts of conclusion of bargains on transfer of the real estate for rent on conditions that are obviously unprofitable for the state.

## **Yuri Voronin**

(p. 119)

The report on the results of the audit of the proper and effective disbursement of the federal budget means and extra budgetary sources assigned for financing of activities in the framework of the Federal Target Program "Culture of Russia (2001-2005)" regarding the high-value objects of the cultural heritage of the peoples of the Russian Federation. The audit took place at the Ministry of Culture of Russian Federation.

The Ministry of Culture of Russia carries out certain activities on preservation, utilizing, popularization and state protection of the objects of the cultural heritage of the peoples of the Russian Federation. At the same time during the period in audit the Ministry of Culture of Russia has not established the direction for the current management of the Federal Target Program "Culture of Russia (2001-2005)".

Exceeding its commission, the Ministry of Culture of Russia concludes contracts on transfer of customer functions.

Agencies responsible for keeping of the State Register of the High-value Objects of the Cultural Heritage of the Russian Federation have not been determined. The order of access for familiarizing with and publication of the documents and materials included in the State Statute Book and subject to timeless storage as it is prescribed by the Regulations of the State Statute Book of the High-value Objects of the Cultural Heritage of the Peoples of the Russian Federation has not been set up.

The definition of the high-value object of the cultural heritage of the peoples of the Russian Federation has not been determined by the basic legislation of the Russian Federation on culture. As a result there are no precise criteria to determine of objects of a cultural heritage of peoples of the Russian Federation to place them in a category of high-value objects.

Planning of expenditures on financing of a high-value object, the Solovetsky Museum and Reserve, for 2002-2003 has been carried out by the Ministry of Culture of Russia without taking into account real needs specified by “The Strategic plan for development of the Solovetsky Museum and Reserve” for 2001-2005.

### **Yuri Voronin**

(p. 127)

The report on the results of the audit of the financial and economic activities of the Russian Fund for Technological Development of the Ministry of Industry, Science and Technology of the Russian Federation.

The Russian Fund for Technological Development has been formed with a view of creation of conditions to provide preservation and development of scientific and technical potential of Russia. It represents the state extra budgetary fund for support of scientific research and exploratory development in priority spheres of scientific, technological and engineering development.

The Fund is formed on the basis of transfer by the federal executive power authorities and commercial organizations of 25 % of the means remitted to the extra budgetary funds created by these authorities and organizations. Since its formation, the Fund has supported 883 projects on a total sum of RUR 1,839 million.

The main purpose of the Fund’s activities to finance priority application scientific research and exploratory development regarding disbursement of the state financial resources has not been fully achieved. Deterrents were the shortcomings in normative and legal base of the scientific, scientific and technical and innovational activities regulating the Fund’s activities, lack of the state importance project realization mechanisms and increase of efficiency of disbursement of the extra budgetary funds means.

Improper disbursement of the means of the Russian Fund for Technological Development has amounted to RUR 796 thousand.

### **Mikhail Surkov**

(p. 136)

The report on the results of the audit of disbursement of the federal budget means allocated in 2000-2001 to support the activities of the Rear Department of the Federal Border Service of the Russian Federation. The audit took place at the Rear Department of the Federal Border Service of Russia (Moscow), Directorate of Material Orders and Deliveries of the Federal Border Service of Russia (Moscow), Transbaikal Regional Directorate of the Federal Border Service of Russia (Chita), and Northeast Regional Directorate of the Federal Border Service of Russia (Petropavlovsk-Kamchatsky).

There has been revealed inefficient disbursement of budgetary funds that amounted in 2000 to RUR 14.9 million, in 2001 - to RUR 0.4 million.

Bookkeeping of material funds at the audited regional directorates has not been organized.

Several distortions of the accounting data on availability of ware property took place at the Northeast Directorate.

Timely measures for collecting debt receivable with delayed repayment of contract obligations were not taken. This led to amortization of such debt (that had turned out to be unreal for collecting) in 2002 for the amount of RUR 34 million at the cost of the state.

Several shortcomings in working out of directive documents of the Federal Border Service of Russia regulating the organization of work on realization of released military property and control over the course of its realization have been committed.

As of 1 January 2002, RUR 57.4 million have not been remitted on personal accounts to take stock of the means of the monetary fund of military units designed for development of farmers’ subsidiary plots.

There were shortcomings in claim work and in rendering of trade and consumer services for the Federal Border Service personnel.

It has been proposed to forward: a) the information letter - to the Finance Ministry of Russia to take measures concerning the revealed violations of the Budgetary Code; b) the submission - to the Director of the Federal Border Service of Russia to eliminate the revealed drawbacks and violations in disbursement of the allocated budgetary funds and organization of rear maintenance, and to take measures to those guilty.

### **Mikhail Surkov**

(p. 156)

The report on the results of the audit of disbursement of the federal budget means allocated to the Southern Customs Directorate of the State Customs Committee of Russia. The audit took place at the Chief Financial and Economic Directorate of the State Customs Committee of Russia (the City of Moscow), Southern Customs Directorate of the State Customs Committee of Russia (the City of Rostov-on-Don), the Astrakhan Customs of the Southern Customs Directorate of the State Customs Committee of Russia (the City of Astrakhan), the Novorossiysk Customs of the Southern Customs Directorate of the State Customs Committee of Russia (the City of Novorossiysk), the Sochi Customs of the Southern Customs Directorate of the State Customs Committee of Russia (the City of Sochi).

The audit has unveiled the following:

- in 2001, financing of the Southern Customs Directorate of the State Customs Committee of Russia was carried out within the allocated limits of budgetary liabilities;
- the federal budget means allocated to the Southern Customs Directorate of the State Customs Committee of Russia have been disbursed according to the current legislation;
- there are 26 objects of the uncompleted construction on a total sum of RUR 13,461.2 thousand that are carried as balance of the customs agencies of the Southern Customs Directorate of the State Customs Committee of Russia;
- payable accounts in 2001, as compared to 2000, increased on RUR 19,735.195 thousand, that is five times, and made up RUR 24,713.839 thousand, including the payable accounts on capital construction amounted to RUR 20,377.201 thousand. This testifies to the fact that the liabilities have been incurred in excess of the limit of the budgetary liabilities;
- the customs agencies of the Southern Customs Directorate of the State Customs Committee of Russia have failed to submit the set up state statistical accounts to the statistics agencies on the spot;
- deficiency of contractual work has proven to exist.

### **Ivan Dakhov**

(p. 170)

The report on the results of the audit of efficient and proper use of the federal budget means allocated in 2001 for protection and reproduction of forest resources. Besides that, the analysis of receipts and use of means for utilizing of the forest fund resources at the Ministry of Natural Resources of Russia and its subordinate structures at the Siberian Federal Area has been carried out.

The utilizing of forest resources both in the Russian Federation as a whole and in the most forest-wealthy Constituent Members of the Russian Federation, that is the Krasnoyarsk Territory and Irkutsk Region, is unprofitable for the state. Charges on protection and reproduction of woods exceed the income received from use of wood resources, and are compensated from the federal budget. The damage that is only caused by forest fires and unauthorized deforestation in 2001 has made up RUR 5.8 billion.

The works on forest restoration and reproduction of woods as a whole carried out by the Ministry of Natural Resources have not been properly financed. The stock of plantings has decreased on 27 million cubic meters. Deterioration of pedigree composition and age structure of woods has occurred. Operating expenditures on forestry and forest protection for 2001 at the Ministry of Natural Resources of Russia have amounted to RUR 10,300,680 thousand including RUR 6,487,459 thousand of production expenditures, and RUR 2,885,104 thousand of the forestry staff running costs. The expenditures have exceeded the income on RUR 164,325 thousand. The Ministry of Natural Resources of Russia and its subordinate structures activities regarding the

financial control over disbursement of means allocated for the state management in the field of utilizing, protection and reproduction of forest resources have proven inefficient. Necessary measures on elimination of infringements revealed by the previous Accounts Chamber check-ups have not been taken to the full.

### **Sergei Shokhin**

(p. 200)

The article “The Internal Control and Audit at Credit Agencies (Analytical Review Based on the Results of the controls of the Russian Federation Accounts Chamber”.

The analysis of information on financial position of credit agencies, materials of audits make it clear that internal control in many banks is often unsatisfactory.

As an example, the organization of internal control and audit of the Bank of Russia, Bank of Foreign Trade (Vneshtorgbank), and Bank of Foreign Commercial Activities [USSR] (Vneshekonombank) has been considered. It might be concluded that the legislative regulation of internal control and audit at the credit agencies is general and superficial in character. Its basis is made up of by-laws, that is normative documents of the Central Bank of Russia, its methodological base constitute the documents of recommendatory character of the international non-governmental organizations; internal control legal support requires further improvement.