



State Financial Control in Russia

The Information and Telecommunications System for SAI Russia Support

The history of state financial control development in Russia

1656 is considered to be the date when state financial control began in Russia. In the reign of Alexei Mikhailovich, the Accounts Department (Prikaz), or the Department for Accounting Affairs, was established, aimed at increasing efficiency of financial management.

In 1720, the Emperor Peter I established a special controlling authority for managing finances called Revision Collegium.

In 1810, Emperor Alexander I established the Supreme Administration for Revision of State Accounts headed by State Comptroller Baron Baltazar Kampenhausen.

In 1892, the first Law on State Control in Russian history was adopted. The turn of the 19th and 20th centuries was the time of search for more efficient forms of financial control applicable for Russian conditions, taking into account the incipient separation of powers into legislative and executive ones.

During the Soviet period, the state financial control system was constantly changing.

In 1994, the State Duma of the Federal Assembly of Russian Federation adopted the Federal Law "On the Accounts Chamber of the Russian Federation". In 1995, the first session of the Collegium of Accounts Chamber took place.

The powers and responsibilities of the Accounts Chamber of the Russian Federation

According to the Federal Law "On the Accounts Chamber of the Russian Federation":

- The Accounts Chamber is a standing body of state financial control
- The Accounts Chamber exercises control over the fulfilment of the federal budget based on the principles of legality, objectivity, independence, and openness
- The Collegium of the Accounts Chamber consists of the Chairman of the Accounts Chamber, the Deputy Chairman of the Accounts Chamber and auditors of the Accounts Chamber.

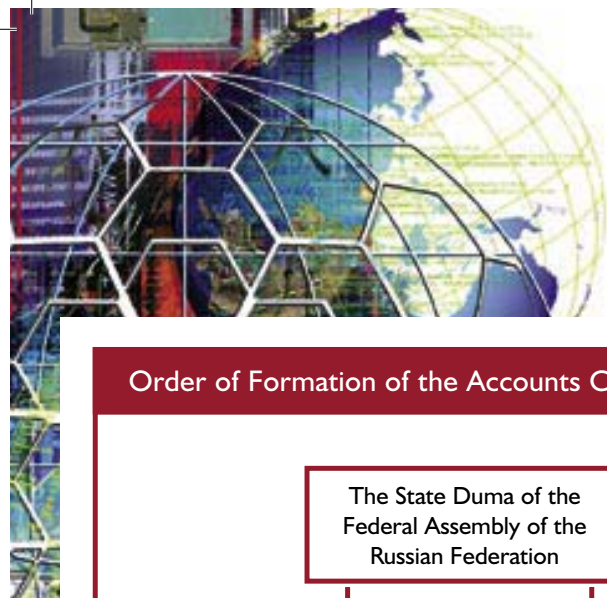
The term of office of the Chairman of the Accounts Chamber, the Deputy Chairman of the Accounts Chamber and auditors is six years. The Chairman of the Accounts Chamber and a half of the auditors are appointed and released from their duties by the State Duma of the Federal Assembly of the Russian Federation, while the Deputy Chairman of the Accounts Chamber and the other half of the auditors are appointed and dismissed by the Federation Council of the Federal Assembly of the Russian Federation.

In April, 2000, Sergey Vadimovich Stepashin became Chairman of the Accounts Chamber of the Russian Federation, and in January, 2005, he was re-appointed to that office.

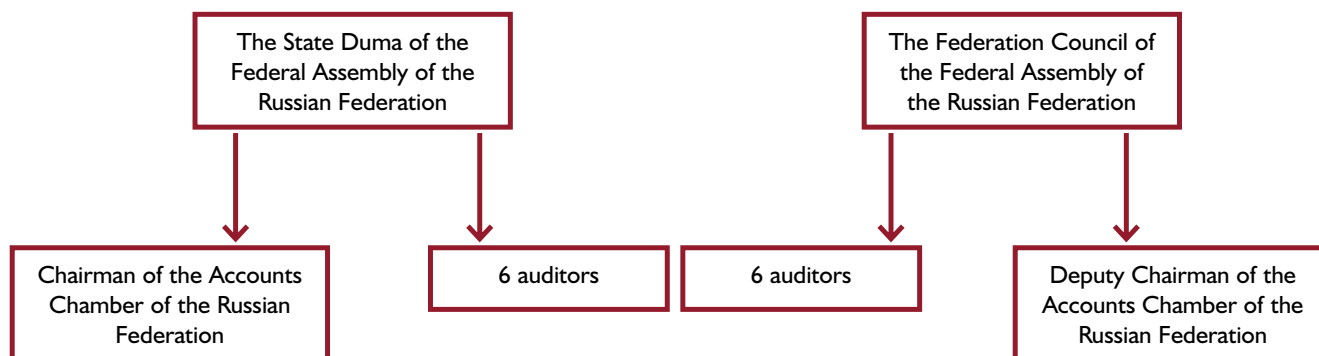
The Accounts Chamber carries out annual and current planning of its activities. The plan of work of the Accounts Chamber is a combination of control measures, as well as expert, analytical, and other kinds of work. Once the draft annual plan is considered and adopted by the Collegium of the Accounts Chamber, it becomes mandatory for all authorities and state officials.

The Accounts Chamber informs the Federal Assembly on the outcomes of inspections and audits carried out, in particular, on the loss to the state and on the legal violations identified. Based on the results of the control measures, the Accounts Chamber writes to the public authorities of the Russian Federation and heads of audited bodies to take steps to eliminate the violations found, to compensate for the damage inflicted on the state and to call to account officials guilty of violation of the legislation of the Russian Federation and economic mismanagement.

When violations are found, the Accounts Chamber may give mandatory instructions to the administration of the enterprises, institutions and organizations audited. In case of repeated failure to fulfil the instructions or in case of improper execution thereof, the Collegium of the Accounts Chamber may, as agreed



Order of Formation of the Accounts Chamber of the Russian Federation



with the State Duma, decide to suspend all kinds of financial, payment and clearing transactions concerning the accounts of the audit body. When an embezzlement of state cash or tangible assets or other dishonesty are found in the course of an audit or inspection, the Accounts Chamber immediately sends the control documentation to the law enforcement authorities. During the period from 1997 to 2004, the Accounts Chamber recovered more than 66.7 billion Roubles for the treasury.

A unified federal budget control system has been developed by the Accounts Chamber. It involves continuous three-year control cycles over the administration of budget for each fiscal year in several stages such as:

- preliminary control of the draft budget for the current year;
- current control during the fulfilment of budget for the current year;
- comprehensive documentary inspection of the budget already fulfilled.

In the preliminary control stage, the draft budget parameters are compared with live data on the fulfilment of budget for the current year, information on the social and

economic situation in the country as a whole and in individual regions and industries.

Current control is carried out during the whole year; it is a combination of control, expert and analytical measures.

After the fiscal year is over, the Accounts Chamber starts comprehensive documentary inspection of the budget fulfilled.

Therefore, the trinity of preliminary control, current control and comprehensive documentary inspection forms a base of the unified system of the Accounts Chamber for control over the fulfilment of budget. This is supplemented with the results of audit measures carried out both under instructions of the Federal Assembly chambers and by initiatives from the Accounts Chamber itself.

The Accounts Chamber is making increasing use of performance audit to help improve the national economy. Performance audit demonstrates the result of using state funds while proving not only the legality and designated purpose but also the efficiency of solutions to nationwide problems. The Accounts Chamber is increasing the efficiency of audit measures through its increasing

emphasis on determining the efficiency and expediency of budget spending and use of federal property.

Beside the control function, performance audit ensures transparency of regulatory bodies' activity and gives the general public precise and comprehensive information on the outcomes of the activity of such bodies. By introducing performance audit into the working practices of the Accounts Chamber, the existing forms and methods of financial control are being reformed, and appropriate amendments are made to legislation.

The priority for IT is the support and monitoring of audit, examinations, expert and analytical activities. The Accounts Chamber plans to establish and develop sophisticated information technologies for use during the whole financial control process.

IT support

During the decade of the Accounts Chamber activity, the Information and Telecommunication System of the Accounts Chamber (ITCS) has developed from equipping departments with personal computers through to the establishment of a corporate local network with modern hardware and advanced application software. ITCS development is included in the medium term (3-year) programme specified in annual working plans.

ITCS enables:

- data exchange between the participants of the budget procedure,
- planning, control and analysis of audit measures,
- information and analysis for all stages of control over the fulfilment of the federal budget and the budgets of state extra-budgetary funds.

ITCS underpinning strategy is to move gradually towards paperless technologies for activity information support. There is a unified database, integrating:

- current collection and processing of primary payment documents relating to the administration of the federal budget,
- accounting data embracing about 250 subjects of budget process, and
- indices of social and economic development of the country.

Much information is still coming on paper because of general unwillingness to work with modern electronic technologies. The greater part of the information coming on paper is scanned and placed on the Accounts Chamber database, where it becomes available to all users.

ITCS has also given its users direct access to public databases through the Internet and to corporate databases such as the Federal Agency of State Statistics.

The amount of information resources available for ITCS users has tripled over the last four years.

Maintenance

The ITCS technical architecture is based on Cabletron and Cisco communication equipment, Hewlett-Packard servers and INTEL work stations, both foreign and Russian made.

The basic ITCS infrastructure is a local network covering all users in all departments of the Accounts Chamber. Over 30 servers and 1,000 workstations are on this network.

The users' workstations are mostly connected to the network at 10 Mbps. The trunk lines run at 100 Mbps. The internal trunks are constructed from multi-pair copper cables and multimode fibre cables.

At the core of the data storage subsystem is a fail-safe, scalable, high-end HP StorageWorks XP128 RAID box with a maximum capacity of 5 TB. This consolidates the Accounts Chamber's data storage. The servers are connected via 16-port 2 Gbps Fiber Channel Brocade switches to the Storage Area Network (SAN) dedicated network.

A 4/40-capacity 4Tb HP StorageWorks tape library with a throughput of 216 Gbph is used to back up the data.

The administrators use Hewlett-Packard (HP) OpenView Operations/Performance software. This software integrates the management of numerous controls products over all ITCS components into a unified system. The network administrators are provided with up to 20 different services.

Software

Generally, the Accounts Chamber employs HP UX 11i, Linux and Microsoft Windows NT/2000/2003/XP operating systems. As a DBMS corporate platform, it uses Oracle 9i Database Enterprise Edition, while several applications use Microsoft SQL Server.

The application software is aimed both at providing basic activity and automating the activities of support departments (financial and accountancy system, personnel management system, record keeping automation, etc.).

The Accounts Chamber has commissioned special application software from a Russian software house. This software maintains information used by all types of control activities conducted by the Accounts Chamber, i.e. preliminary, current and follow-up controls.

For preliminary controls, the software provides a financial commentary on draft federal budgetary laws for the next fiscal year. It models and forecasts yield income from the federal and consolidated budgets. It monitors and forecasts macroeconomic indices reflecting the formation and execution of the federal budget.

The current control includes evaluation of the legality of current federal budget execution and approved summary list of incomes, expenses and sources of federal budget deficit financing, as well as control of the Russian Federation state internal and external debts, and monitoring and analysis of budget execution in the subjects of the Russian Federation based on live data.

For follow-up control, the system allows the inspector to:

- input and analyse data on the federal budget execution from the audits;
- analyse all the accumulated information on the federal budget execution;

Strategy of the use of information technologies in the activities of state federal bodies till 2010

The major objectives of this IT Strategy are:

- to improve access to open information on the activities of state federal bodies for citizens and organizations, including Internet access;
- to develop a unified protected telecommunications infrastructure for public needs, authentication centre systems in the area of electronic digital signature and electronic interaction environment, in order to provide an efficient intersectoral exchange of information;
- to set up a unified system for the monitoring and performance audit of information technologies used by state federal bodies;
- to update the legislative and other regulatory and legal frameworks in order to improve the efficiency of information technology applications by state federal bodies, taking international practice into account.

- analyse revealed divergences and violations and work out remedy proposals; and
- analyse federal budget interrelations with the budgets of subjects of the Russian Federation, carry out performance audit of accountability, public property privatization and management.

The auditing application software provides activity planning and control of plans execution, automation of technological processes and operations when an inspector carries out a specific auditing procedure.

Currently, five applications supporting basic activities of inspectors (auditors) have been introduced as well as four applications for automating support activities, and three inquiry systems.

The citizens can view the activities of the Accounts Chamber through its web-site (www.ach.gov.ru) where news on the Accounts Chamber and the Accounts Chamber bulletins with auditing reviews are regularly published.

Future developments

Within the framework of unified Concept of the use of information technologies in the activity of federal authorities till 2010, the Accounts Chamber is introducing an internal Intranet portal aimed at integrating the existing information resources of the Accounts Chamber into a unified Web access system and organizing “one-window” access to applications.

A gradual transition is under way from paper record keeping to electronic document management.

To support the decision-making process of the administration of the Accounts Chamber, the “Situation Center” system is being introduced. The implementation of Situation Center will provide situation analysis in macroeconomic, monetary, taxation, investment, structural, and foreign economic policy of the state. It will allow simulation modelling of the budget process in order to provide different scenarios of situation development; and this will also provide the administration of the Accounts Chamber with up-to-date aggregated financial, economic, political and other information to inform their decision making process.

An important long-run objective is the establishment of a unified information network of control and accounts bodies of the Russian Federation. The purpose of the network is to exercise centralized control over data storage and processing resources. The network of data processing centres of control and accounts bodies will have a 4-level hierarchic structure, the data centre of the Accounts Chamber being its top level. Information interaction will be carried through communication channels available to departments of control and accounts bodies in a given region.

The introduction of a unified information network of control and accounts bodies of the Russian Federation will provide

telecommunication interaction between these bodies; enable joint use of databases and knowledge and unification of software tools.

Electronic Russia 2002-2010

Objectives:

- Creation of conditions for development of democracy, and
- An increase of efficiency of the economy, government management and local self-government
- Through the introduction and large-scale distribution of information and communication technologies.

Stages:

Stage 1 – 2002

Stage 2 – 2003-2004

Stage 3 – 2005-2010

Preconditions

- The establishment of an up-to-date infrastructure of state information systems ensuring effective information interaction between authorities and citizens;
- Establishment of an information infrastructure supporting effective state management processes;
- Reform of national regulation of the information technology market;
- Formation of a large-scale communications infrastructure.