

## **Examples of successful anti-corruption measures taken by the federal bodies of the Government of the Russian Federation**

### **Prosecutor-General of the Russian Federation**

The Office of the Prosecutor-General of the Russian Federation, prosecutor's offices in the various states of the Federation and the special prosecutor's offices that enjoy equal status with them, are engaged in a wide range of activities to ensure that they are staffed by professionals, capable of making quick decisions on the challenges that prosecutors face. Formal organizational events are held, including activities to strengthen staff capacities, raise qualifications, promote job rotation, train reserve staff and prevent incidents of corruption. Work issues are analysed and talked through with the staff, and board meetings and operational meetings are held to discuss and elaborate practical proposals to improve work effectiveness. The quality of the work carried out with staff by the director of a prosecutor's office is deemed one of the main criteria for assessing that director's ability.

In order to exclude the possibility that dishonest or incompetent people might find their way into the ranks of the prosecutors, the Office of the Prosecutor-General of the Russian Federation has alerted the prosecutor's offices of states of the Russian Federation and offices of the same status to the need to strengthen the requirements for the selection of candidates for entry into the service. Those selected and appointed to posts in prosecutor's offices are well-trained professionals with a high level of knowledge and essential moral qualities who are conscientious in carrying out their duties and who enjoy a state of health that enables them to carry out their official function. Information on their income, their property or their property-related commitments is scrutinized and the circumstances surrounding the salaries or the acquisition of property belonging to a candidate's family are ascertained and the reasons underlying the candidate's financial commitments, such as credit obligations and loans, are examined. Once a candidate has been appointed to a prosecutor's office, he or she is given instruction on the duties, prohibitions and restrictions associated entry into Government service in a prosecutor's office and the requirements of the prosecutorial code of ethics and the internal office regulations.

One important aspect of the work is the psychological selection of candidates for work as prosecutors and the selection of school leavers to enter prosecutors' institutions or take up places in the legal faculties of other higher educational institutions in order that reserve staff may be trained to advance in the profession. When a candidate is first appointed to a prosecutor's office, whether from another body or organization or not, he or she is given a psychological assessment examination to check his or her professional and practical qualities. This makes it possible to identify those who are not suited to joining the service.

With a view to forming a qualified body of staff in the prosecution service, the Office of the Prosecutor-General of the Russian Federation has issued orders identifying service characteristics — the skills required for service — required for a municipal, district or equivalent prosecutor (Order No. 316 of 12 August 2010) and an assistant municipal, district or equivalent prosecutor (Order No. 378 of 2 November 2011).

A significant role in improving staff quality, professionalism and potential for growth within the service is played by the recommendations made by prosecutors or State public officials. An inner reserve of staff is generally formed on the basis of the decisions of assessment boards. An employee's conscientious fulfilment of his or her professional duties is taken into account when they are nominated for higher posts, when they are promoted or when they are offered material incentives.

In order to avoid nepotism and ensure that the work of staff is not influenced by non-work relationships, by excessive closeness to local authorities or by enticement into corrupt connections, a deliberate policy of job rotation is applied.

Another way of lowering corruption levels is to promote anti-corruption behaviour on the part of federal State public officials of the prosecution service. This is achieved by carrying out a range of organizational and legal measures aimed at ensuring the proper fulfilment of duties. A significant role is also played by a balanced disciplinary regime.

The implementation of anti-corruption measures with a view to creating conditions under which the possibility of corrupt conduct is made more difficult, in accordance with the Federal Anti-corruption Act and decrees by the President of the Russian Federation, includes a requirement that staff of the prosecution service and public officials in various categories must, since 2010, provide their branch offices with information concerning their income, their property or their property-related commitments and similar information concerning spouses and minor children.

Order No. 344 of the Office of the Prosecutor-General of the Russian Federation, of 10 September 2010, on commissions attached to bodies and institutions of the Office of the Prosecutor-General of the Russian Federation for the maintenance by federal public officials and the regulation of conflicts of interest set up assessment boards on the fulfilment by staff of the prosecution service of requirements regarding official conduct and the regulation of conflicts of interest. The assessment board's main task is to help ensure that federal public officials observe the restrictions and prohibitions, the requirements on preventing or regulating conflicts of interest, to ensure that the obligations established by the Federal Anti-corruption Act and other federal laws are observed and to take measures to prevent corruption in the public prosecution service.

Managerial staff devote particular attention to ensuring that the staff of the public prosecution service and State public officials are rigorous in observing the requirements for the conduct of public officials. A useful instrument in this regard is the code of ethics for employees of the prosecution service of the Russian Federation and the educational workplan in the public prosecution system of the Russian Federation, both of which were approved under Order No. 114, of 17 March 2010, of the Office of the Prosecutor-General of the Russian Federation. Another useful instrument is the code of ethics and the training programme for employees of the public prosecution service of the Russian Federation, approved under Order No. 79 of the Office of the Prosecutor-General of the Russian Federation of 25 March 2011.

With a view to ensuring observance of the general principles of public service conduct approved by Presidential Decree No. 885 of 12 August 2002, and providing the conditions for the conscientious performance of their official duties, preventing abuse in the State service and providing a climate that is conducive to combating corruption, any information received concerning misdemeanours committed by prosecutorial staff that dishonours their good name and any breaches of the requirements of professional ethics are checked and the level of discipline is assessed.

Priority is given to providing the staff of the prosecution service with training in preventing corruption in order to raise their skill levels.

In accordance with article 43 of the Office of the Prosecutor-General Act and Order No. 373 of the Prosecutor-General of the Russian Federation of 4 October 2010 concerning improvements to the system of training, further training and professional retraining of staff of prosecutor's offices of the Russian Federation, a system of continuous training and further qualifications has been established with a view to ensuring a high level of professional training for staff, including individual and group instruction on special topics, temporary placements in the top prosecutor's offices and prosecutorial educational establishments, training at interregional training centres, institutes attached to the General Academy of the Office of the Prosecutor of the Russian Federation and other educational establishments.

Interdepartmental seminars are regularly held in the prosecutor's offices of all states of the Russian Federation and in the special prosecutor's offices that carry equal status, attended by staff of the law enforcement agencies specializing in combating corruption.

Great importance is attached to the professional development of young specialists and to mentoring.

Staff receive methodological instruction and attend seminars and operational meetings on observance of the law on combating corruption. They also receive information letters.

An important role in training the staff of a prosecutor's office is played by senior members of staff. In accordance with Order No. 195 of the Prosecutor-General of the Russian Federation of 7 May 2010 on measures to enhance cooperation with voluntary associations of retirees and pensioners of the prosecution service, managers of prosecutor's offices employ retirees to select, educate and train young professional staff to ensure a smooth succession. Retirees provide practical help to young professional staff in learning the essentials of work in a prosecutor's office and take part in board meetings, in commissions for the maintenance of requirements for professional conduct and the regulation of conflict of interest and in seminars and practical activities.

### **Federal Security Service**

Under the Federal Anti-corruption Act No. 273-FZ of 25 December 2008 to deal with corruption within the Federal Security Service (FSB), activities have been organized to prevent breaches of the law by corrupt FSB staff.

The basic outcome achieved as a result of these activities from 2009 to 2011 was to develop, and to incorporate in the procedure for managing FSB staff resources, a mechanism to prevent corruption.

The following practical results have been achieved:

(a) A body of departmental law and regulations has been drawn up: altogether, 11 sets of rules have been issued, along with methodological materials and a checklist;

(b) The process of introducing these legal mechanisms into FSB activities has begun. The first indicators of the impact on law enforcement activities are that:

- There have been 50 cases where staff members have submitted inaccurate or incomplete information on their income (another 15 checks are under way);
- A total of 37 staff members have been prosecuted for violating the requirements of professional conduct; of them, 17 have been dismissed from FSB;
- There have been 506 reports by staff members of incitement to commit offences involving corruption;

(c) Measures have been taken to ensure that staff members observe the prohibitions, restrictions and obligations associated with State service: legislative requirements have been systematized and presented to staff members in tabulated form and advisory activities have been organized;

(d) Precise regulations for FSB staff members have been drawn up (the code of ethics and professional conduct for staff of the Federal Security Service was approved on 19 March 2011 by the Director of the Russian FSB);

(e) Action has been taken to identify any evidence of corruption on the part of staff members, including the submission of inaccurate or incomplete information on their income, the violation of requirements on professional conduct or concealment of a conflict of interest;

(f) Performance appraisal boards are organized on a regular basis to act as advisory bodies, providing cooperation and support to managers and heads of the security forces in preventing corruption;

(g) A system has been set up to monitor FSB action against corruption, to analyse practical lessons and disseminate useful experience;

(h) A system has been set up to prevent corruption in a methodical way: in the first half of 2011, every federal area got together orientational groups made up of members of the management and personal safety departments and organized tuition in the Russian Presidential Academy of National Economy and Public Administration. A whole range of further training on preventing corruption in the security services

was provided at the Moscow Institute of the Federal Border Security Service, in addition to which law enforcement agencies are provided with essential advisory assistance;

(i) Controls are exercised over the activities of anti-corruption units, taking the form of inspections and thematic checks, and interviews are held by management with FSB chiefs.

These measures, as well as an increase in the number of checks on staff, resulted in a lowering of the corruption rate in the security forces by two and a half times; thus, in 2010, 165 offences were committed, as against 64 in 2011.

Action continues along the following lines:

(a) Further developing law-enforcement practice and stepping up the activities of the security forces in using the corruption prevention machinery that has been developed by training in management decision-making, improving the legislative base and providing methodological support to the security forces;

(b) Adopting special measures to create conditions in the security forces that will exclude the possibility of corrupt activities by staff members, such as expert assessment of draft anti-corruption legislation, the strict regulation of management powers and official conduct and the establishment of obligations to report on incidents of incitement to corruption offences and the prevention and regulation of conflicts of interest, among others;

(c) Adopting organizational measures of an educational nature for the benefit of staff members, aimed at raising their anti-corruption activity and their understanding of the law.

### **Ministry of Internal Affairs**

The Federal Anti-corruption Act No. 273-FZ of 25 December 2008 constitutes the basic regulatory statute in the legislative system to combat corruption in the Russian Federation and its provisions, in accordance with article 29, paragraph 2, of the Federal Police Act No. 3-FZ of 7 February 2011 and article 14 of the Federal Act No. 342-FZ of 30 November 2011 on service in the Ministry of Internal Affairs and amendments to certain legislative acts of the Russian Federation, extend also to staff.

Federal Act No. 342-FZ, article 82, paragraph 4 (1) and (2), states that failure by a staff member of a unit of the Ministry of Internal Affairs to prevent and/or regulate a conflict of interests to which he or she was a party, or the failure by a manager or director who has become aware that a situation has arisen in which a subordinate member of staff has a personal interest that leads or may lead to a conflict of interests to take measures to prevent and/or regulate that conflict of interests, constitutes grounds for dismissal from service with the Ministry of Internal Affairs, inasmuch as it represents a breach of trust.

With a view to implementing the provisions of federal legislation on the prevention and regulation of conflicts of interests and also in implementation of Presidential Decree No. 821 of 1 July 2010 on the establishment of commissions for the maintenance by public officials of requirements for official conduct and the regulation of conflicts of interests, Ministry of Internal Affairs Order No. 652 of 8 September 2010 established commissions for the maintenance by public officials attached to Ministry of Internal Affairs Headquarters of requirements for official conduct. Regulations to that end were issued.

Following the inclusion, on 1 January 2012, in the regulations of the regional units of the Ministry of Internal Affairs of a description of the obligations of federal public officials, a Ministry order was drafted to adopt the Procedure for the formation and operation of a commission of a local unit of the Ministry of Internal Affairs of the Russian Federation for the maintenance by federal public officials of requirements for official conduct and the regulation of conflicts of interests.

Under existing law, staff of Ministry of Internal Affairs units, officers of Ministry forces and federal Government civil servants within the Ministry system are required to report on any approach made to them

with a view to inciting them to commit a corruption offence. The procedure for making such a report is set out in Ministry of Internal Affairs Order No. 293 of 19 April 2010.

In 2011, 654 reports were received from staff members of Ministry of Internal Affairs units and 500 case-files were handed over to investigative departments for a decision as to whether to prosecute persons who had made proposals of a corrupt nature.

In accordance with the requirements of Presidential Decree No. 1065 of 21 September 2009 on checking the accuracy and fullness of information supplied by persons aspiring to occupy posts in the federal State service or by federal State public officials and maintenance by federal State public officials of requirements for professional conduct, the Ministry of Internal Affairs has set up a directorate that is responsible for preventing offences involving corruption, among others, within the State service and management department of the Ministry. The directorate is responsible for the observance by staff of Ministry of Internal Affairs unit and federal State public officials of the Ministry of the restrictions and prohibitions and the requirements on preventing or regulating conflicts of interests, as well as compliance with the obligations set out in the Federal Anti-corruption Act.

Similar directorates have been set up in the regional bodies of the Ministry of Internal Affairs: the Ministry office in the Republic of North Ossetia-Alania, the Ministry Headquarters for the Krasnodar territory, the Ministry Office for Volgograd province, the Ministry Office for St. Petersburg and Leningrad province and the Ministry Office for Moscow. In other areas, the responsibility for preventing corruption and other offences is borne by individual officers of the managerial staff, amounting to 157 in all.

In 2011 and the first quarter of 2012, the Ministry of Internal Affairs organized and ran educational and methodological meetings with department heads, involving officers of Ministry Headquarters, the regional departmental units, Ministry educational and research establishments and staff from the Central, Southern, North Caucasian, Far Eastern, Ural and Siberian federal areas specializing in ensuring compliance with the anti-corruption legislation of the Russian Federation. Representatives of the Administration of the President of the Russian Federation, the Office of the Prosecutor-General, the Ministry of Health and Social Development, the Federal Service of State Registration, Cadastre and Cartography and the Russian Presidential Academy of National Economy and Public Administration have taken part in these meetings.

The curriculum of departmental educational establishments includes educational programmes aimed at providing anti-corruption training for staff.

Persons occupying posts included in the list approved by Presidential Decree No. 560 of 18 May 2009 for State corporations, the Pension Fund of the Russian Federation, the Social Insurance Fund of the Russian Federation, the Federal Compulsory Medical Insurance Fund or other organizations established by the Russian Federation on the basis of federal legislation, or candidates for such posts, and persons occupying posts included in lists issued by federal State bodies on the basis of labour agreements in organizations established to perform the functions of federal State bodies, or candidates for such posts, are required to provide information on their income, property or property-related commitments and of the income, property or property-related commitments of their spouse or minor children.

In pursuance of Presidential Decree No. 557, paragraph 2 (a), of 18 May 2009, Ministry of Internal Affairs Order No. 680 of 31 August 2009 issued a list of posts in the Ministry of Internal Affairs of the Russian Federation upon appointment or promotion to which staff of the Ministry of Internal Affairs units, members of the internal armed forces and federal civil servants are required to provide information on their income, property or property-related commitments and information on the income, property or property-related commitments of their spouse or minor children.

The procedure for submitting and distributing such information is set out in Presidential Decree No. 559 of 18 May 2009 on the submission by federal public officials and candidates for posts in the federal civil

service of their income, property or property-related commitments. These provisions are also contained in Presidential Decree No. 561 of 18 May 2009 on the adoption of a procedure for placing on official sites of federal State bodies and State bodies of states of the Russian Federation of information on the income, property or property-related commitments of persons holding official posts in the Russian Federation, federal civil servants or members of their families and providing such information for publication in the national media. Within the Ministry of Internal Affairs itself, the situation is governed by Ministry of Internal Affairs Order No. 205 of 19 March 2010 on the procedure for submitting information on the income, property or property-related commitments of candidates for posts in the Ministry of Internal Affairs system of the Russian Federation and staff of internal affairs departments, member of the internal armed forces and federal civil servants of the Ministry of Internal Affairs system of the Russian Federation.

Under the Federal Act on Service in Departments of the Ministry of Internal Affairs, article 49, paragraph 2 (13), failure to provide information, or the provision of knowingly inaccurate or incomplete information, constitutes a serious breach of service discipline, which, under paragraph 2 (6) of the Act, may result in termination of contract and dismissal from service in an internal affairs unit. In addition, failure to provide information, or the provision of knowingly inaccurate or incomplete information, constitutes grounds for dismissal from the service in an internal affairs unit in connection with a breach of trust, as provided for in the Federal Act on Service in Departments of the Ministry of Internal Affairs, article 82, paragraph 3 (4).

In order to improve work on preventing corruption in Departments of the Ministry of Internal Affairs, the Ministry is currently engaged in a developmental project entitled “Creation of a specialized automated information system for the regional distribution of reporting of information on the staff of departments of the Ministry of Internal Affairs of the Russian Federation, federal public officials and employees of the Ministry of Internal Affairs and the Federal Migration Service and natural or legal persons who have committed or may commit corruption offenses.”

Another promising development is the creation of a unified database for carrying out checks on the accuracy of reports on income, property or property-related commitments submitted by staff of departments of the Ministry of Internal Affairs. It is also essential to provide for a compulsory psychological and physiological examination of persons taking up posts in departments of the Ministry of Internal Affairs to assess their ability to withstand corruption.

It is thus clear that the Russian Federation has implemented in its domestic legislation, including laws relating to the powers of the Ministry of Internal Affairs, the provisions of articles 7 to 9 of the United Nations Convention against Corruption in the form set out for discussion in accordance with the Guidance Note for the provision of information by States parties for the third intersessional meeting of the Working Group on Prevention.

### **Ministry of Finance**

The requirements concerning accounting and auditing standards, contained in article 12 of the Convention, have largely been met in the legislation of the Russian Federation.

#### Article 12, paragraph 1

Under article 12, paragraph 1, of the Convention, each State party, shall take measures, in accordance with the fundamental principles of its domestic law, to prevent corruption involving the private sector, enhance accounting and auditing standards in the private sector and, where appropriate, provide effective, proportionate and dissuasive civil, administrative or criminal penalties for failure to comply with such measures.

In order to strengthen accounting standards, systematic efforts are under way to improve the country's accounting and auditing system on the basis of internationally recognized standards, namely the International Financial Reporting Standards (IFRS), which the Government believes provide to a great extent for the quality, accuracy and transparency of accounting or financial accountability.

IFRS are directly applied in the interests of consolidating the financial accountability of socially significant Russian organizations under the Federal Consolidated Financial Statements Act No. 208-FZ of 27 July 2010. In 2011, a procedure was introduced whereby IFRS could be applied in the territory of the Russian Federation, in accordance with the requirements of the Act. Ministry of Finance Order No. 160n of 25 November 2011 brought IFRS into force in the territory of the Russian Federation. Thus, beginning with financial statements issued in 2012, socially significant organizations will be required to compile, submit and publish consolidated financial statements using IFRS. Such organizations include private institutions, insurance institutions and other organizations whose securities may be exchanged in organized markets.

The accounting system and the quality of financial statements will be further enhanced by the Federal Accounting Act No. 402-FZ of 6 December 2011, which constitutes a revision of the Federal Accounting Act No. 129-FZ of 21 November 1996 and enters into force on 1 January 2013. The revised Act provides for the application of a legal mechanism for conducting and regulating accounting that corresponds to the current economic conditions governing the activities of organizations. The Act provides for the application of international standards as the basis for developing national accounting standards, since they constitute one of the principles of the legal regulation of accounting. The Act introduces the application of a model of regulating accounting that is recognized worldwide, which is based on a combination of the activities of both governmental and non-governmental bodies and provides for the participation of self-regulating organizations, including enterprises and other users of accounting, in developing accounting standards.

Side by side with the development of a legislative basis for accounting and accountability, work is under way to bring Russian standards of accounting into line with IFRS. Russian accounting standards are issued in the form of laws and regulations that must be complied with by all who engage in economic activities. The system of standards comprises 24 instruments. Accounting standards are regularly reviewed, in line with amendments to IFRS, and the corresponding revisions are made. The Ministry of Finance Plan for 2012-2015 for the development of accounting and accountability in the Russian Federation, on the basis of IFRS, issued under Ministry of Finance Order No. 440 of 30 November 2011, provides that the system of Russian accounting standards will have been brought into line with IFRS by the end of 2015.

#### Article 12, paragraph 2

Article 12, paragraph 2, of the Convention states that measures to achieve the purpose of preventing corruption may include, among others, promoting the development of standards and procedures designed to safeguard the integrity of relevant private entities, including codes of conduct for the correct, honourable and proper performance of the activities of business and all relevant professions.

One of the most important professional bodies dealing with accountancy in the Russian Federation is the Institute of Professional Accountants of Russia.

The General Meeting of the Institute passed a resolution to adopt its Code of Ethics for professional accountants and auditors who are members of the Institute (Report No. 2 of 28 May 2009), which corresponds to the Code of Ethics adopted by the International Federation of Accountants (IFAC). The Code sets out the basic principles of conduct that must be observed by a professional accountant: honesty, objectivity, professional competence and the requisite care, confidentiality and professionalism of

conduct. The Code also contains provisions relating to the various circumstances that might put at risk a professional accountant's ability to comply with the main principles of conduct:

(a) The threat of personal interest, which may arise as a consequence of the financial or other interests of a professional accountant, his close relations or members of his family;

(b) Difficulties of self-regulation that may arise where a previous judgement needs to be reassessed by a professional accountant who was also responsible for the earlier judgement;

(c) The dangers associated with advocacy, which may arise where, in putting forward a position or opinion, a professional accountant comes up against a barrier beyond which his objectivity may be called into question;

(d) The dangers of close friendship, which may arise where, as a result of close personal relations, a professional accountant may begin to show excessive sympathy with other people's interests;

(e) The possibility of blackmail, which may arise where an attempt is made by means of threats — either real or perceived — to prevent a professional accountant from acting objectively.

The Code recommends precautionary measures that may eliminate such threats and difficulties or weaken them so that they become more manageable.

#### Article 12, paragraph 3

Under article 12, paragraph 3, of the Convention, each State party is required to take such measures as may be necessary, in accordance with its domestic laws and regulations regarding the maintenance of books and records, financial statement disclosures and accounting and auditing standards, to prohibit the following acts:

- (a) The establishment of off-the-books accounts;
- (b) The making of off-the-books or inadequately identified transactions;
- (c) The recording of non-existent expenditure;
- (d) The entry of liabilities with incorrect identification of their objects;
- (e) The use of false documents; and
- (f) The intentional destruction of bookkeeping documents earlier than foreseen by the law.

The Federal Accounting Act No. 129-FZ of 21 November 1996, the Federal Accounting Act No. 402-FZ of 6 December 2011 and other laws and regulations on accounting and financial statements set out the necessary conditions for compliance by all organizations with the requirements for accounting, including rules for using primary accounting documents for business transactions, systematizing information in accounting registers, carrying out inventories and retaining accounting documents and also the procedure for drawing up financial statements.

#### Article 12, paragraph 3 (a)

The Federal Accounting Act No. 129-FZ of 21 November 1996, article 13, establishes how an organization's financial statements should be set out. The contents and methodological basis for drawing up a statement are established by the Regulations on accounting contained in "Accounting in

organizations” (Regulation 4/99), adopted in Ministry of Finance Order No. 43n of 6 July 1999. Under this regulation, accounting must provide full and accurate representation of an organization’s financial position, the financial results of its activities and changes in its financial position. Accounting is deemed full and accurate when it is produced on the basis of the rules laid down in accounting rules and regulations.

Article 12, paragraph 3 (b), (c), (d), and (e)

The Act sets out the unified legal and methodological basis for the organization and conduct of accounting. Under article 8 of the Act, an organization is required to do its accounts from the moment it is registered as a legal person until it is reorganized or wound up. All business transactions and results of stocktaking must be recorded in the accounts in a timely fashion, without any omission or incomplete information.

Article 9 of the Act stipulates that all economic transactions must be justified by documentation. Such documentation constitutes the primary accounting documents on the basis of which the accounting is carried out. The Act sets out a list of the prerequisites for primary accounting documents, which include the names of the officials responsible for conducting an economic transaction and ensuring that it is properly carried out and the signatures of the officials listed.

A primary accounting document must be prepared at the time that a transaction is conducted and, if this does not prove possible, directly after its completion.

The persons who compile and sign the primary accounting documents are the ones responsible for their proper and timely execution, their submission within the established deadline for inclusion in the accounts and the reliability of the data that they contain.

It is prohibited to alter cash books or bank documents. Alterations may be made to other primary accounting documents only by agreement with those participating in the economic transaction concerned and must be countersigned by the persons who signed the documents, with an indication of the date of the amendment.

Under article 10 of the Act, business transactions must be entered in the accounting registers in chronological order and grouped in the corresponding accounting section. The persons who compiled and signed the accounting registers are the ones responsible for the accuracy of the account given of a business transaction.

Under article 12 of the Act, organizations are obliged, in order to ensure the accuracy of the accounting data and financial statements, to carry out an inventory of property and liabilities in order to check their existence, condition and value and to confirm these in writing.

The Federal Accounting Act No. 402-FZ of 6 December 2011 contains provisions similar to the provisions cited above of the existing Federal Accounting Act. However, the revised Act also contains a number of new provisions requiring guarantees to be made for the users of the accounting information and financial statements of obtaining reliable and accurate information. The implementation of these measures will help create the conditions to prevent corruption, in line with the requirements of the Convention. This basically involves rules to regulate issues of accounting or financial accountability when a corporation is reorganized or wound up, the use of online documentation for accounting purposes and the implementation of internal controls in economic entities.

A regulation on accounting, entitled “Correction of errors in accounting reports and financial statements” (Regulation 22/2010), approved by Ministry of Finance Order No. 63n of 28 June 2010, sets out the rules for correcting mistakes in accounting reports and the procedure for disclosing information about mistakes.

The regulation includes a requirement that mistakes in accounting reports and their consequences must be corrected.

A regulation on accounting entitled “Expenditure of an organization” (Regulation 10/99), approved by Ministry of Finance Order No. 33n of 6 May 1999, defines the meaning of an organization’s expenses and establishes the rules on setting out accounting information on the organization’s expenditure.

Article 12, paragraph 3 (f)

Both the Federal Accounting Act No. 129-FZ of 21 November 1996 and the new Federal Accounting Act No. 402-FZ of 6 December 2011 contain a requirement that primary accounting documents, accounting registers and registers of financial statements must be kept for the period laid down in accordance with the organizational regulations of the State archive and for not less than 5 years.

The legislation of the Russian Federation sets out “direct” measures of liability for breaching procedural rules and the time limits for retaining documents. Moreover, there is a range of laws of the Russian Federation relating to both administrative and criminal violations establishing liability for an illegal act, which may include the intentional destruction of accounting documentation.

The Code of Administrative Offences of the Russian Federation, which relates to the gross violation of the rules of bookkeeping and of the submission of financial statements, provides for the imposition of an administrative fine on officials for a gross violation of the rules of bookkeeping and of submission of financial statements and also sets out the procedure and the time limits for retaining accounting documents.

Article 13.20 of the Code, entitled “Violation of the rules on keeping, consolidating, registering or using archival materials”, provides for the imposition of an administrative fine on officials for violating the rules on keeping, consolidating, registering or using archival materials.

Article 13.25 of the Code, entitled “Violation of legislative rules on retaining documents”, provides for the imposition of an administrative fine on the responsible persons for the failure by an organization to comply with the requirement to retain the documents provided for by law concerning joint-stock companies, the securities market, investment funds, limited liability companies and State and municipal unitary enterprises, and the laws and regulations adopted in support of such legislation, the retention of which is compulsory. The failure to comply with established procedures and time limits for the retention of such documents is also subject to a fine.

Article 14.13 of the Code, entitled “Unlawful actions in the event of bankruptcy”, establishes the administrative liability of the persons responsible in the form of an administrative fine for the destruction or falsification of accounting or other registration documents containing information on the economic activities of a legal entity or an individual entrepreneur, where such actions are committed when bankruptcy is foreseen and the actions do not constitute a criminal activity.

Article 15.6 of the Code, entitled “Failure to submit data required for tax control”, provides for the imposition of an administrative fine on the responsible persons for refusal to submit, or failure to submit within the time limit established by taxation legislation, to taxation bodies or customs bodies documents and/or other information set out according to the established procedure that may be required for exercising tax control, or for submitting such information in an incomplete or misleading form.

Violation of the rules on accounting for income and expenditure is punishable by a fine under article 120 of the Tax Code of the Russian Federation. A gross violation of the rules on accounting for income and expenditure and subjects of taxation is committed where primary documents, invoices or bookkeeping registers are lacking or where there is a systematic (twice or more in the course of a calendar year)

untimely or incorrect representation of business transactions in the balance-sheet accounts or in the reporting of business transactions, financial assets, tangible securities, intangible assets and financial investments by the taxpayer.

Moreover, article 126 of the Code, entitled “Failure to submit to a tax authority information required for the exercise of tax control”, provides for the imposition of an administrative fine on responsible persons for the failure to provide a taxation authority with the documents required by taxation legislation within the time limit laid down or for the submission of documents containing knowingly incorrect information.

Article 195 of the Criminal Code of the Russian Federation, entitled “Unlawful acts in the event of bankruptcy”, provides for criminal liability for the concealment, destruction or falsification of accounting or other registration documents relating to the economic activity of a legal entity or an individual entrepreneur, if such actions are committed in expectation of bankruptcy or have caused significant damage.

Articles 198 and 199 of the Code provide for criminal liability for evasion of taxation by the failure to submit a declaration of income or other documents, the submission of which is compulsory under the legislation of the Russian Federation, or the inclusion in the taxation declaration or other document information known to be false.

In addition to the laws mentioned above, the legislation of the Russian Federation contains a range of laws setting out civil-law, administrative or criminal sanctions for signing or submitting false or inaccurate information, including accounting information.

Thus, Federal Act No. 46-FZ of 5 March 1999 on the protection of the rights and lawful interests of investors on the securities markets provides that persons who sign a prospectus of issue of securities bear subsidiary joint and several liability for loss caused by the issuer to the investor as a consequence of any information in the prospectus that is false or may mislead the investor. Application for damages on the grounds indicated in the first and second paragraphs of the relevant provisions may be made before a court in the course of one year from the time of disclosure of the breach but not more than three years after the distribution of the securities.

The following legislative acts provide for administrative and criminal liability for the failure to comply with requirements on the submission or disclosure of information, including accounting information, on the securities market or the submission of incomplete or falsified information:

Code of Administrative Offences of the Russian Federation, article 15.19 (“Failure to comply with the requirements of legislation on the submission and disclosure of information on financial markets”), 19.7 (“Failure to submit data (information)”) and 19.7.3 (“Failure to submit information to the federal financial markets executive authority”);

Criminal Code of the Russian Federation, articles 185 (“Abuse of the issuance of securities”) and 185.1 (“Persistent avoidance of disclosure or submission of information required by securities legislation of the Russian Federation”).

The country’s criminal legislation contains a number of laws setting out sanctions for economic offences or offences against the interests of commercial or other organizations. In some cases, these may be applied to the falsification of accounting documents or the use of false accounting documents. This applies to articles 159 (“Fraud”), 165 (“Infliction of material damage by deceit or breach of trust”) and 201 (“Abuse of authority”) of the Criminal Code.

With a view to further increasing liability for failure to comply with the accounting legislation of the Russian Federation, the Plan of the Ministry of Finance of the Russian Federation for 2012-2015, referred

to above, on developing reporting accountability in the Russian Federation on the basis of IFRS states that proposals will be developed in 2013-2014 on introducing amendments and additions to the law on the administrative, criminal and civil-law liability of economically active entities, their managers and other responsible persons for the inaccuracy of accounting or financial accountability and the breach of time limits for disclosure.

## **Audit**

Ministry of Finance Order No. 90n of 17 August 2010 set out the federal standards for the work of auditors, entitled “Auditors’ obligations to scrutinize dishonest activities in the course of an audit” and “Auditors’ obligations to oversee compliance by the audited entity with the requirements of laws and regulations in the course of an audit”.

These federal standards of audit activities have been worked out in line with international audit standards and in accordance with the provisions of article 8, paragraph 1, of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of the Organization for Economic Cooperation and Development (OECD) and section X, paragraph B (v), of the Recommendations of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions, which says that States parties “should consider requiring the external auditor to report suspected acts of bribery of foreign public officials to competent authorities.”

Paragraph 69 of the federal auditing standard, “Auditors’ obligations to scrutinize dishonest activities in the course of an audit” (FSAD 5/2010) states that an auditor who uncovers or suspects a dishonest action must determine whether he or she is required to report on the incident or suspicion to a party that is external to the audited entity, including an authorized State body: for example, information concerning the legalization (laundering) of the proceeds of crime or the financing of terrorism in relation to corruption offences.

Paragraph 9 of the federal auditing standard, “Auditors’ obligations to oversee compliance by the audited entity with the requirements of laws and regulations in the course of an audit” (FSAD 6/2010) states that, where the legislation of the Russian Federation provides for an auditor’s obligation to check that the activities of an audited entity are in line with the requirements of a given piece of legislation, an auditor must include special tests in his or her audit plan and inform an authorized State body of facts he or she has uncovered concerning failure to comply with the requirements of such legislation or communicate his or her suspicions, such as information concerning the legalization (laundering) of the proceeds or crime or the financing of terrorism with regard to corruption offences.

On 22 March 2012, the Auditing Council, which was established by the Federal Auditing Act No. 307-FZ of 30 December 2008, adopted the Code of Professional Ethics for Auditors, drawn up in line with the Code of Ethics for Professional Accountants adopted by the International Federation of Accountants.

This Code will be replaced from 1 January 2013 by the Code of Ethics of Auditors of Russia, approved on 21 May 2007 by the Auditing Council attached to the Ministry of Finance of the Russian Federation.

The Code sets out the basic principles of conduct that an auditor is required to observe: honesty, objectivity, professional competence, due diligence, confidentiality and professionalism.

With a view to implementing article 12 (“Private sector”) of the United Nations Convention against Corruption, a bill drawn up by the legal office of the President of the Russian Federation includes a provision under which the Federal Anti-corruption Act will receive an additional provision requiring organizations to develop and adopt measures to prevent corruption.

Such measures may include appointing departments or managers to be responsible for preventing corruption and other offences in an organization, arranging for cooperation between an organization and law enforcements agencies, developing and putting into effect standards and procedures aimed at ensuring that an organization works honestly, adopting a code of ethics and professional conduct for the staff of an organization, preventing and regulating conflicts of interest in cases where employees of an organization are interested parties and prohibiting the compilation of unofficial records and the use of false documents.