

IFIAR 2020 Member Profile – MoF/FT

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| 1. Jurisdiction | 1.1 Insert the name of the jurisdiction in English: Russia |
| 2. Member¹ | <p>2.1 Insert the name of the Member, both in the local language and in English: Министерство финансов Российской Федерации The Ministry of Finance of the Russian Federation (MoF) Федеральное казначейство (Казначейство России) The Federal Treasury (FT)</p> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p><u>The Ministry of Finance of the Russian Federation:</u> Ilyinka street 9, Moscow, 109097, Russian Federation <u>Tel.:</u> +7 (495) 987-91-01 <u>Fax:</u> +7 (495) 625-08-89 <u>Website (Russian version):</u> http://minfin.ru/ru/ <u>Website (English version):</u> https://www.minfin.ru/en/</p> <p><u>The Federal Treasury:</u> Bolshoy Zlatoustinskiy Lane 6, bld. 1, Moscow, 101000, Russian Federation <u>Tel.:</u> +7 (495) 214-72-98; +7 (495) 214-71-92 <u>Fax:</u> +7 (495) 214-73-34 <u>Website (Russian version):</u> http://www.roskazna.ru/ <u>Website (English version):</u> http://www.roskazna.ru/en/</p> <p>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</p> <p><u>The legal basis:</u> 1. The Federal Law On Auditing dated December 30, 2008 No. 307-FZ. 2. The Decree of the President of the Russian Federation On the Structure of Federal Executive Bodies dated May 21, 2012 No. 636. 3. The Regulation On the Ministry of Finance of the Russian Federation approved by the Government Decree dated June 30, 2004 No. 329. 4. The Regulation On the Federal Treasury approved by the Government Decree dated December 1, 2004 No. 703.</p> <p>According to the aforementioned legal acts, the MoF and the FT are the governmental agencies involved in the independent regulation and oversight over audit activity in the Russian Federation.</p> <p><u>Basic functions of the MoF with respect to audit regulation are:</u></p> |

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

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| | <p>1) policymaking in auditing; 2) issuance of regulations governing auditing, establishment of auditing standards, quality control, ethics and independence, registration of audit firms and auditors as well as attestation; 3) registration of the professional bodies (self-regulating organizations of auditors) and also maintenance of the master copy of the register of auditors and audit firms.</p> <p><u>Basic functions of the FT with respect to the audit regulation</u> are carrying out inspections, investigation in respect of audit firms that provide audit services for public interest entities (PIE), and enforcement for violations of the legislation or professional standards (international auditing standards).</p> <p>The FT is a governmental agency created under the MoF. All the rules of the FT are approved by the MoF. As of January 1, 2020, the FT has 80 employees involved in the quality control over audit firms. In addition to the Moscow headquarter, the FT operates 11 regional offices involved in audit regulation.</p> <p>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> |
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| <p>3. Governing Body Composition and members</p> | <p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The MoF is headed by the Minister of Finance appointed by the President of the Russian Federation upon recommendation of the Prime Minister of the Russian Federation.</p> <p>The Minister of Finance has deputy ministers appointed by the Government of the Russian Federation, one of which supervises activity of the MoF in auditing.</p> <p>The MoF consists of 26 Departments on the main fields of activity; one of them is the Department for regulation on accounting, financial reporting and auditing. The current Minister of Finance is Anton Siluanov.</p> |

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

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| | <p>The FT is headed by the chief executive officer appointed by the Government of the Russian Federation upon recommendation of the Minister of Finance.</p> <p>The head of the FT has deputies appointed by the Government of the Russian Federation upon recommendation of the Minister of Finance. There is a special division charged with quality control in auditing. The current head of the FT is Roman Artyukhin.</p> <p>None of the members of governing bodies of the MoF and the FT is a current auditor or practitioner engaged in activity of audit firms, professional accountancy bodies and bodies or entities associated with the audit profession. Furthermore, none of them was an auditor or practitioner for at least the last five years.</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>Employees of the MoF and the FT are public civil servants that shall meet the qualification requirements and criteria provided by the Federal Law On Public Civil Service of the Russian Federation dated July 27, 2004 No. 79-FZ. Main qualification requirements are: relevant education, practical experience, professional knowledge and skills in the relevant area.</p> <p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p style="text-align: center;">-</p> <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>None of the members of governing bodies of the MoF and the FT is a current auditor or practitioner. Furthermore, none of them was an auditor or practitioner for at least the last five years. In case of termination of employment contract of public civil servant of the MoF or the FT (that was engaged in activity of the MoF or the FT related to the audit regulation),</p> |
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| | <p>the legislation of the Russian Federation introduces restrictions regarding further employment in the area of auditing.</p> |
| | <p>3.7 Other than the governing body, are members of the profession involved in the Member's organization (including in any inspections, committee or panel role)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p> <p>In accordance with the Federal Law On Auditing (article 16) the Audit Council was established under the MoF. The role of the Audit Council is mainly advisory, however the MoF relies strongly on the competence of the Audit Council last but not least due to its internal rules and due to its composition.</p> <p>The Audit Council represents business and investment community. The Audit Council consists of: 10 representatives of users of financial statements; two representatives from the MoF; one representative from the Ministry of Economic Development of the Russian Federation and one representative from the Central Bank of the Russian Federation; two representatives from the professional bodies candidates for which shall be nominated jointly by all professional bodies.</p> <p>The Audit Council gives recommendations on the standard setting process, oversight over registration of audit firms and auditors, continuing education training, quality control.</p> <p>None of the members of the Audit Council is involved in the management of the MoF or inspection function of the FT.</p> |
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| <p>4. Funding Arrangements</p> | <p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The MoF and the FT are funded via the federal budget. The federal budget shall be approved by the Government of the Russian Federation and shall be signed by the President of the Russian Federation.</p> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>The MoF and the FT are funded solely via the federal budget. There are no other funding sources.</p> |
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| <p>5. Inspection System</p> | <p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> |

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| | <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <p>The FT is responsible through its audit quality control team for inspecting audit firms that audit PIE. It carries out full scope inspections of those firms.</p> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>Full scope of FT's inspections under the external quality control over audit firms that carry out audit of PIE may be undertaken every three years and cover the review of the audit and non-audit assurance engagements selected on the risk-basis approach and also the review of the firm-wide internal quality control procedures. These inspections shall be carried out by the staff of the FT only.</p> <p>In addition, the self-regulating organization of auditors carry out quality control in respect of its member audit firms at least every three years, but not more than once a year.</p> <p>External quality control over other (not PIE) audit firms shall be carried out by a self-regulating organization of auditors at least every five years, but not more than once a year.</p> |
| <p>6. Audit and Financial Market</p> | <p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</p> <p>As of the end of 2018, there are approximately 600 audit firms in the Russian Federation subject to inspections of the FT. These firms carry out approximately 3500 PIE audits per annum.</p> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <p>Big 4 shares (as of the end of 2018): number of PIE audits – app. 11,7%; total number of audits – app. 3,9%.</p> <p>Next 46 biggest audit firms shares (as of the end of 2018): number of PIE audits – app. 18,9%; total number of audits – app. 11,7%.</p> |
| <p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p> | <p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p><input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education of Auditors</p> |

7.3 If the Member has the responsibility for Audit and/or Ethics Standard Setting, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?

Directly **Through Oversight**

If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

Audit in Russia shall be carried out in accordance with the International auditing standards, issued by the International Federation of Accountants (IFAC), which are mandatory for audit firms, auditors, and self-regulating organizations of auditors. The MoF is charged with endorsement of international auditing standards and their publication. The MoF keeps in touch with the IFAC regarding endorsement and application of standards.

The Code of professional ethics of auditors and Independence rules for auditors and audit firms are based on the Code of professional ethics, issued by the International Federation of Accountants (IFAC). The Code of professional ethics of auditors as well as Independence rules for auditors and audit firms shall be adopted by the Audit Council. The self-regulating organization of auditors shall accept the Code of professional ethics of auditors adopted by the Audit Council.

7.4 If the Member has the responsibility for Permanent Education of Auditors, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?

Directly **Through Oversight**

If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

The self-regulating organization of auditors shall organize training for auditors under the programs of continuing education adopted by itself. The self-regulating organization of auditors approve programs of continuing education and accredit educational centers. An auditor shall during each calendar year take part in the programs of continuing education.

The MoF carries out oversight over continuing education. System of oversight includes the following:

- (1) The MoF carries out periodic reviews over activity of the self-regulating organization of auditors in the area of continuing education.
- (2) The MoF carries out routine monitoring of activity of the self-regulating organization of auditors in the area of continuing education.

- (3) The MoF by analyzing information provided by the self-regulating organization of auditors checks compliance by audit firms and auditors with the requirements of the Federal Law On Auditing.
- (4) The Audit Council on an annual basis prepares a report regarding the issue of continuing education that shall be provided to the Minister of Finance and published on the official website of the MoF.
- (5) The Audit Council gives recommendations regarding continuing education (e.g. regarding priority programs for continuing education for each calendar year).

7.5 If the Member has the responsibility for Enforcement, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?

- Directly** **Through Referral**

If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

The FT under its enforcement powers may apply the following procedures against an audit firm that has committed a violation of the requirements of the Federal Law On Auditing, auditing standards, the independence rules for auditors and audit firms, or the code of professional ethics of auditors:

- (1) issue a directive that obligates the audit firm to eliminate violations disclosed on the results of an external quality control and establishes deadlines for eliminating these violations;
- (2) issue a written warning on unacceptability of violation of the requirements of the Federal Law On Auditing, auditing standards, the independence rules for auditors and audit firms, or the code of professional ethics of auditors;
- (3) send to the self-regulating organization of auditors, where the audit firm is a member, a binding directive on suspending membership of the audit firm for the period to eliminate the disclosed violations, but not more than 180 calendar days from the day following the day when the decision to suspend membership was taken;
- (4) send to the self-regulating organization of auditors, where the audit firm is a member, a binding directive on deleting of information on the audit firm from the register of auditors and audit firms.

A self-regulating organization of auditors under their enforcement powers may apply the following procedures against their members that committed violations of the requirements of the Federal Law On Auditing, auditing standards, the independence rules for auditors and audit firms, or the code of professional ethics of auditors:

- (1) issue a directive that obligates its member to eliminate violations disclosed on the results of an external quality control and establishes deadlines for eliminating these violations;

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| | <p>(2) issue a written warning to its member on unacceptability of violation of the requirements of the Federal Law On Auditing, auditing standards, the independence rules for auditors and audit firms, or the code of professional ethics of auditors;</p> <p>(3) impose a fine on its member;</p> <p>(4) pass a decision suspending membership of the audit firm or auditor until they eliminate the disclosed violations, but not more than 180 calendar days from the day following the day when the decision to suspend membership was taken;</p> <p>(5) pass a decision to expel the audit firm or auditor from membership;</p> <p>(6) apply other measures established by the internal documents of the self-regulating organization of auditors.</p> <p>The MoF carries out oversight over enforcement. System of oversight includes the following:</p> <p>(1) The MoF carries out periodic reviews over activity of the self-regulating organization of auditors in the area of enforcement.</p> <p>(2) The MoF carries out routine monitoring of activity of the self-regulating organization of auditors in the area of enforcement.</p> <p>(3) The MoF by analyzing information provided by the self-regulating organization of auditors checks compliance by audit firms and auditors with the requirements of the Federal Law On Auditing.</p> <p>(4) The Audit Council on an annual basis prepares a report on the quality assurance activity of the self-regulating organization of auditors that shall be provided to the Minister of Finance and published on the official website of the MoF.</p> |
| | <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>The MoF also performs other tasks related to the audit regulation such as carrying out analysis of the audit market; setting up the rules for the qualification examination for auditors; oversight over activity of the professional bodies; keeping of the state register of self-regulating organizations of auditors.</p> <p>The MoF carries out analysis of the audit market: prescribes the form for statistical reports; collects and analyzes statistics and data from the self-regulating organization of auditors and audit firms; annually publishes on its official website a report regarding the audit market environment.</p> <p>The MoF establishes procedures for holding the qualification examination including procedures for participation of an applicant in the qualification examination and procedures for determining results of the qualification examination. In addition, the MoF sets up the procedure and requirements for establishment and governing structure of administration of the qualification examination.</p> <p>The MoF carries out oversight over the self-regulating organization of auditors. The main purpose of such oversight is compliance by the self-regulating organization of auditors with the requirements of the Federal Law On Auditing. Oversight over activity of the self-regulating organization</p> |

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| | <p>of auditors shall be carried out through scheduled (shall be carried out not more than every two years) and extraordinary reviews (shall be carried out upon a complaint submitted to the MoF regarding action (inaction) of a self-regulating organization of auditors violating the requirements of the Federal Law On Auditing and regulations, issued in accordance with it).</p> <p>The MoF keeps the state register of self-regulating organizations of auditors. Each self-regulating organization of auditors shall be entered in the mentioned register.</p> |
| <p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p> | <p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>The MoF is in charge for standard setting in accounting and financial reporting, development of tax and taxation policies, currency regulation and control, budgetary and financial policy.</p> <p>Consolidated financial statements shall be prepared in conformity with International financial reporting standards (IFRS) issued by the International Financial Reporting Standards Board. IFRS are required for the consolidated financial statements of the following organizations: credit institutions; insurance companies; non-state pension funds; management companies of investment funds, investment unit trusts and non-state pension funds; clearing organizations; federal state-owned enterprises as well as joint-stock companies, whose shareholder is the Russian Federation (per the Russian Government decision); any other company that prepares consolidated financial statements due to requirements of federal laws or its charter documents. The MoF is charged with endorsement of IFRS and their publication.</p> <p>Separate company financial statements shall be prepared using Russian GAAP (federal standards) that are based on the IFRS. The MoF develops, issues and approves federal standards.</p> <p>The MoF also performs the following: approves federal standards development program; represents the Russian Federation in the international organizations which are carrying out activity in the field of accounting and financial statements.</p> |
| <p>9. Major Events and Activities</p> | <p>9.1 Describe any recent major events and activities:</p> <p>1) The MoF in 2019 issued the strategic document “The Main provisions on the development of auditing in the Russian Federation for the period until 2024”. This document specifies the main goals, objectives and priorities for the audit system development as well as mechanisms, measures and actions necessary for enhancement of the sustainability of the audit system in Russia and reliance of the business community thereto.</p> <p>2) The Federal Law on countering the money laundering and terrorism financing in the Russian Federation was amended in order to detail the role of auditors as well as of other persons that provide accounting services in the national anti-money laundering system. These amendments detail the scope of duties of auditor in this area.</p> |

3) The revised procedure of the qualification examination for auditors was introduced and becomes effective from March 2020. This revised procedure is intended to enhance the attitude to assessment of the level of auditors' professional competence including technical competence, professional skills, professional values, ethics and attitudes, practical experience.

4) The Russian Criminal Code was amended in order to increase the criminal liability for auditors that assure falsified accounting documents of certain financial entities for the purpose of concealment of the signs of bankruptcy (as well as concealment of the grounds for license termination and (or) appointment of a temporary administration). These amendments increased the amount of the fine, set up a separate offence for committing the act in a group conspiracy or as an organized group and made the disqualification from certain positions or activities mandatory for such type of offence.