



Audit Reveals \$1.8 Billion Financial Violations at Russia's Space Agency

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May 24, 2015



The head of Russia's Audit Chamber Tatyana Golikova

Russian auditors have uncovered 92 billion rubles (\$1.8 billion) in financial violations committed by federal space agency Roscosmos last year, the head of Russia's Audit Chamber, Tatyana Golikova, said Friday.

The Audit Chamber, a government spending watchdog, released its annual report on Friday detailing investigations into misspending by Russian government agencies and ministries.

During a press conference announcing the report, Golikova singled out Roscosmos as one of Russia's worst offenders, saying: "At first, I didn't believe my inspectors, because the value of the financial violations identified [at Roscosmos] was 92 billion rubles," news agency TASS reported.

The violations included inefficient use of funds, misuse of appropriated funds, and violations in fiscal reporting methods, according to Golikova.

"For me this was an absolute surprise," the Interfax news agency quoted her as saying. "First I reviewed the budget implementation for 2013, and then in 2014, and the number of violations had increased dramatically."

Industry in Crisis

Golikova wasn't the first Russian official to raise the alarm on the management of the space industry.

Responding to concerns over the health of Russia's space program after losing two spaceships in the last month, Deputy Prime Minister Dmitry Rogozin blamed the problems on the moral decline of the industry's management.

"Acts of fraud, abuse of authority, and forgery of documents have been uncovered that have caused [space] enterprises over 9 billion rubles [\$180 million] in economic damage," Rogozin said Tuesday, the RIA Novosti news agency reported. He did not specify over what period the damage was incurred.

"With this sort of degeneration of management such high incidence of accidents is not surprising," he added.

The Saga of Vostochny

The Audit Chamber has not published the details of its Roscosmos probe, but according to Golikova, a large part of the space agency's financial irregularities are related to ongoing problems at the construction site of Russia's new Vostochny Cosmodrome in Russia's Far East.

Vostochny is a massive \$3 billion government project intended to guarantee Russia's independent access to space. Russia currently relies on the Soviet-built Baikonur Cosmodrome in Kazakhstan to handle most of its space launches.

When President Vladimir Putin paid Vostochny a visit in September he pledged an additional \$1 billion in funding to complete the project by December 2015, which he has set as the unshakable date of a first rocket launch from the new spaceport.

With the money came a stern warning to local construction officials: the Federal Security Service (FSB) is watching and anyone caught pilfering funds will be arrested and brought up on criminal charges.

A month later, the Investigative Committee joined up with the FSB to make an example of the former head of Dalspetsstroi, the prime contractor on the Vostochny project, arresting him for stealing 1.8 billion rubles (\$36 million) of state funds.

Since then, prosecutors have declared it open season on officials involved in the project. The Prosecutor General's office in April said it had opened 20 criminal cases and prosecuted 228 officials at Vostochny.

"I think some officials and people have lost their fear [of punishment]," Prosecutor General Yury Chaika said at the time. "We need to implement stricter penalties," he added, TASS reported.

Yet Vostochny continues to consume funds. In mid-May, Interfax reported that Dalspetsstroi had asked the government for an additional 20 billion rubles (\$400 million) to help complete construction of the cosmodrome by December.

Politically Motivated?

Chaika is not alone in his desire to see the penalties for embezzling state funds increase. Alarmed that the Audit Chamber had discovered an increase in financial violations not only at Roscosmos but across the government, Golikova on Friday said the same thing.

To combat this disturbing trend, she said the Audit Chamber would conduct over 400 inspections next year that would affect "all aspects of economic life in Russian society," TASS reported.

Asked why Golikova had singled out Roscosmos if violations are rampant throughout the government, Pavel Luzin, a space industry analyst at Perm State University, said "the government needs to explain the current bad situation with the space industry and space program."

Despite numerous efforts to reform the space industry since a long streak of crashes and high-profile failures began in 2010, Russian rockets continue to explode and officials are at a loss as to how to fix the space industry's problems.

But while corruption in the space industry hinders effective reform, Luzin said the Audit Chamber's report does not necessarily mean that Roscosmos has stolen 92 billion rubles.

"Violations just mean disorder, because the Russian flow of documents is very intricate and it is impossible to keep all of them in order. Sure, some shady deals are possible, and moreover they take place, but it doesn't mean that all of the 92 billion rubles have been stolen. That's impossible," Luzin said.

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Original url:

<https://www.themoscowtimes.com/2015/05/24/audit-reveals-18-billion-financial-violations-at-russias-space-agency-a46809>