

Development of Internal Audit in the Russian Federation

**Stanislav Sergeevich
BYCHKOV**

Deputy Director
of the Budget Methodology
Department

Минфин России

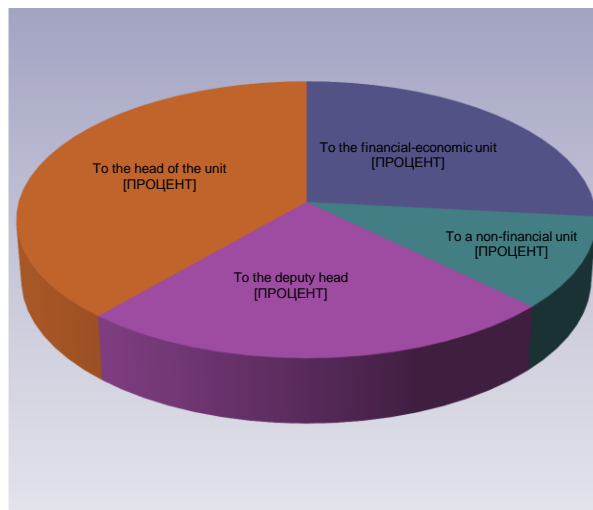


2

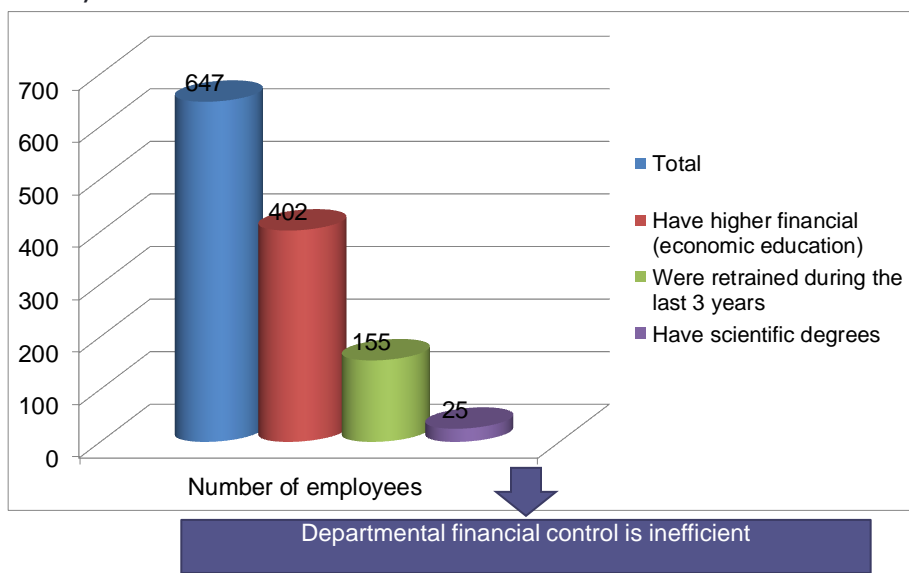
Arrangement of departmental control (internal audit) in public bodies (as of January 01, 2014)

- Based on results of year 2013, **115** public bodies and especially relevant budgetary institutions of the federal level were surveyed.
- Public bodies of the federal level have territorial bodies and institutions under their jurisdiction in the entities and municipal unit formations of the Russian Federation.
- **Actual number of staff members** in those public bodies and institutions taking into account territorial bodies is **538.3 / 598.2 thousand persons**.
- **Actual number of** employees that performs functions related to financial control (audit) **in central administrations** of public bodies is from **1 to 114** staffing positions.
- **The staffing level** of departmental control (internal audit) units is from **12% to 83%**.
- **30 %** of public bodies and especially relevant institutions have not established control (audit) units, **10** of public bodies **have established internal audit units**

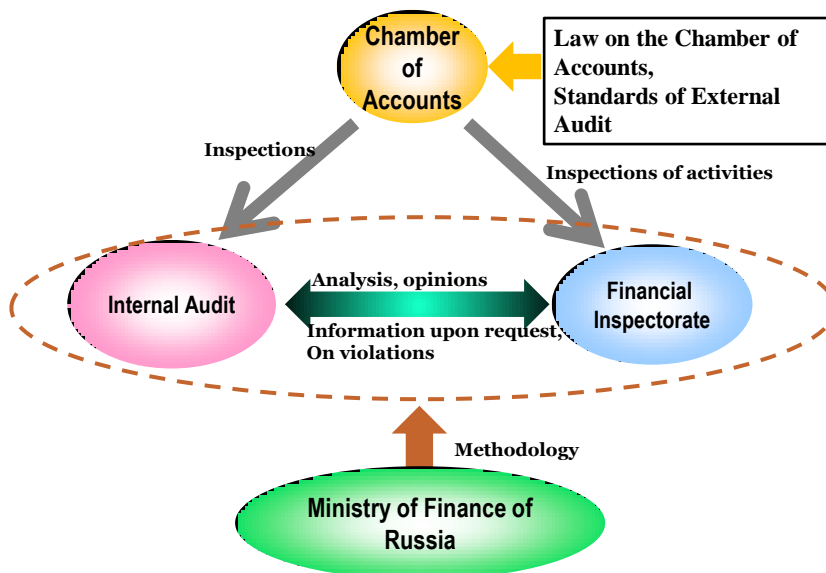
Subordination of departmental control (internal audit) units



Human resources of structural departmental financial control (internal audit) units of federal authorities



The system of financial control and audit in Russia in accordance with the new requirements of the RF legislation



Regulation of internal financial control and audit

New Article 160.2-1 of the Budget Code

Internal Financial Control

Control is aimed at:
Compliance with internal standards and procedures for preparation and execution of the budget on expenditures;
o implementation of **measures aimed at enhancement of efficiency** of utilization of budgetary funds

Control over compliance with internal standards and procedures for preparation and execution of the budget on **revenues**, preparation of budgetary reports and maintenance of budgetary accounting

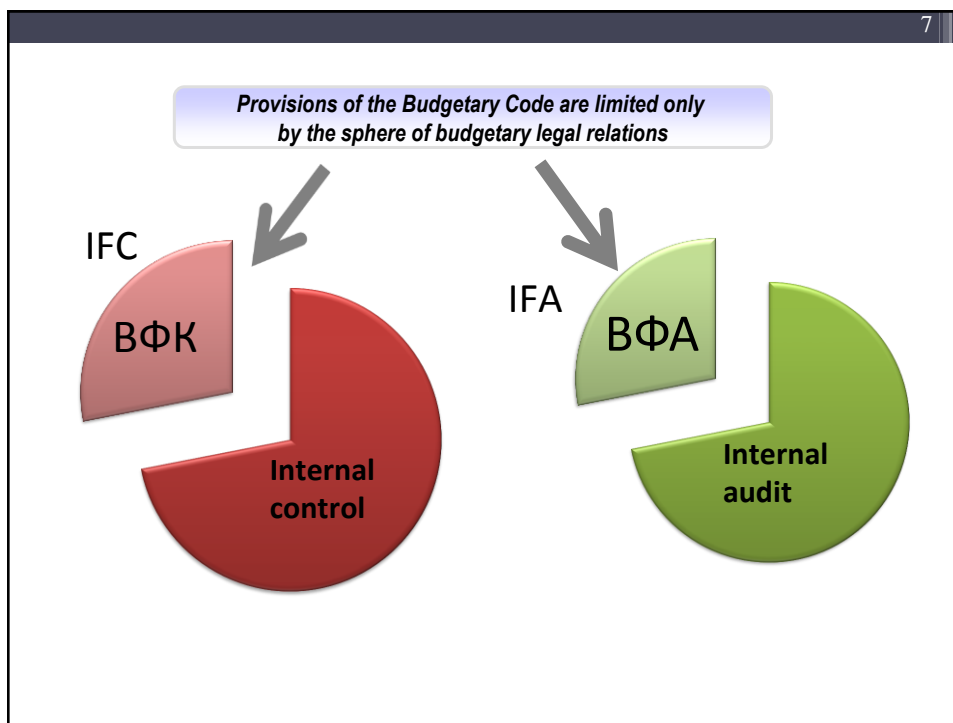
Control over compliance with internal standards and procedures for preparation and execution of the budget on **sources of financing of the budgetary deficit**

Internal Financial Audit

Audit for the purposes of:
Expressing an opinion on **reliability of internal financial control**;
Verification of accuracy of **budgetary reports**;
Preparation of **proposals on enhancement of efficiency** of utilization of budgetary funds.

With the right of separation of functions in individual structural units

The procedure for execution is set by the Government of the RF, the supreme executive authority of an entity of the RF, by the local administration



Tasks of internal financial control

- **Elimination (prevention)** of deficiencies in terms and quality of presenting information (documents) needed for preparation and execution of the budget
- **Increasing** the level of performance discipline (responsibility) in units that carry out budgetary procedures
- **Prevention** of violations of the budgetary legislation of the Russian Federation
- **Ensuring** submission of full and authentic budgetary reports of the chief budgetary funds administrator (administrators)

GOALS OF INTERNAL FINANCIAL AUDIT

International professional standards:

1) Granting guarantees provided to the organization with respect to issues related to quality of management and control in the organization



Article 160.2-1 of the Budget Code:

Evaluation of reliability of internal financial control in the system of the authority

Verification of authenticity of budget reports and of legality of accounting

International professional standards:

2) Consultations to the head of the organization with respect to enhancement of the quality of management and control in the organization



Article 160.2-1 of the Budget Code:

Preparing proposals on enhancement of efficiency of utilization of budgetary funds and of internal financial control

MAIN PRINCIPLES OF INTERNAL AUDIT

INDEPENDENCE

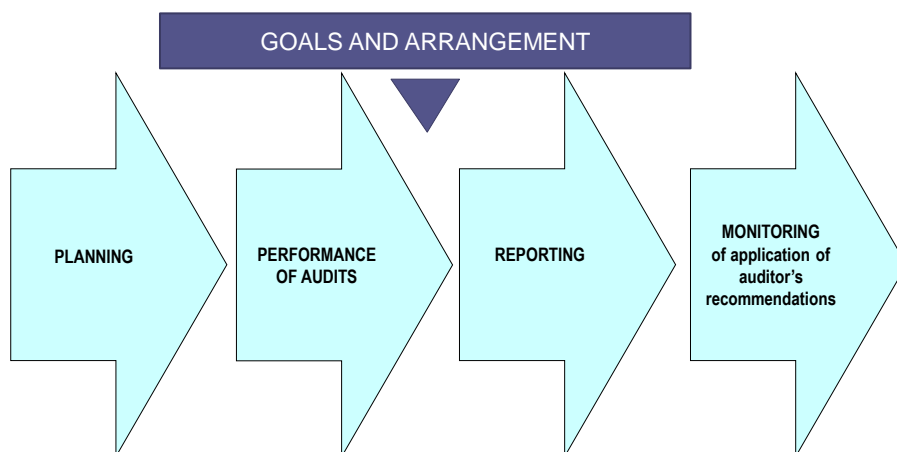
OBJECTIVITY

CONSISTENCY

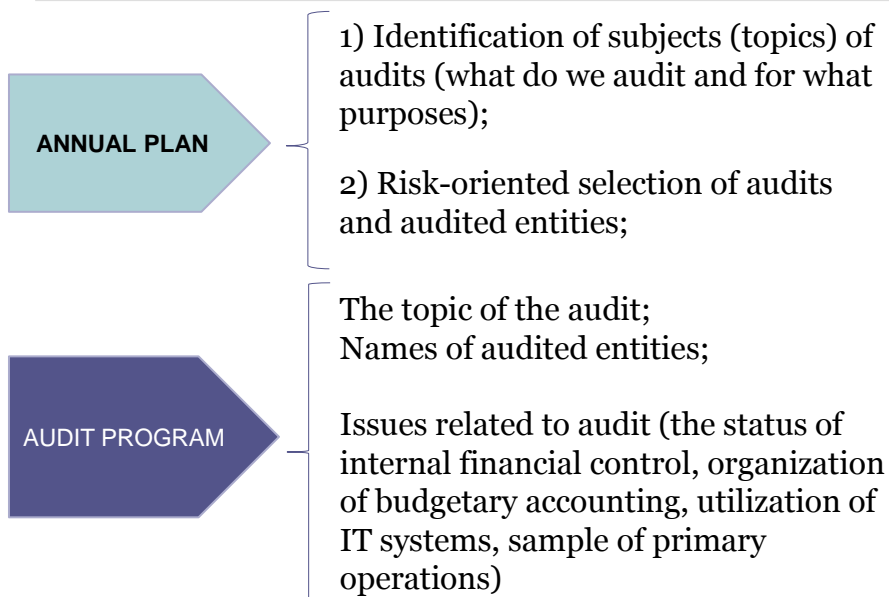
**PROFESSIONAL
COMPETENCE**

Carrying out internal financial audit

(Decree of the Government of the RF of March 17, 2014, No. 193)

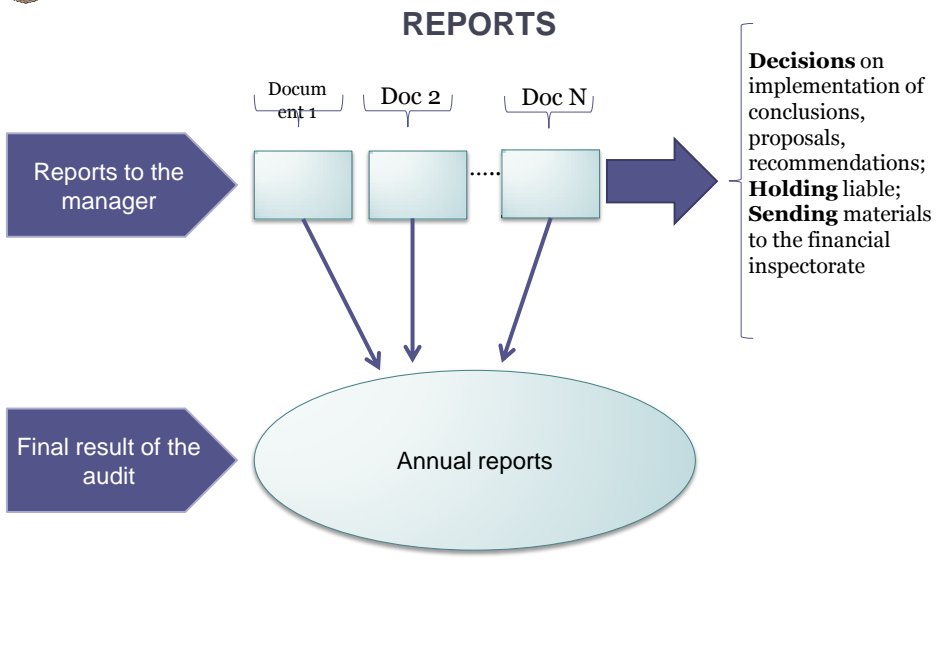


Planning internal financial audit



Carrying out audits

- **Audits** – desktop, field and combined (two - part) with a possibility of examining any documents that relate to the sphere of internal financial audit;
- **Procedures of the audit** – inspection, supervision, re-calculation, request – verification, analytical procedures;
- **Documenting the audit** – a program and information on the timeframe and scope of the audit, information on results of internal financial control, recourse, source documents that confirm auditor's conclusions
- **Results of audit** – a document is sent to the audited entity according to the form and within the timeframe set by the chief budgetary funds administrator



The procedure for carrying out internal financial audit

	Before 2014	Now
Features	Departmental financial control (Order No. 146н)	Internal financial audit (Decree)
Independence	Is not obligatory	Mandatory functional independence
Sphere of application	Subordinate institutions in the part of utilization of budgetary funds, maintenance of accounting and reporting	All financial and economic procedures in the system of the chief administrator of budgetary funds
Planning of control (audit)	Is envisioned on the basis of general indistinct criteria	Planning on the basis of selection criteria Preliminary meetings, questioning officials of audited entities
Documenting and reporting	Results of the audit are recorded in a special document; Annual reports	Results of the audit are recorded in a special document and report ; Annual reports
Results	Submissions (instructions), notifications to the management on violations – identification of conditions and reasons for violations is not obligatory	Recommendations, proposals on improvement of internal procedures and control over them

FURTHER STEPS

