



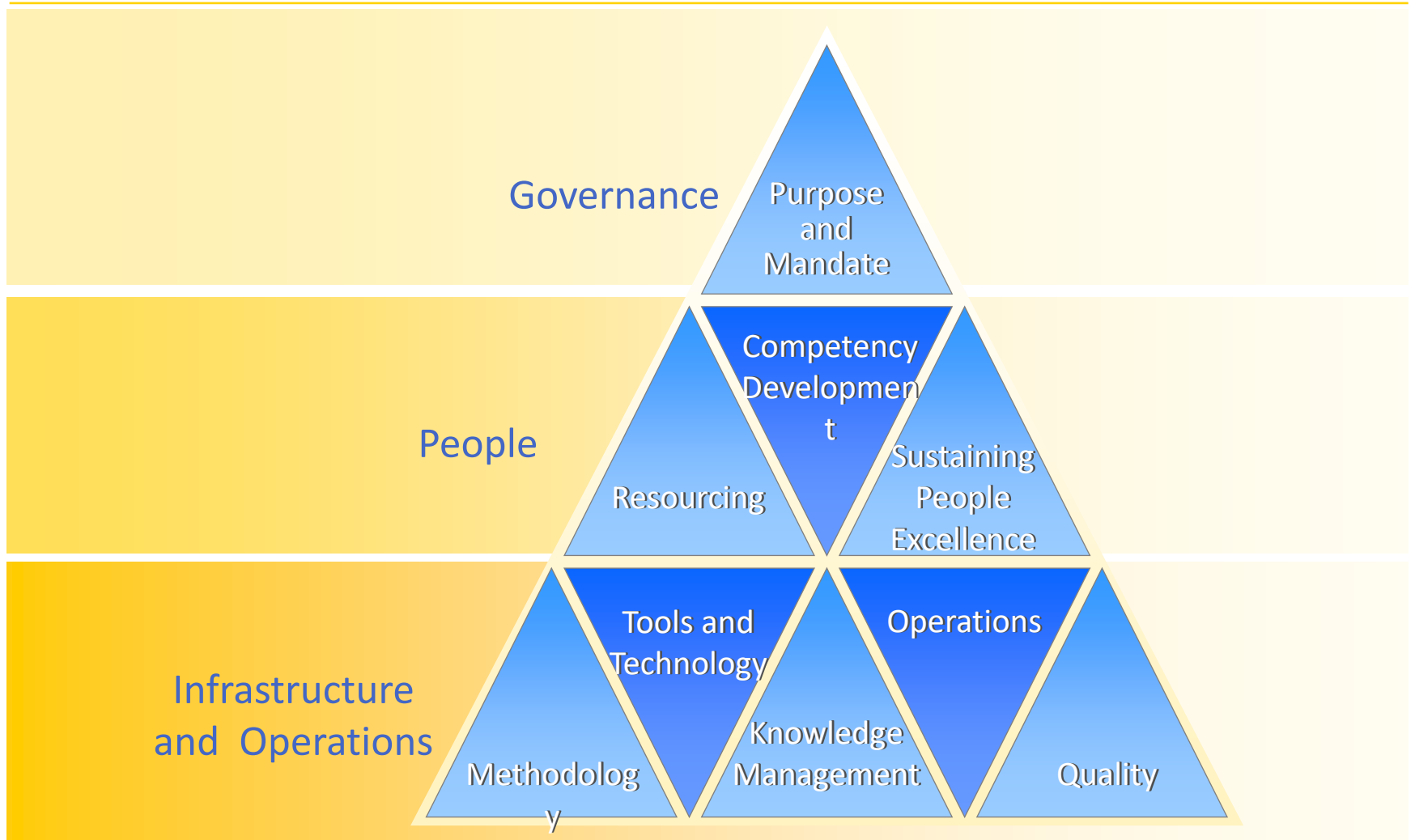
Audit Committee's Top 10 Priorities

Martin Wiedemann, Vasily Kudrin

Priority # 1. Communication

- ▶ Chief Executive Officer
- ▶ Chief Financial Officer
- ▶ Other Management board members
- ▶ Auditors
- ▶ Chief Risk Officer / Head of Internal Control
- ▶ Head of Corporate Development
- ▶ Inside and outside counsel
- ▶ Head of IT / Chief Information Officer
- ▶ Tax Officer
- ▶ Head of Purchasing
- ▶ Head of Sales

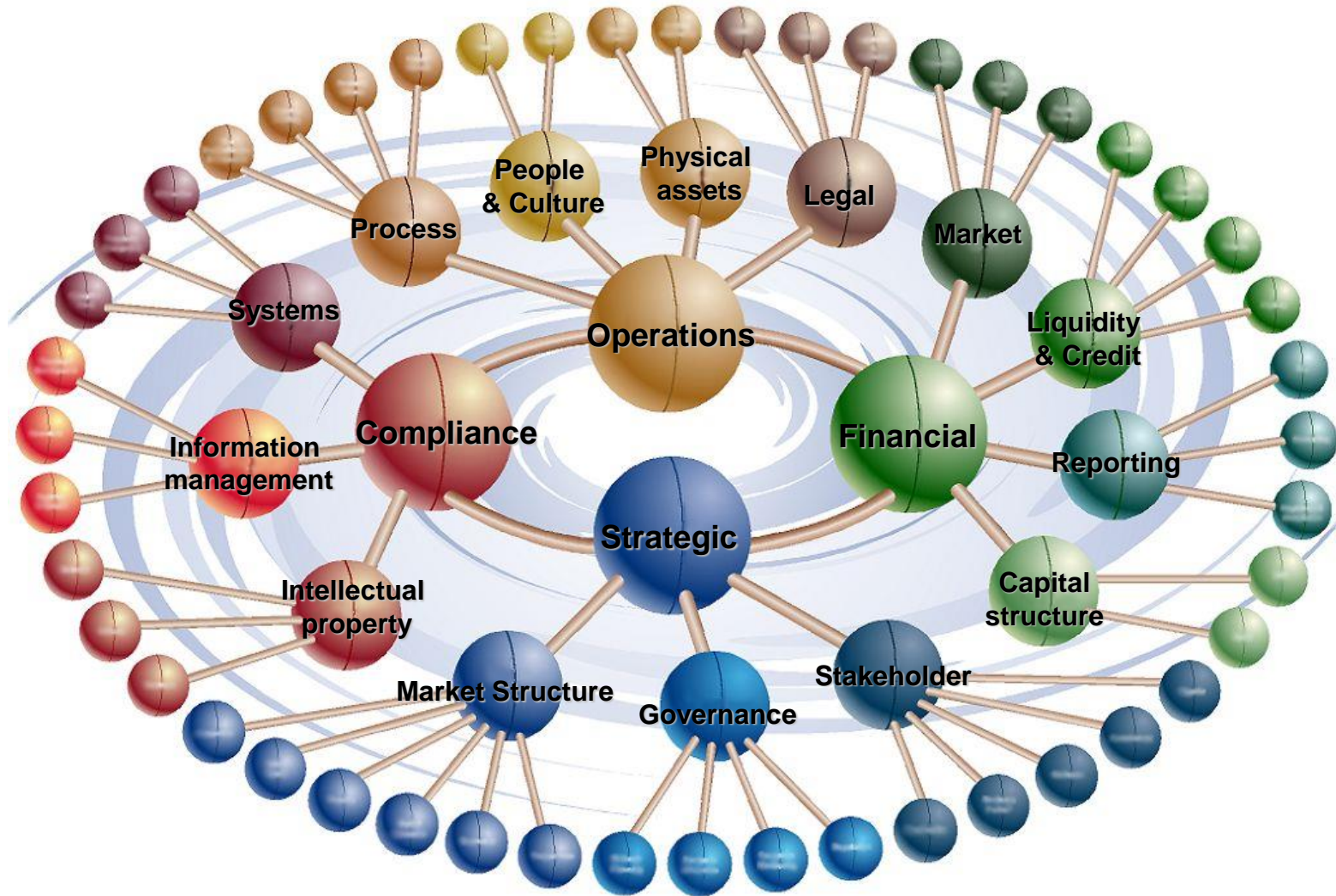
Priority # 2. Effective Internal Audit



What Are Our Clients Telling Us About Their Current IA Challenges?

- ▶ Expectations of the IA function are increasing
- ▶ Risk assessment and audit planning - coverage of the “right risks”
- ▶ Audit coverage in areas requiring special knowledge - contracts, major capital programs, fraud, IT, acquisitions, tax
- ▶ “War for Talent”: staff recruitment, development, career-pathing and retention
- ▶ Adding value through process and control improvement recommendations, sharing of best practices, and assisting to implement major change initiatives
- ▶ Maintaining proper investments in internal audit methodology, technology, knowledge, and learning programs
- ▶ High quality audit coverage provided around the globe

Priority # 3. Organization's Key Business Risks Are Recognized



Priority # 4. Ensuring Effective Risk Management



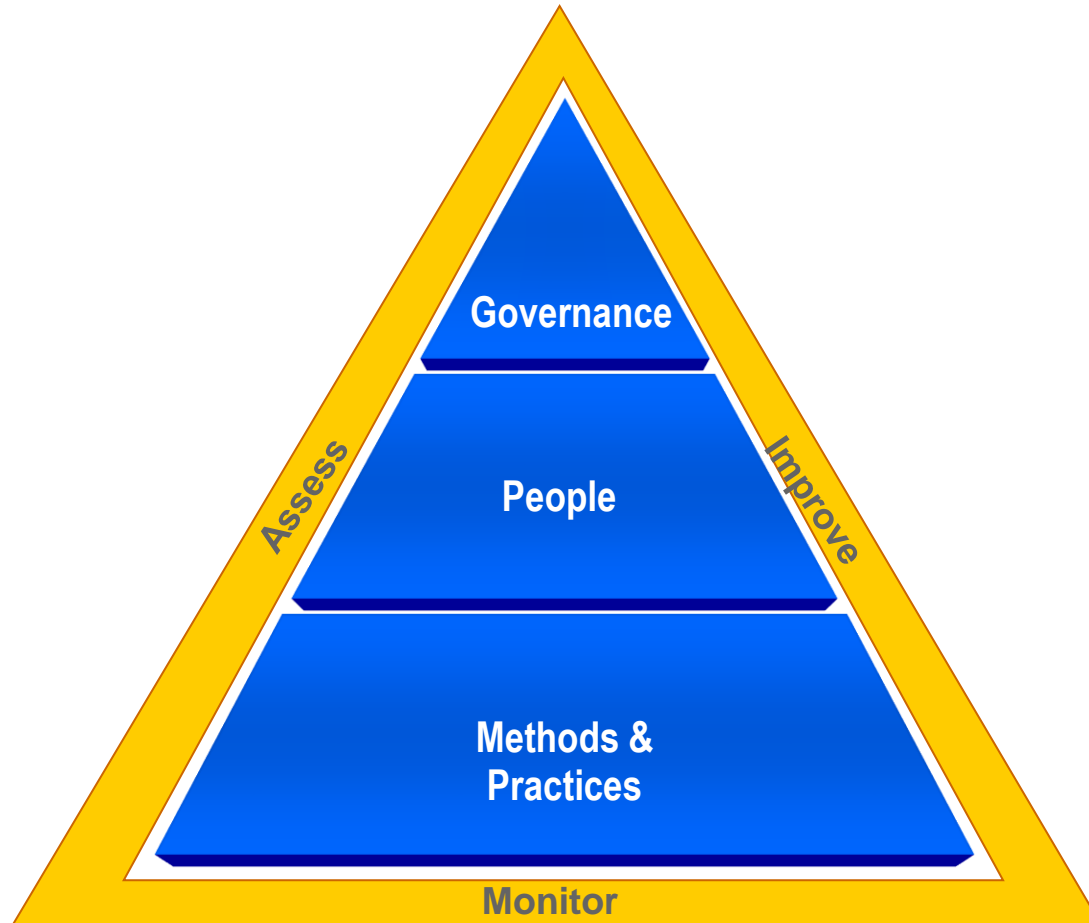
Risk Management Leading Practices

An Ernst & Young survey of board members listed the five “best practices for risk management” as:

1. Clear ownership of risk within the company
2. Appropriate internal mechanisms to discuss/communicate risk
3. Formal process to identify risks specifically relating to corporate objectives
4. Active board-level involvement in managing risk
5. Specific policy governing communications on risk with major investors and other external stakeholders

Source: Ernst & Young, *Board Members on Risk Survey*

Priority # 5. Internal Control Framework Assessment



Evaluating Internal Control Components

Governance

- Tone At The Top
- Strategies & Objectives
- Policy & Procedures
- Organizational Structure
- Communication

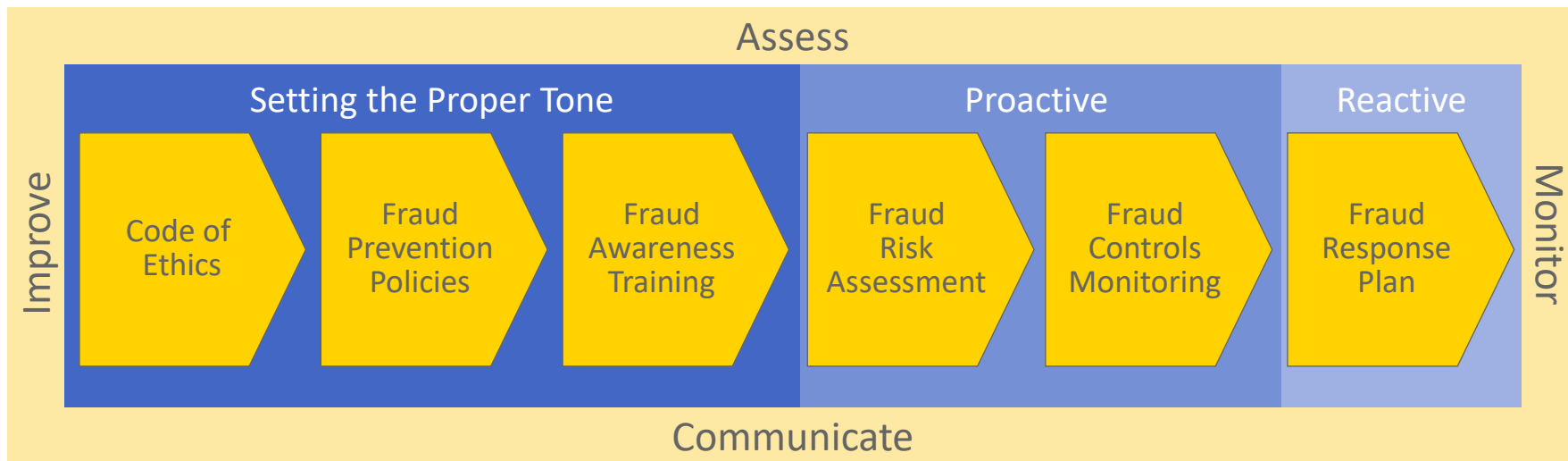
People

- Culture
- Alignment & Coordination
- Competence & Capabilities
- Roles & Responsibilities
- Performance Measurement

Methods & Practices

- Risk Identification & Assessment
- Control Design & Effectiveness
- Process Improvement & Efficiency
- Monitoring & Escalation
- Reporting

Priority # 6. Organizational Ethics / Fraud Prevention



Assess

- Determine whether each program element has been implemented
- Determine whether each program element meets its objective

Improve

- Aid in implementing program elements
- Assist in executing program elements

Monitor

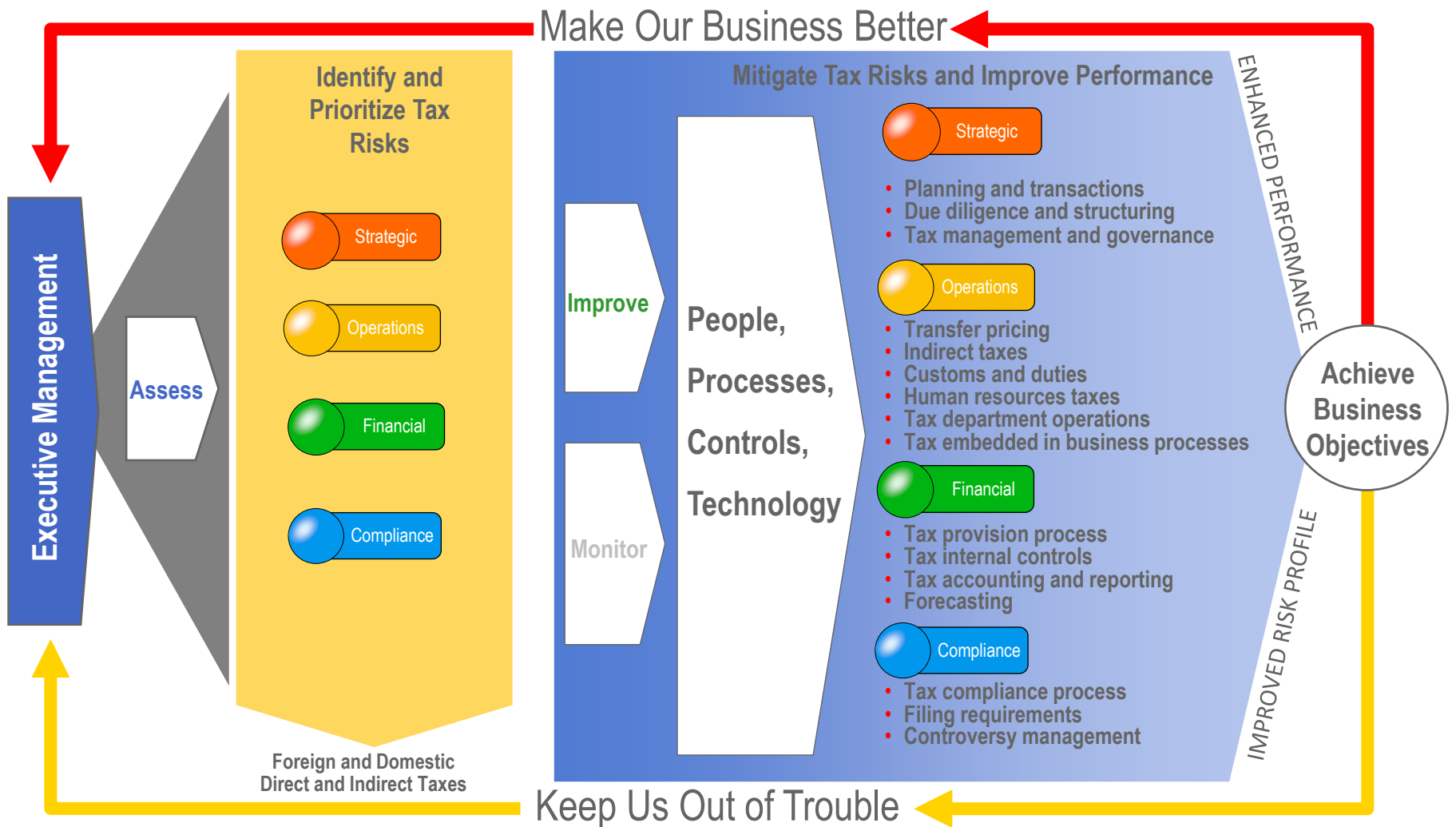
- Periodically test the effectiveness of program elements

Priority # 7. Financial Reporting Accuracy

Concerns about financial accuracy may include:

- ▶ completeness of financial disclosures
- ▶ significant business and accounting policy changes
- ▶ correct and truthful reporting
- ▶ interim reviews of financial statements
- ▶ monitoring auditors' independence

Priority # 8. Ensuring Tax Risks Are Measured



Why is Tax Such a High Risk Area?

- ▶ Every transaction has tax consequences that vary by jurisdiction and constantly change
- ▶ Complex rules under tax laws and accounting
- ▶ Significant use of estimates and judgment
- ▶ Financial reporting systems often based on management reporting, not legal-entity basis
- ▶ Lack of control over data inputs
- ▶ Lack of communication among tax, financial accounting, and budgeting
- ▶ Lack of accountants trained in tax-related standards
- ▶ True-up in following year may cause restatement issues
- ▶ Increasing focus as move to risk-based approach
- ▶ Conflicting objectives of regulators

Priority # 9. Ensuring Compliance with Laws & Corporate Governance Rules

- ▶ Review the system for monitoring compliance with laws and regulations
- ▶ Establish procedures for submission, receipt, retention and treatment of complaint regarding accounting, internal accounting controls, or auditing matters
- ▶ Review the findings of examinations and audits
- ▶ Review the process for communicating the code of conduct to company personnel
- ▶ Obtain regular updates from management and company legal counsel

Priority # 10. Conflict of Interest and Inside Information

Audit committee's means of getting ensured:

- ▶ Ongoing independent monitoring over conflict of interest is essential
- ▶ Internal and external auditors are to be involved
- ▶ Policy requiring written notice of insider sales should be adopted

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