

Activity Report. Hearing in Federation Council Commission on Interaction with the Accounting Chamber of two pilot performance audits. May 27, 2004.

***PPF MISSION
FRAMEWORK
AND STRATEGY***

INTENDED OUTCOMES:

4. Enhanced capacity of ACRF to generate and publicize transparent and accurate reports.

Indicator: 4. 2 pilot audits conducted by ACRF and reported on in media.

5. FC Commission on Interaction with ACRF has increased powers and jurisdiction to conduct oversight role.

Indicator: FC Commission makes effective use of ACRF's reports.

***MAY 2004 ACTIVITIES
CONTRIBUTING TO RESULTS:***

(1) On May 27, 2004, FC Commission on Interaction with ACRF tabled pilot performance audit reports and invited government representatives to comment on recommendations.

***CONTRIBUTION OF ACTIVITY
TO CIDA PRIORITIES:***

The activity contributed to CIDA's priority of promoting democratic development by strengthening oversight of the executive branch.

PROGRESS TO DATE

CONTRIBUTION OF LATEST ACTIVITY TO RESULTS:

The activity marked the final step of the Pilot Project, by providing a constructive forum for the findings and recommendations of the ACRF pilot performance audits to be heard. This was very important as ACRF Auditor Yuri Voronin noted at the December 2003 seminar that "the future of performance auditing in Russia will depend on the success of the pilot audits". As Assistant Auditor General Ron Thompson stated in his post-mission report, at the FC hearing, "there was considerable appreciation expressed (among the participants) for the two pilot audits, with a number of speakers noting that these and future audits will likely lead to more results-based management".

RESULTS ACHIEVED BY LATEST ACTIVITY:

Outcome indicator 4. 2 pilot audits conducted by ACRF and reported on in media. Eight representatives of media attended the FC hearing, including RIA Novosti, FK Novosti, NTV Today and RBK TV. Article published in "Parliamentary Gazette", Press Release sent out by FK Novosti May 18,

Outcome indicator 5. FC Commission makes effective use of ACRF's reports. The hearing by the FC Commission on Interaction with the ACRF, held on May 27, 2004, represented the effective use of ACRF reports for a number of reasons. First, present at the hearing were representatives of the Presidential Control Service, Ministry of Finance, Ministry of Economic Development and Trade, Ministry of Health and Social Development, Federal Financial Monitoring Service, academics, and other interested stakeholders. Many of these representatives commented on the audit report findings, pointing to the seriousness with which the participants perceived the event. Second, a series of recommendations were adopted by the FC Commission on how the two audited programs could be improved (attached). Third, dialogue about the improvement of these programs was highly constructive and systematic. As Assistant Auditor General of Canada Ron Thompson stated in his report, "there was considerable appreciation

(among the participants) expressed for the two pilot audits, with a number of speakers noting that these and future audits will likely lead to more results-based management". FC Commission Chairman Agaptsov frequently praised the participants for their constructive comments.

PREVIOUS ACTIVITIES CONTRIBUTING TO RESULTS:

On December 17, 2003 the FC held a Russian-Canadian half-day seminar under the title "Value for Money Audit of the Budgetary Funds Allocated for the Federal Programs 'Social Support to the Handicapped' and 'Children of the North': experience, current state and prospects". The seminar provided preliminary audit results, raising FC's awareness of the importance of the issues that will be considered in the performance audit reports. Assistant Auditor General Ron Thompson and Program Director Geoff Dubrow spoke at the seminar (see section on value-added).

On March 4, 2004, at its own initiative, the State Duma Committee on the North and the Far East held a hearing on the ACRF's draft audit report of "Children of the North". The Committee passed a series of resolutions as a result of this meeting (attached).

The two ACRF pilot audits were completed and approved by the Collegium in April 2004 after several rounds of screening and input by the Office of the Auditor General of Canada.

PROGNOSIS FOR FUTURE RESULTS:

Although the FC hearing marked the last activity in the Pilot Project, the prospects for achieving further outcome-level results are extremely positive (particularly outcome indicator 4: further performance audits conducted by the ACRF and outcome indicator 5: FC Commission makes effective use of ACRF's reports). Support for expanding the Accounting Chamber's use of performance auditing has been repeated frequently by Accounting Chamber Chairman Sergei Stepashin, who wants to see the ACRF use performance auditing in all audits by 2005.ⁱ More reports are therefore likely to emerge. The Parliamentary Centre's new Accountability Strengthening Project (ASP), currently pending Ministerial approval, would cooperate with the ACRF to conduct a performance audit in the health care field.

Cooperation has been strengthened between the ACRF and the Federation Council Commission on Interaction with the ACRF, and the Annual Program of Cooperation between the two bodies for 2004 includes further hearings and discussions on Accounting Chamber performance reports. The Annual Program of Cooperation for 2004 also foresees additional "analysis and discussions of audit results by the Commission and the Federation Council as a whole" (quoted from Annual Program of Cooperation). Also, the Commission will "develop recommendations on the results of the Accounting Chamber audits on the effectiveness of budget financing of agriculture".

The Annual Program of Cooperation for 2004 also would help to strengthen the jurisdiction of the FC Commission (outcome 5) and enhance the capacity of the ACRF to conduct performance audits (outcome indicator 4). This would be accomplished by the Commission strengthening the legislative base for performance auditing by “preparing federal laws focused on introducing elements of performance auditing in the budget legislation of the Russian Federation” and exploring the opportunities of establishing a legislative base for conducting performance auditing” (quoted from Annual Program of Cooperation).

VALUE-ADDED OF CANADIAN PARTICIPANTS AND PC TEAM IN ACHIEVING RESULTS:

The role of Assistant Auditor General Ron Thompson should be noted here. It was deemed critical by the Russian Accounting Chamber that the Office of the Auditor General participate in this tabling activity, to send a message to relevant Russian institutions that this was a serious, non-partisan effort to introduce performance auditing in Russia.

Thompson and Dubrow participated in the December 2003 seminar as well. In order to help the FC and the ACRF in preparing to hold hearings on the pilot audit reports, Assistant Auditor General Ron Thompson made a presentation on interaction between Parliament and organs of external control in Canada including the process of tabling an audit report in Parliament and holding hearings on it. Agapsov acknowledged that the information presented by Thompson would be useful for improving the cooperation between the two bodies. The presentation of Assistant Auditor General Thompson was followed by a presentation by CRPP Director Geoff Dubrow who provided an analysis on the applicability of Canada's experience for the development of parliamentary oversight in Russia. Dubrow's analysis was based on experience accumulated during the implementation of CRPP. Dubrow stressed in his presentation the importance of a constructive dialogue on the Accounting Chamber's pilot audit reports. At the May 2004 hearing, Dubrow noted that the constructive dialogue among participants would lead to greater cooperation and willingness mutual trust.

ⁱ Despite references to performance auditing in the new draft PPF (and CRPP Phase III PPF), the term performance auditing is being used here. This is the term that the Office of the Auditor General has recently adopted to replace the term performance auditing.