

Pilot Project on Parliamentary Oversight

Introduction

From January 2002 – May 2004, the Canada Russia-Parliamentary Program (CRPP), in partnership with the Russian Federal Assembly and the [Accounting Chamber](#) of the Russian Federation (AC), implemented a pilot project designed to strengthen parliamentary oversight in Russia. The objective was to strengthen the way in which the Federal Assembly of the Russian Federation monitors government expenditures. As part of the pilot project, with the assistance of the [Office of the Auditor General of Canada \(OAG\)](#), the Accounting Chamber developed performance audit methodology that was employed in pilot audits of two Russian federally-funded programs—the "Children of the North" and "Social Support to the Handicapped.". A hearing on the audit reports was held in May 2004 by [the Federation Council Commission on Interaction with the Accounting Chamber](#) (hereafter the FC Commission). The results of one of the pilot audits were also considered by the State Duma. CRPP assisted in preparing parliamentarians and their staff to hold hearings to consider the AC reports.

What is Performance Auditing?

While there are other forms of auditing that are employed by governments and corporations, such as attest auditing and compliance auditing, the results of performance audits tend to be the most attractive to parliamentarians. This is because performance auditing asks whether programs were run economically and efficiently and whether the government has the means to measure their effectiveness. In other words, performance auditing focuses on the economical and efficient management of public funds and resources, as well as the effectiveness of government programmes. According to the OAG, a performance audit, which can last from 6-18 months, has 3 stages: (1) Planning; (2) Examination; and (3) Reporting.¹

The term performance is commonly used to describe the combination of economy, efficiency, and effectiveness.²

Economy means minimizing the cost of resources acquired or used, bearing in mind the quality (i.e., spending less);

Efficiency covers the relationship between the output of goods or services and the resources used to produce them (i.e. spending well); and

Effectiveness covers the relationship between the intended and actual results of projects and programmes (i.e., spending wisely).

Other Types of Audits Conducted by the OAG

- **Attest Auditing:** Every year, the Government of Canada publishes the Public Accounts of Canada, which contains the government's annual financial reports. These reports contain an aggregation of the financial reports of all departments, agencies, crown corporations, and several large special funds. The OAG performs attest audits of the financial statements of the government and most crown corporations. The main objective of the attest auditing is to establish whether reliance can be placed on the organization's financial statements.
- **Compliance Auditing:** Here the audit team reviews transactions to see if the department or agency conformed to all laws and regulations that govern its operations. This involves checking the spending authority contained in the annual budget and relevant legislation.

- **Comprehensive Auditing:** This denotes the combined use of attest, compliance, and performance auditing methods.

Why is Parliamentary Oversight Important?

Effective parliamentary oversight is important because it ensures that parliament monitors how the executive branch spends the money that was allocated by Parliament. Oversight can be described as the act of keeping a watchful eye over the government in its performance and usage of resources. To paraphrase the UN Office of Internal Oversight Services (OIOS), the purpose of governmental oversight is to ensure responsible administration of resources, a culture of accountability and transparency, and improved programme performance.

In Canada, this oversight role is performed by the House of Commons. The main parliamentary committee that performs an oversight role is the [Public Accounts Committee \(PAC\)](#). Most of the information examined by the PAC is prepared by the Office of the Auditor General.

Key Partners Involved in the Pilot Project

RUSSIA:

The Accounting Chamber (AC): The AC of the Russian Federation is the rough equivalent of the Office of the Auditor General of Canada (OAG), although their roles and functions are not necessarily the same. The Russian Constitution (Articles 101-103) provides for the creation of the AC. To this end, the Federal Assembly, in 1994, adopted the corresponding law on the creation of the AC, which was signed in January 1995 by then President Boris Yeltsin.

The AC is the main standing body of state financial control established by the Federal Assembly to which it is accountable. The AC has developed a uniform system of controlling the federal budget, which comprises a continuous 3-year control cycle over the execution of the state budget of each financial year that includes several consecutive stages: (a) preliminary control of the next year's draft budget (b) on-going control in the course of the execution of the current budget (these two functions are not conducted by the OAG); and (c) audit of the budget that has already been executed.

The AC is comprised of a Chairman, a Deputy Chairman, and 12 auditors, each of whom is responsible for auditing a particular set of issues. The chairman and six of the auditors are appointed by the Duma, while the Deputy Chairman and the other half of the auditors are appointed by the Federation Council (FC). Members are appointed to a term of 6 years in office that can be renewed. It is currently headed by the former Prime Minister, Sergei Stepashin.

Due to the different economic and legal environment it operates in, the AC was until recently focussed more on attest and compliance auditing than on performance auditing. The pilot project introduced performance methodology to the Accounting Chamber. To facilitate the work of the AC and to ensure that its findings and recommendations are acted upon, the Duma Subcommittee on Financial Control, (equivalent of the Public Accounts Committee in Canada's House of Commons), and Federation Council Commission on Interaction with the Accounting Chamber were formed in 2000 and 2002 respectively.

The Duma: Russia has a bicameral legislature. The lower house, the Duma, has 450 deputies, half of whom are elected through proportional representation and half are elected in single-member districts.

One of the Duma's powers is to appoint and remove the Chairman of the AC and half of the auditors.

The results of the test audit of the "Children of North Program", conducted under the pilot project, were considered by the Duma Committee on the North. The Committee showed serious interest in utilizing report findings to influence the government to improve its policies: based on the hearings held the Committee drafted a decision to ask the Government to speed up the development of the "Children of the North Program" and include it in the federal program "Children of Russia" for the period 2003-2006. The Duma Subcommittee on Financial Control for consideration and evaluation was also involved in the project.

The Federation Council (FC): The FC is the upper house of the Russian Federal Assembly, which comprises 178 members (two per subject or region). Under amended Federal Law No 113-F3, the executive branch of each Subject of the Federation names a full-time representative to serve as a member of the FC, and the Subject of the Federation legislature names another.

The FC has 23 commissions and committees, including the FC Commission on Interaction with the AC. The Commission was formed in 2002 to enable the FC to examine in detail reports submitted by the AC. Due to the large volumes of these reports, it was deemed imperative to create the Commission to focus on interacting with the AC. It should be noted that the FC appoints, and has the right to dismiss, the Deputy Chairman and the other half of the auditors of the AC. The AC prepares and submits to the Duma and Federation Council its opinions on the execution of the federal budget and federal extra-budgetary funds in an accounting year.

The FC was closely involved in the pilot project. In February 2002, the FC Commission Chairman, Sergei Agapsov, visited Canada to learn more about parliamentary oversight in Canada and to strengthen linkages between the AC and parliament. Senator Boris Preobrazhenskiy, Deputy Chairman of the Commission, and the Commission's Deputy Chief of Staff, Mr. Nikolay Malyshev visited Canada in April 2003 to study in detail the working practices of the Public Accounts Committee of the House of Commons and its relationship with the Office of the Auditor General. In December 2003, the FC Commission hosted a Russian-Canadian seminar designed to inform the FC on the progress in the AC's work on the pilot performance audits and to help FC members prepare for holding hearings on the audit reports.

The FC Commission held in May 2004 a hearing on the AC pilot audit reports that are relevant to their mandate. The hearing marked the final step of the pilot project, by providing a constructive forum for the findings and recommendations of the ACs pilot performance audits to be heard. A series of recommendations were adopted by the FC Commission on how the two audited programs could be improved.

The FC Committee on the North and the FC Social Policy Committee were also involved in the project.

CANADA:

The Office of the Auditor General of Canada (OAG): The OAG has been in existence since 1878. The 1977 Auditor General Act clarified and expanded the responsibilities of the Auditor General, who is an officer of Parliament. In addition to looking at the accuracy of financial statements, the Auditor General was tasked with examining how well the government was managing its affairs. It is generally accepted, in accordance with the principle of separation of powers, that it is not the duty of the Auditor General to comment on policy choices but to examine how these policies are being implemented.

The OAG's involvement in the pilot project entailed sharing its experience on performance auditing with Russian counterparts from the Accounting Chamber, contact with the media, and preparing reports for Parliament.

Public Accounts Committee (PAC): The PAC is the main parliamentary committee that deals with the OAG's reports. The OAG's reports are permanently referred to it. The PAC is the only committee headed by a member of the official opposition rather than a member of the governing party. It is composed of 17 members who reflect the composition of parliament – the governing party currently has a majority (reflecting its overall majority in the House of Commons). Theoretically, it is non-partisan in its orientation.

The PAC reviews whether public money was spent for the approved purposes and with due regard to efficiency, economy and effectiveness. It reviews the Main Estimates and the Performance Reports for the OAG. The PAC holds hearings on the OAG's reports and may make recommendations to Parliament.

The PAC has shared its experience on parliamentary oversight with Russian parliamentarians, as well as explaining and demonstrating to the AC how OAG reports are utilized by parliament. Other issues included the role of staff in organizing hearings of the Public Accounts Committee.

The Office of the Provincial Auditor of Ontario (OPA): The mission of the OPA is to report to the Legislative Assembly of Ontario objective information and recommendations resulting from independent audits of the government's programmes and its Crown agencies and corporations. In doing so, the OPA assists the Assembly in holding government and its administrators accountable for quality of the administration's stewardship of public funds and for the achievement of value for money in government operations.

The OPA has amassed significant experience relating to performance auditing. The Audit Act requires the OPA to report on any cases observed where money was spent without due regard to economy and efficiency, or where appropriate procedures were not in place to measure and report on the effectiveness of programmes.

The involvement of the OPA in the pilot project was important because of jurisdictional relevance – relevance some of the services provided for under the Children of the North and Social Support for the Handicapped fall under provincial jurisdiction in Canada. The OPA also conducts relevant performance audits in the area of health care. Thus, the OPA shared its experiences in this area with the Russian partners through the Parliamentary Centre.

The Parliamentary Centre (PC): The Parliamentary Centre is a not-for-profit organization whose mission is to strengthen legislatures in Canada and around the world. Though not part of the Canadian parliament, the Centre nevertheless works closely with members of parliament and parliamentary staff by involving them in the Centre's Canadian and overseas programmes. The Centre's goal in Eastern Europe is to assist in strengthening the effectiveness of legislatures through assessment missions, capacity development and confidence building programs, research and publications as well as exposure to the experience of the Canadian Parliament. As the PC's involvement with the pilot project is concerned, it acted as the executing agency.

The pilot project was conducted under Phase Three of the Canada-Russia Parliamentary Program, under which the Centre provided skills development, capacity building, and policy advice to the Federal Assembly, as well as to several regional legislative bodies located in the Siberian Federal District.

Information on the Pilot Project

Under the project, the AC applied performance methodology to two tests audits (1) "Children of the North" (2) "Social Support for the Handicapped".

Children of the North: This is a federal targeted programme that is part of a broader programme known as the "Children of Russia." In accordance with Resolution 625 of the Russian Federation, the government approved ten federally targeted programmes on August 25, 2000, geared towards improving the lot of children. During that period, under the "Children of the North" component, (Section "Development of Health Protection System"), many activities were carried out. These included the formation of a telemedicine network to provide medical services on diagnostics and consulting. The network has 3 levels: territorial (city, settlement, etc); regional (region, krai, republic); and federal (leading medical centres in Russia, including Moscow). There are 29 working stations in 18 Northern regions. A new organizational technology was developed to dispense professional, timely, and economic medical consultations based on a patient's diagnosis and treatment.

The Russian Academy of Medical Sciences, in collaboration with the Ministry of Healthcare and on the basis of research work by the Pediatrics Institute, was heavily involved in setting up the federal scientific centre "Children of the North." A total of 148 telemedicine consultations were carried out. Dental care was also provided to patients; poly vitamins were dispensed to day-care centres and other pre-school institutions; and water sanitation equipment was provided to 27 regions in the North with low quality drinking water.

Under the 2002 federal budget, 65.35 billion roubles (over \$3 billion Canadian) have been allocated to the programme. This is a decrease of 45.1 billion roubles (over \$2 billion Canadian) from the 2001 fiscal period. The lack of funds is jeopardizing the timely and efficient fulfilment of some of the activities envisaged under the programme.

Social Support for the Handicapped: The goals of this programme were to reduce the level of disability, enhance social support and quality of life for the disabled; raise the efficiency level of the medico-social services provided by state institutions to the handicapped; and to strengthen state support for the disabled. The budget is 1,524.2 million roubles.

Additional Information

- Update on the Development of Public Accounts Committees in Russia.