

**Activity report. ASP visit to Russia.
March 12 - 19, 2006**

**PPF MISSION FRAMEWORK
AND STRATEGY**

INTENDED OUTCOMES.

100-200. Improved performance audit capacity of ACRF and regional ACs and capacity of FA and regional dumas to efficiently and transparently liaise with respective ACs on issues arising from performance audits..

RELEVANT OUTPUTS:

100. Enhanced buy-in by and capacity of ACRF and/or regional pilot ACs to conduct performance audits and to generate and publicize transparent and accurate reports. Wherever possible, audits should be gender-sensitive.

200. Strengthened buy-in by and capacity of FC Commission on Interaction with the ACRF and/or State Duma Subcommittee for Cooperation with the ACRF and/or select regional dumas to consider and utilise audit reports by the ACRF and regional ACs.

MARCH 2006 ACTIVITY CONTRIBUTING TO RESULTS:

A one-week visit to Moscow and St. Petersburg by a delegation headed by Auditor General Sheila Fraser:

Moscow: Federation Council discussions of healthcare audit findings. Meetings with ACRF and FC leadership to discuss progress of the project. Lecture on parliamentary oversight at Moscow Academy of Finance.

St. Petersburg: Conference on introducing performance auditing at the regional level. Meetings with Leningrad Legislative Assembly and Governor to discuss progress of the project.

CONTRIBUTION OF ACTIVITY TO CIDA PRIORITIES:

The activity visit contributed to CIDA's priority of promoting democratic development by strengthening oversight of the executive branch at the federal and regional level.

PROGRESS TO DATE

CONTRIBUTION OF LATEST ACTIVITY TO RESULTS:

The activity marked a cornerstone in the implementation of ASP:

Following the tabling of the regional healthcare audits in the fall of 2005, on March 14, 2006 the Federation Council held discussions of a joint audit report providing overall analysis on the implementation of healthcare programs in the Russian Federation. Participation by the Ministry of Healthcare, the ACRF, representatives of other institutions related to healthcare and the academia allowed for constructive discussions on report findings and recommendations.

Meetings and events held during the visit revealed visible improvements in the working relationships between accounting chambers and parliaments at both the federal and regional level. At the federal level, both FC Speaker Mironov and ACRF Chairman Stepashin emphasized their improved cooperation. At the regional level, ASP was credited for the passing by the Leningrad region Legislative Assembly of legislation officially providing the AC with the mandate to conduct performance audits. This is a particular success for the project as such legislation is passed for the first time in Russia, setting an example for the rest of the country.

The participation in the visit of Auditor General Sheila Fraser and two Assistant Auditor Generals, helped to strengthen buy-in for further improvement of the ACRF-FC relationship as the Canadian side repeatedly stressed the importance of parliament-audit office relations in the Canadian model.

A lecture delivered by Auditor General Sheila Fraser at the Moscow Academy of Finance, a leading academic institution in the field of finance and auditing in Russia, helped to strengthen buy-in for and to ensure sustainability of reforms addressed by the project. The lecture provided an outreach to students being trained for leading positions in these fields and to the academics training such future cadres. The audience received first hand exposure to the Auditor General's perspective on the role and importance of independent audit institutions and their relationship with parliament, including with regards to performance auditing.

As a result of a conference hosted by Leningrad AC on March 16, Tatarstan and Tyumen ACs are now better prepared for their agriculture and transportation audits. Five additional regions from the North-West Federal District were also familiarized with Canadian experience in auditing agriculture and transportation. Further steps are also made in developing methodological materials that will be used for audit training of additional cadres at the federal and regional level.

RESULTS ACHIEVED BY LATEST ACTIVITY:

Output indicator 100. Methodological recommendations on performance auditing developed; Training tools on performance auditing developed; Number of audit reports drafted/produced; Number of people trained; Federal and/or regional AC working groups formed; Number of documents on performance audit produced; Plans on conducting performance audits developed; Number of media pieces on performance auditing and AC reports.

(1) Joint report on healthcare audits prepared by the ACRF. Using results from the regional and federal audits on healthcare conducted under ASP, ACRF Auditor Goreglyad has prepared a report with overall analysis on the implementation of healthcare programs in the Russian Federation. Based on the report the ACRF has submitted a series of recommendation to the Ministry of Healthcare of the Russian Federation on improving healthcare programs.

(2) Tatarstan and Tyumen ACs are now better prepared for their agriculture and transportation audits. At a conference hosted by Leningrad AC on March 16, the OAG shared experience in auditing these areas and discussed with the regions issues related to the preparation of their audits. The conference got together Tatarstan AC, Tyumen AC and the more experienced Leningrad AC facilitating exchange of experience between the regions themselves as well.

(3) Five additional regions from the North-West Federal District were familiarized with Canadian experience in auditing agriculture and transportation. These regions, which will be conducting pilot audits with guidance from the ACRF, participated in the March 16 conference at their own expense.

(4) Leading Russian academics in the field of finance and audit and students trained for leading positions in these fields were familiarised with Canadian perspectives on the role and importance of independent audit institutions and their relationship with parliament, including with regards to performance auditing. A lecture delivered by Auditor General Sheila Fraser at the Moscow Academy of Finance, a leading academic institution in the field of finance and auditing in Russia, helped to strengthen buy-in for and to ensure sustainability of reforms addressed by the project.

(5) Books on performance auditing have been published by the ACRF and the Voronezh AC. The ACRF has published a book on performance auditing of healthcare using experience from the pilot audits conducted under ASP in 2005. The Voronezh AC has also published a book on performance auditing based on experience from the project. These materials will be used by other regions that will be conducting performance audits as well as for performance audit training of additional cadres within the ACRF and regions participating in ASP.

(6) The March 16 conference and meetings held by the ASP delegation in St. Petersburg were covered by an extensive article in the main Leningrad region newspaper "Vesti".

Output indicator 200. FC Commission on Interaction with the ACRF and/or State Duma Subcommittee for Cooperation with the ACRF and/or equivalent bodies of select regional dumas meet regularly; ongoing working contacts of ACRF with FC Commission on Interaction with the ACRF and/or State Duma Subcommittee for Cooperation with the ACRF; Increased working contacts between select regional ACs and select regional dumas; Regional dumas involved in developing documents on parliamentary oversight; Statements by regional dumas and governments supporting performance auditing.

(1) Discussions of healthcare audit findings held by the Federation Council

On March 14 the FC Commission on Interaction with the ACRF held a seminar to discuss the findings of the healthcare audits conducted under ASP in 2005. ACRF, Voronezh AC and Leningrad AC delivered presentations on audit findings and the ACRF delivered a report

**Activity report. ASP visit to Russia.
March 12 - 19, 2006**

providing general analysis on healthcare programs in the Russian Federation based on both regional and federal audits. The FC, the Ministry of Healthcare, the ACRF, representatives of other institutions related to healthcare and the academia involved in constructive discussions on report findings. Auditor General Sheila Fraser contributed by delivering a presentation on interaction between the Canadian Parliament and the OAG, providing examples with how specific healthcare audits have been used to hold the Government accountable and bring improvements in its work.

(2) The leadership of both the FC and the ACRF have emphasized the improved working relationship between the two institutions. At meetings held with the ASP delegation both ACRF Chairman Stepashin and Deputy Chairman Semikolennykh showed strong appreciation of the established excellent working relationship between the ACRF and the FC as well as a desire for further deepening of this relationship. From the Federation Council side FC Speaker Mironov expressed his support for the work of the Accounting Chamber recognizing the role of conducted audits for bringing important changes in Russian society. Mironov praised the progress of both the ACRF and the FC Commission on Interaction with the ACRF and stated that FC support to the work of the ACRF and cooperation between the two institutions have strengthened significantly. He also expressed his hope that performance auditing will become the main type of audit conducted by the ACRF. The strengthening relationship between the FC and the ACRF was also illustrated by the fact that Stepashin participated in Mironov's meeting with the ASP delegation. At this meeting and at other events during the visit Auditor General Sheila Fraser stressed the importance of parliament-audit office relations in the Canadian model. This helped to strengthen buy-in for further improvement of the ACRF-FC relationship.

(3) The Leningrad region Legislative Assembly has passed legislation officially providing the AC with the mandate to conduct performance audits. The Speaker of the Assembly Polyakov credited ASP for contributing to this result. This is a particular success for the project as such; a legislative amendment is passed for the first time in Russia (neither the federal level nor any of the other regions have such legislation at this time). It is expected that this will set an example for the rest of the country.

(4) Leningrad parliamentarians have indicated that their working relationship with the AC continues to improve. In the words Mr. Sazonov, Chairman of the Industry and Transport Commission of the Legislative Assembly, the image of the AC in the Assembly has improved as a result of ASP. Speaker Polyakov also stressed that the Legislative Assembly is very interested in the AC's work.

(5) The Governor of Leningrad region has reconfirmed his support for the introduction of performance auditing in the region as well as for the strengthening of the region's AC in general. At a meeting with the Canadian delegation Governor Serdiukov stressed that performance audits on agriculture and road construction that will be conducted in 2006 are of a particular importance for the region. Serdiukov believes that audit findings will be of use in improving the work of the region's administration.

OVERALL PROGRESS IN INTRODUCING PERFORMANCE AUDITING IN THE RUSSIAN FEDERATION AND TRENDS FOR THE FUTURE:

Practically all Russian officials that the delegation met with recognized the significant progress achieved by ASP in introducing performance auditing at both the federal and regional level and stated that they would praise opportunities to continue cooperation with Canada in the future.

At various meetings and events held during the visit the Auditor General of Canada Sheila Fraser also repeatedly recognized the progress achieved by Russian partners under the project and the successful work of the Parliamentary Centre.

Activity report. ASP visit to Russia.
March 12 - 19, 2006

ACRF Chairman Stepashin recognized that his institution has achieved great progress as a result of CRPP and ASP: the Accounting Chamber has learned to conduct performance audits and the overall awareness in Russia on the nature and role of performance auditing, including among the executive has improved. Today everyone recognizes the importance and need of performance auditing for the work of ACRF.

Exceeding the expected results, the project has helped to spearhead a far-reaching budgetary reform in Russia. Speaking about progress in introducing performance auditing Stepashin stated, at a meeting with the ASP delegation, that this progress has pushed the Government to start work in introducing results-based budgeting in the Russian Federation.

According to FC Speaker Mironov, the ACRF has undergone three important stages in its work: (1) audits aimed to answer the "stolen or not" question, (2) audits seeking to find whether funds use was "targeted or not", and (3) performance audits. Mironov expects that, as Russian society develops, problems of the first stage would disappear, the second stage would become less crucial, but performance auditing will remain always relevant.

Meetings held during the visit allowed the PC team to get also a clearer idea on the significance of the project for the overall socio-economic situation in Russia. In a presentation delivered at the March 16 conference, Nikolay Stolyarov¹, Executive Secretary of AACRF, recognized the project as extremely successful and stressed its strategic importance at the present stage of Russia's development. Economic stability has been achieved, Russia has now a budgetary surplus and funds are available to address social issues. Being able to assess how efficiently these funds are used is of key importance.

Of particular importance for the country are several priority areas identified by President Putin among which healthcare, education, housing and agriculture (defined as "National Projects"). The pilot audits conducted under ASP have been focused on some of these socially strategic areas. In the future the ACRF and regional ACs plan to conduct performance audits on the remainder.

At the regional level progress has been achieved in introducing performance auditing in regions other than the ones directly assisted by project. The ACRF and the regions directly involved in ASP (notably Leningrad where progress has been particularly fast), play a guiding role in the process of introducing performance auditing to all regions. The selection of Leningrad Region as a partner in ASP has brought to faster and broader results than initially expected. Progress in introducing performance auditing in this region has been particularly fast with strong buy in from the parliament and the executive. The region's AC is already conducting a second round of audits, the Legislative Assembly has passed legislation providing the AC with the mandate to conduct performance audits (a first timer in the whole Russian Federation) and the Governor of the region is in support of these reforms. More importantly, the region is starting to play the role of a flagship for reform for other regions, notably in the North-West Federal District but also in the whole Federation. For example, the Leningrad AC is planning to host in September 2006 an international conference on performance auditing with all Russian regions invited and with the participation of a number of international audit offices including the Office of the Auditor General, the UK and the Finnish Audit Offices.

The need of performance auditing has been recognized and is not questioned in Russia; however, it remains necessary to raise further the awareness and deepen the knowledge of parliamentarians and the executive on how to work with ACs and utilise audit reports.

¹ Stolyarov is responsible for coordinating the work on introducing performance audits in the regions of the Russian Federation.

Activity report. ASP visit to Russia.
March 12 - 19, 2006

Glossary of abbreviations:

AACRF: Association of the Accounting Chambers of the Russian Federation

ACRF: Accounting Chamber of the Russian Federation

FC: Federation Council

Regional ACs: Regional accounting chambers

PC: Parliamentary Centre