

MINISTRY OF FINANCE OF RUSSIAN FEDERATION

THE REGULATIONS ON THE AUDIT COUNCIL

*(Approved by the Order № 14n of 29 December 2009
with Amendments № 10n of 16 September 2010)*

1. General Provisions

1. The Audit Council (hereinafter “the Council”) shall be established in accordance with the Federal Law “*On Auditing*” for the purposes of protecting the public interest in the field of auditing.

2. The Council shall be established under the Ministry of Finance of the Russian Federation.

3. In its activities the Council shall be guided by the Constitution of the Russian Federation, Federal Laws and other regulations of the Russian Federation as well as by these Regulations.

2. Principal functions and rights

4. The Council shall perform the following functions:

(1) discuss issues of statutory policies in the field of auditing;

(2) discuss draft federal auditing standards and other regulations governing auditing and recommend them for adoption by the Ministry of Finance of the Russian Federation;

(3) approve the procedure for the drafting of the federal auditing standards, independence rules for auditors and audit firms and the code of professional ethics of auditors, establish the list of subjects based on which the unified certification commission approves the list of questions to be proposed to the applicant at the qualification examination;

(4) evaluate the activity of self-regulating organizations of auditors on maintaining the external quality assurance system, and where necessary issue recommendations on improving this activity;

(5) submit to the Ministry of Finance of the Russian Federation proposals on the procedure for performance of external quality assurance system by the Federal Service of Financial and Budget Control and Oversight;

(6) consider the petitions and appeals of self-regulating organizations of auditors in the field of auditing and issue the relevant proposals for the Ministry of Finance of the Russian Federation;

(7) exercise, pursuant to the Federal Law “*On Auditing*” and these Regulations, other functions required to establish and maintain a high professional level of auditing in the public interest.

5. To maintain a high professional level of audit in the public interest the Council shall perform also the following functions:

(1) perform on behalf of the Ministry of Finance of the Russian Federation the expertise of the drafts of legal and other regulatory acts related to the regulation and provision of audit;

(2) oversight of the internal quality control of audit firms, individual auditors and, where necessary, makes recommendations on this issue as well as on the said activities of the self-regulating organizations of auditors;

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(3) analyze the fulfillment by the auditors of the requirements of continuing education as well as relevant activities of the self-regulating organizations of auditors and, where necessary, make recommendations on its improvement;

(4) oversight of the effectiveness of taken disciplinary measures in relation to the audit firms, auditors and, where necessary, make recommendations on its improvement;

(5) issue, where necessary, for the authorized body the proposals of carrying out external quality assurance inspection of audit firms, considers the results of such inspections and the decisions taken.

6. To perform the functions stipulated by these Regulations the Council is entitled:

(1) to request from self-regulating organizations of auditors copies of decisions of its managing and specialized bodies and other necessary information and documents;

(2) to request necessary materials from federal executive authorities, Central Bank of the Russian Federation, public associations, research and other organizations including international and foreign;

(3) to establish from among the Council members as well as the representatives of bodies and organizations not being Council members permanent and temporary working groups (commissions) according to the Council activities areas chaired by the Council members;

(4) to invite at its meetings for participation in the discussion on the Council decisions the officials of federal executive authorities, Central Bank of the Russian Federation, experts and other specialists;

(5) to sent the Council decisions to the interested parties;

(6) to sent the representatives of the Council for participation at the meetings, conferences, workshops and other similar events on the issues related to the regulation and provision of audit conducted by the federal executive authorities, the Russian Federation regional executive authorities, self-regulating organizations of auditors, public associations, research and other organizations including international and foreign;

(7) to issue for the Ministry of Finance of the Russian Federations proposals in relation to the involvement in the established order to carry out information, analytic and expert work of organizations as well as of scientists and specialists, including on the contract basis.

3. Composition

7. The composition of the Council shall be approved by the order of the Ministry of Finance of the Russian Federation.

8. The composition of the Council includes:

(1) 10 representatives of users of financial statements;

(2) two representatives of the authorized federal agency;

(3) one representative each from the federal authority carrying out the functions of setting up statutory policies and statutory regulations in the field of business activity, from the federal authority performing the functions of adopting regulations, control and oversight in the field of the financial markets, and from the Central Bank of the Russian Federation;

(4) two representatives from self-regulating organizations of auditors.

9. Representatives of users of financial statements being members of the Council shall be rotated every three years by at least 25 % of their total number.

10. The representatives of self-regulating organizations of auditors being members of the Council shall be rotated every year.

11. Nomination of candidates of the members of the Council shall be brought up to the Ministry of Finance of the Russian Federation:

(1) by self-regulating and other public organizations of users of financial statements, their associations and unions – in relation to the representatives of users of financial statements;

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(2) by chief official of federal agencies stipulated by these Regulations – in relation to the representatives of such federal agencies;

(3) by the chairman of the Central Bank of the Russian Federation – in relation to the representative of Central Bank of the Russian Federation;

(4) jointly by all self-regulating organizations of auditors – in relation to the representatives of self-regulating organizations of auditors.

12. Members of the Council's working group shall not be members of the Council with the exception of the representatives of the Ministry of Finance of the Russian Federation.

13. Members of the Council take part in its work on a non-paid basis.

14. Chairman of the Council:

(1) organizes the work of the Council;

(2) chairs the meetings of the Council. In the absence of the chairman the meeting of the Council is chaired by one of his deputies or by one of Council members;

(3) calls the meetings of the Council;

(4) prepares the agenda issues for the meetings of the Council;

(5) represents the Council in the state authority bodies of the Russian Federation, as well as in relations with respective international and foreign bodies and organizations.

15. The Chairman of the Council shall be elected at the first meeting of the Council from among Council members who are representatives of users of financial statements.

16. The Chairman of the Council has at least two deputies one of which is a representative of the Ministry of Finance of the Russian Federation being a member of The Council. Other deputies of the Chairman of the Council shall be approved by the Council from among council members who are representatives of users of financial statements by nomination of the chairman of the Council.

17. The Secretary of the Council prepares materials for the Council meetings, conducts the minutes of the Council meetings, carries out the necessary letters exchange in the process of the Council meetings preparation, forms the lists of persons invited at the Council meetings.

18. The Secretary of the Council is a representative of the Ministry of Finance of the Russian Federation being a member of the Council.

4. Working procedures

19. Meetings of the Council shall be called as necessary, but at least every three months.

20. A meeting of the Council shall be empowered if at least two-thirds of the Council members are present.

21. The presence at the Council meeting for its members is obligatory. Members of the Council are not entitled to delegate their powers to other persons. In case of member of the Council absence at the meeting he has the right to expose his opinion on considered issues in writing.

22. The decisions of the Council:

(1) shall be taken by a simple majority of votes of the Council members participating in its meeting;

(2) shall be formalized by the minutes signed by the Chairman of the Council or by the person who chaired the meeting of the Council and by the Secretary of the Council.

23. To implement the decisions of the Council the Ministry of Finance of the Russian Federation might issue the orders and ordinances as well as the Ministry of Finance of the Russian Federation management might give assignments.

24. The detailed regulations of the Council procedures determining its working procedures shall be approved by the Council.

25. The Council annually but not later than on May 1 presents the report of its activities to the Minister of Finance of the Russian Federation.

26. Information of the activities of the Council shall be open and publicly accessible. Information of the activities of the Council including the Council agenda of work for the year and the annual report of the Council activities shall be published on the official Internet site of the Ministry of Finance of the Russian Federation.

27. The Council activities shall be supported by the division of the Ministry of Finance of the Russian Federation in-charge for the carrying out the Ministry of Finance of the Russian Federation function of development the statutory policy and normative and legal regulation of auditing activities in cooperation with other divisions of the Ministry of Finance of the Russian federation.