

**SAI Contribution to Financial Stability in Social Sectors (education, health care, social security).
Experience of the Accounts Chamber of the Russian Federation**

**Report
of the Accounts Chamber of the Russian Federation
at the EUROSAI/OLASEFS joint conference**

At the present stage of Russia's development with the character of economic relations changing and competitive economy is being established, the importance of public financial control functions has significantly increased.

The Accounts Chamber of the Russian Federation as an external audit institution independent from the executive power provides objective information for the public on how the budgetary funds are formed and expended, on the results and quality of the activity of public institutions aimed at implementing the strategy of country's social and economic development directed at the increase of life standards of the population.

An important condition for our efficient work is to develop a methodology and adjust the external financial control mechanism that must conform to the terms of implementing social and economic processes associated with the transition to three-year budgetary planning period and target-oriented budgeting, delimitation of powers between federal, regional and local authorities.

The primary tasks of the Accounts Chamber of the Russian Federation include the control over promotion of high-priority national projects worked out in the Russian Federation for such social sectors as healthcare, education and housing.

It's those sectors that determine the life standard of our citizens, social well-being of the society and, which is of extreme importance, create necessary conditions for forming the so-called human capital significantly influencing the economic development of the state.

The Federal Law '*On the Federal Budget for 2006*', approved the expenditures for the implementation of '*Health*' high-priority national project totaling 2.4 billion US Dollars.

The implementation of '*Education*' high-priority national project is backed with monetary funds at the amount of 1.1 billion US Dollars.

The expenditures for the implementation of '*Affordable and Comfortable Housing for the Citizens of Russia*' high-priority national project constituted 1.1 billion US Dollars.

In view of the significance of the external financial control for implementation of the national projects, S.V.Stepashin, the Chairman of the Accounts Chamber, was made member of the Council for the Implementation of High-priority National Projects and Demographic Policy attached to the President of the Russian Federation.

The problem discussed at the conference is of high priority for many states, therefore it would be important to specify some basic components of the concept of 'financial stability in social sectors'. The following factors may be rated as the most significant:

- project mindedness of public authorities to qualitative changes in social sectors;
- stability (completeness and rhythmicity) of budgetary financing of social sectors;
- ensuring the possibility of attracting non-budgetary financial resources to finance the activity of organizations working in the social sector;
- creating conditions for prevention of corruption in the process of placing of state contracts and orders and other financial violations, as well as for efficient use of budgetary funds when implementing national projects in the social sector.

The activity of the Accounts Chamber as a supreme financial control institution has a great strategic significance for providing financial stability in social sectors, as those high-priority national projects are the most significant structural phenomenon in the economy of our country for the recent years in terms of implementation scope and expected social effect.

Based on the results of the audits carried out by the Accounts Chamber of the Russian Federation, a conclusion can be made that high-priority national projects have managed to provide a significant social and economic effect even at the initial implementation stage already.

Thus, during the implementation of the '*Health*' national project, the salary level of primary care physicians, pediatricists and nurses was increased twofold; more than 22 thousand units of diagnostic equipment and 7 thousand ambulance cars were purchased.

The Accounts Chamber has assessed the availability of free medical care for the citizens in public and municipal healthcare facilities at the expense of budgetary funds, basing on three criteria:

- availability of free medical care for the population;
- the level of financial resources available and their use;
- population health indices.

The population health level analysis revealed that such factors as death rate, duration of human life and disability of able-bodied citizens directly depend on the amounts of funding allocated for healthcare as well as on efficient use of public resources.

The results of the use of public resources in healthcare and recommendations worked out basing on these results were taken into account by the Ministry of Health and Social Development of the Russian Federation, reflected in the accounting documents of the Ministry, and thus predetermined the strategy of its activity.

In the course of the implementation of the '*Education*' national project, 17 thousand schools were connected to the Internet, rural schools received 17 hundred buses.

The implementation of public support of talented young people within the framework of the 'Education' project in 2006 has led to intensification of the work with the youth in the regions and attracted the attention of the society to the problem of supporting young talents. Building of national data bank of talented young people was launched.

For the first time in many years, homeroom teachers got into the spotlight. Teachers felt that their out-of-school work with individual pupils, their parents, small and big groups of pupils, participation in creative and professional contests not only received the highest grade but also certain material support. The activity of general education institutions teachers has also become more active; motivations appeared to a broad introduction of innovative technologies.

The awareness of the regional citizens of the changes happening in the education sector has increased.

At the same time, the audits disclosed a number of failures and shortcomings.

In a number of constituent entities of the Russian Federation difficulties were noted with the use of the allocated funds by schools due to late crediting to bank accounts, long duration of tender purchase procedures, as well as to the unpreparedness of manufacturers and suppliers for bulk purchases of school inventory. The Accounts Chamber analysis of the efficiency of budgetary funds use for the purchase of medical equipment within the 'Health' national project has shown that almost one third of the equipment tendered was purchased without any competitive bidding.

A number of types of current medical equipment (such as X-ray equipment) were purchased with a minimum set of auxiliary programs and devices, which reduces significantly the efficiency of its use in the long run and creates imputations for its quick obsolescence.

One of the problems for the implementation of social projects is that the adopted budgetary commitments are not accompanied by timely adjustment of the appropriate regulatory and legal base. It was just the situation with the implementation of the 'Affordable and Comfortable Housing for the Citizens of Russia' project. Moreover this happened despite the fact that the Government of the Russian Federation has granted state guarantees of the Russian Federation to *Mortgage and Housing Crediting Agency JSC* for the total amount of 0.5 billion US Dollars.

At the same time, there are system-based problems. The implementation of the national housing project faces deficiency of the construction industry capacity and an insufficient gasification level while the purchase of advanced medical equipment requires large-scale re-training of medical workers. At the same time the skill development system is not ready for this to the full extent.

As a rule, we perform the analysis of implementation of high-priority national projects in close cooperation with Presidential Control Directorate and control accounts bodies of constituent entities of the Russian Federation. It should be noted that a significant portion of the violations and shortfalls we have discovered resulted from poor coordination of actions

performed by federal and regional authorities in the course of planning and implementing social projects and from unpreparedness of some regions for participation in these projects.

A rather efficient control is established by the Accounts Chamber of the Russian Federation over the implementation of high-priority national projects, which enables adjustments to their implementation and elimination of any shortfalls and violations. A continuous work is underway aimed at the development of mechanisms increasing the transparency and effectiveness of these expenditures, as well as at ensuring the funds are received by the budget recipients timely and completely.

Thus, owing to constructive interaction between the Government of the Russian Federation and the Accounts Chamber of the Russian Federation, measures were taken throughout 2006 to identify the appropriate federal budget expenditures, to provide their proper financing and to adopt necessary regulatory legal documents.

In this activity the Accounts Chamber efficiently interacts with law enforcement bodies, which enabled taking prompt steps to punish persons who violated the bidding procedure in the course of implementation of the 'Health' project.

One of the most typical violations is inefficient use of public funds caused primarily by abuse of authority in tenders on goods supply for public needs in the course of implementation of social projects.

At the first sight, it may seem that audit and law enforcement bodies have nothing to do with these issues since the inefficient use of budgetary funds is not a direct violation of the law. However, practice shows that inefficient use of funds is interconnected with corruption and other financial violations.

We understand quite well that it is also very important to have a developed institution of administrative responsibility for violation of the budgetary legislation and preventive measures of external public financial control authorities directed at forming standards and adjusting control mechanism.

The experience of the Accounts Chamber has shown that in many cases financial violations are not caused by neglect on the part of individual persons, but is connected with the imperfection of the effective legislation and collision of different laws that makes it possible to misappropriate the budgetary funds with impunity. That is the reason we pay great attention to working out proposals concerning the improvement of the budgetary and financial legislation as well as to the established practice of its execution.

The Accounts Chamber regularly informs Vladimir V. Putin, the President of the Russian Federation, the two Chambers of the Federal Assembly of the Russian Federation and the Government of the Russian Federation on the audit results concerning high-priority national projects in the social sector.

In 2006, the members of the Collegium of the Accounts Chamber, General Secretary and his deputy, as well as officers of the Accounts Chamber administration took part in 458 events organized by the chambers of the Federal Assembly of the Russian Federation, attended the sessions of the Government of the Russian Federation 142 times.

Russian mass media released more than 12.5 thousand materials on the Accounts Chamber activity. About 2.4 thousand articles were published in the central and regional press, 6.9 thousand messages went through information agencies, 462 TV reports were shown, 320 news were broadcasted over the radio.

In conclusion, I would like to note that publicity and transparency are the most important principles of our work associated with control over the implementation of social high-priority national projects. It is necessary to pursue an intense information policy in this direction.