



SPECIAL RULES FOR CONDUCTING JOINT SCHEDULED AUDITS IN RELATION TO RESIDENTS OF PRIORITY DEVELOPMENT AREAS

For the attention of heads of companies and heads of legal departments of companies planning to set up or developing their business in the Far East Region

Pepeliaev Group advises that on 1 January 2016, special rules took effect for conducting joint scheduled audits in relation to residents of priority development areas in Russia.

The rules reflect the development of the legislative base which regulates areas of advanced social and economic development (often referred to as "priority development areas").

On 30 March 2015, Federal Law No. 473-FZ dated 29 December 2014 "On areas of advanced social and economic development" was enacted (the "Priority Development Areas Law").

The Priority Development Areas Law extended on residents of priority development areas the provisions of Federal Law No. 294-FZ dated 26 December 2008 "On protecting the rights of legal entities and individual entrepreneurs in the course of state (supervisory) and municipal control" (the "Entrepreneurs' Rights Protection Law").

The Priority Development Areas Law also provides for a special procedure for supervisory authorities to conduct scheduled audits (article 24(3)). In pursuance of that provision, the Russian Government has adopted Resolution No. 1132 dated 22 October 2015 "On joint scheduled audits conducted in relation to residents of areas of advanced social and economic development by bodies entrusted with state control (supervision) and municipal control functions" ("Resolution No. 1132") and the rules for conducting such audits¹.

According to Resolution No. 1132, scheduled audits in relation to residents of priority development areas reflect a number of features set out in the table below.

¹ The Resolution and the Rules cover any types of audits, except for those listed in article 1(3.1) of the Entrepreneurs' Rights Protection Law.

Parameters	Entrepreneurs' Rights Protection Law	Priority Development Area Law and Resolution No. 1132
Audited period	20 business days	15 business days
Preparing the master schedule	<p>1) Before 1 September of the year preceding to the year in which the scheduled audits are to be conducted, the supervisory authorities submit to the prosecution authorities the annual schedules for scheduled audits.</p> <p>2) Before 1 December, the prosecution authorities summarise all the schedules received and file them with the Office of the Prosecutor General so that the annual master schedule can be compiled.</p> <p>3) Before 31 December of the current calendar year, the Office of the Prosecutor General puts together the annual master schedule for scheduled audits and posts it on the Office's official website.</p>	<p>1) Before 1 July, the supervisory authorities submit the draft annual audit schedules to the relevant authority (the Russian Ministry for the Development of the Far East).</p> <p>2) Before 20 July, the supervisory board of the priority development area, together with the residents of the priority development area, decides whether a joint scheduled audit is needed based on the criteria listed in the Rules.</p> <p>3) Before 10 August, the relevant authority submits to the supervisory authorities its suggestions (taking into account the recommendations of the supervisory board of the priority development area) or approves the submitted schedule.</p> <p>4) Before 1 November, the supervisory authorities submit the approved schedules to the relevant authority.</p> <p>5) Before 31 December, the relevant authority publishes on its website the master schedule of audits to be conducted.</p>
Persons involved in the audit	The representative of the supervisory authority and the representative of the entrepreneur.	The representative of the supervisory authority, the representative of the entrepreneur and the representative of the relevant authority or the management company (Corporation for the Development of the Far East JSC).
Nature of the audits conducted	Individual (by each supervisory authority separately).	Joint (conducted by several supervisory authorities at the same time within such authorities' area of responsibility).

Further to the joint scheduled audits, the officers of each supervisory authority draw up an audit report (in two copies). Within five business days after the report has been drawn up, the supervisory authority sends a copy of it to the Ministry for the Development of the Far East.

The general procedure for formalising and submitting the results of the audit is set out in the Entrepreneurs' Rights Protection Law. For instance, one copy of the report, together with its attachments, is handed over to the head (representative) of the resident of the priority development area that is being audited, against such resident's acknowledgement to have read it, or in electronic form and bearing a qualifying electronic signature. If the head (representative) is not available, the report and the attachments are sent by mail.

The person that is being audited may raise written claims against the audit report and file them with the supervisory authority within 15 days after the report has been received. The decision made further to the audit may be appealed in court

Help from your adviser

The aim of adopting Resolution No. 1132 is to increase the transparency of how priority development areas are administered and to facilitate the cooperation of residents of priority development areas with state and local authorities.

Pepeliaev Group's experts are monitoring how the legislative basis is being formed in the area of regulating priority development areas. We will readily provide legal assistance at all stages of such residents' activities, including their interaction with supervisory authorities.

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