



ROSATOM

**VI International Forum “ATOMEXPO”
Round table “Internal control. Best practices”**

State atomic energy corporation “Rosatom”

Practices of construction of an effective Internal control system in State atomic energy corporation “Rosatom”

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Moscow

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Challenges to the development of the Internal control system

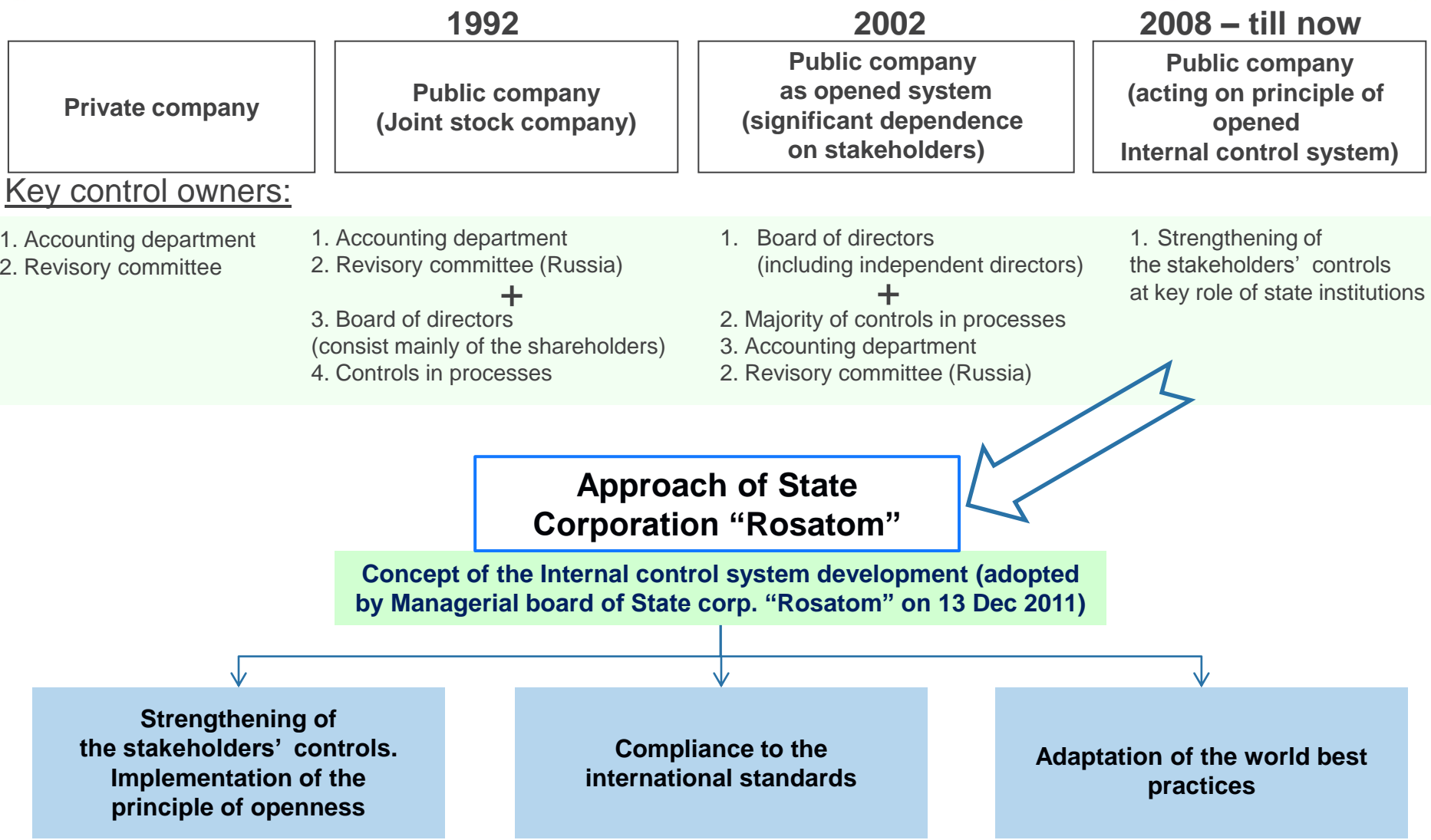
Toughening of requirements by State and International institutions to the commitment of companies to create conditions and mechanisms for business' security provision



Demand for an effective and reliable Internal control system

Increasing of the companies' dependence on stakeholders in the goals' achievement (Provision of services for the clients to specify prices and conditions)

Practices of construction of the internal control systems



Selected model of the Internal control system for State Corporation “Rosatom”



Variant 1 Controls out of the business processes

Focus of development: Tough external administration of the processes, ensuring control through the creation of big number of control institutions which are external to the business processes

- Ensuring of independence and objectivity
- Simple administration of the internal control system

- High cost
- Creating barriers to the activities of major units
- Concentration of the controls in the TOP levels of management
- Noncompliance to the best international standards

Variant 2 Controls in & out of the business processes

Focus of development: Implementation of controls into business processes according to unified policies. Implementation of the internal control system’s monitoring including internal audit and risk oriented detective control (revisions) of Int. control and audit department

- Personal responsibility for the controls’ effectiveness of processes’ owners
- Topicality of controls
- Ensuring of independence and objectivity

- Difficulties in coordination and managing of the Internal control system

Variant 3 Controls in the business processes

Focus of development: More than 80% of all the internal controls is fulfilled by managers in current activity. Activity of Internal control and audit department is an assessment of the Internal control system and consulting

- Personal responsibility for the controls’ effectiveness of processes’ owners
- Topicality of controls

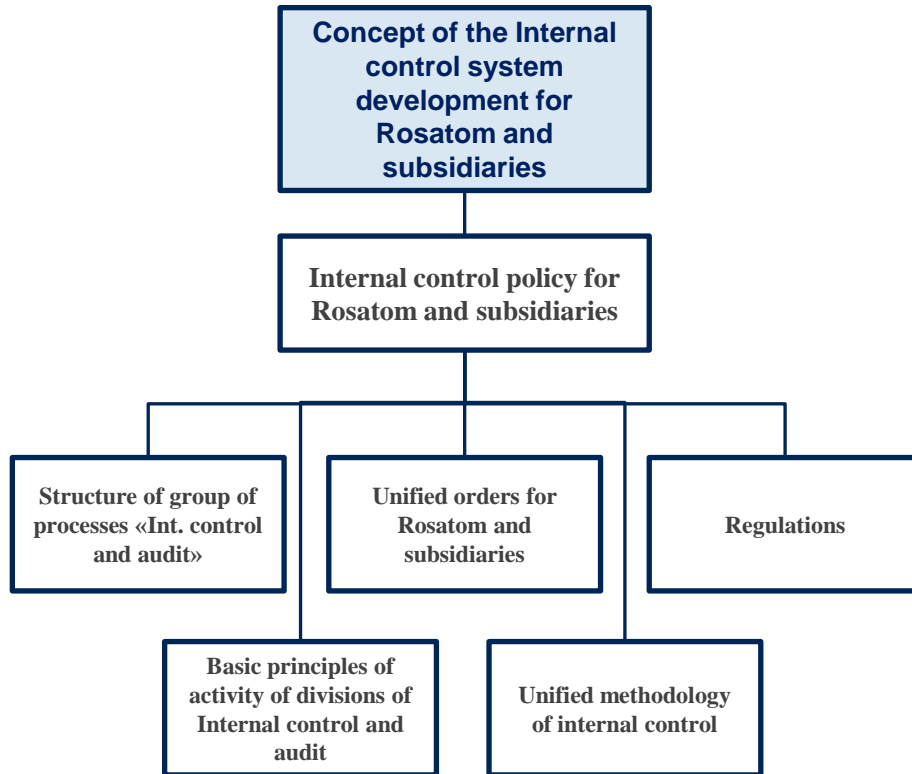
- Threat of loss of a control of remote assets
- Misstatement of the controls’ results
- Noncompliance to the requirements of the state regulators

Quality condition of the Internal control system of State Corporation “Rosatom” in 2013

Unified system of regulations of internal control in the atomic industry



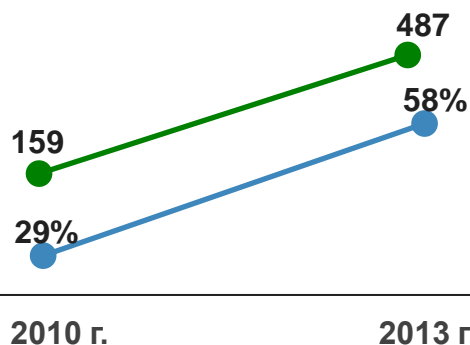
Qualitative characteristics of the Internal control system State corp. Rosatom in 2013



- The internal control system corresponds to the requirements of laws and state institutions +
- Methodology of the Internal controls' implementation into the processes has been adopted +
- Implementation of minimally sufficient controls into the major processes +
- Construction of organizational vertical of internal controls +

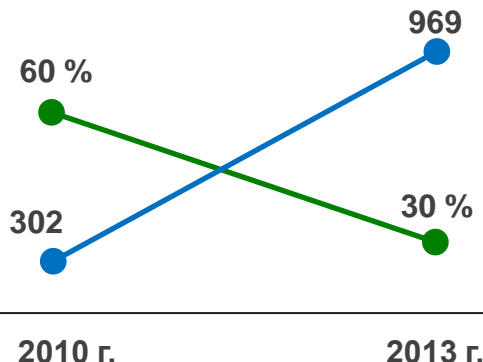
Mechanism to ensure stakeholders' control

Control of employees (control inside)



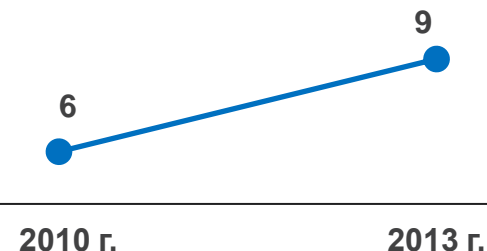
- number of whistleblowing messages
- share of named whistleblowing messages

Control of the partners and counterparties (control outside)



- Share of justified complaints
- Number of appealed procurement procedures

State control



No facts of misuse of federal budget money were identified

- Number of audits by state institutions

2010

- Program of fighting against theft and fraud for 2010-2011.
- Launching "whistleblowing line"
- Central arbitration committee
- Unified site for procurement activity

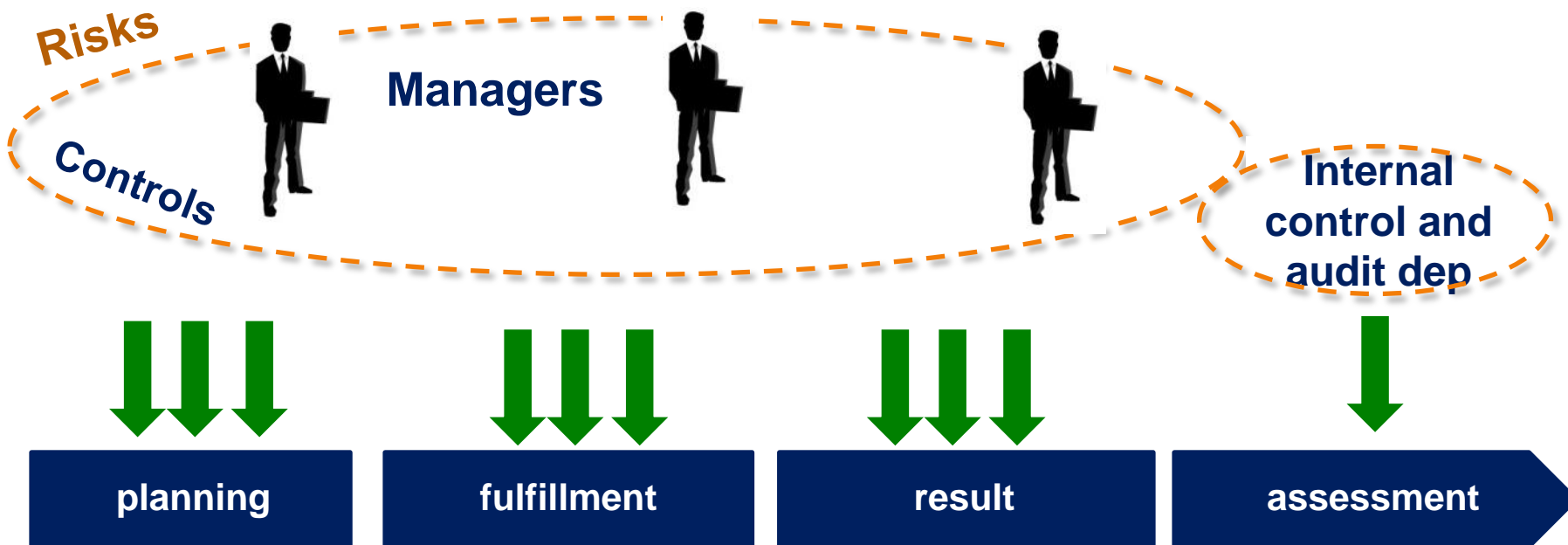
2011

- Transparency council
- Methodology of assessment of the Internal control system and corruption safety (in cooperation with The Accounts Chamber of Russia)

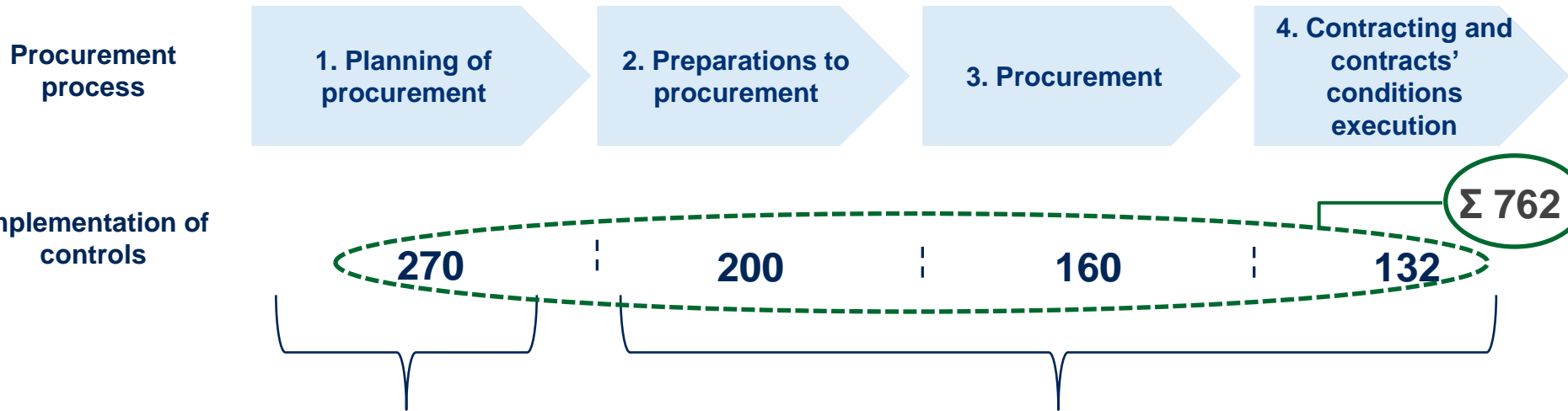
2012-2013

- Complex program of fighting against corruption and theft in the atomic industry for 2012-2013
- Implementation of the stakeholders' controls of non-core assets' selling
- Public reassurance of Rosatom annual public report

Approach of State Corporation “Rosatom” to implementation of internal control into the processes



Implementation of internal controls into a procurement process



“Protection points”

1. Management
2. Procurement commissions & Central procurement commission & Constantly acting procurement commission
3. Economic safety units
4. Stakeholders (suppliers)



3
points

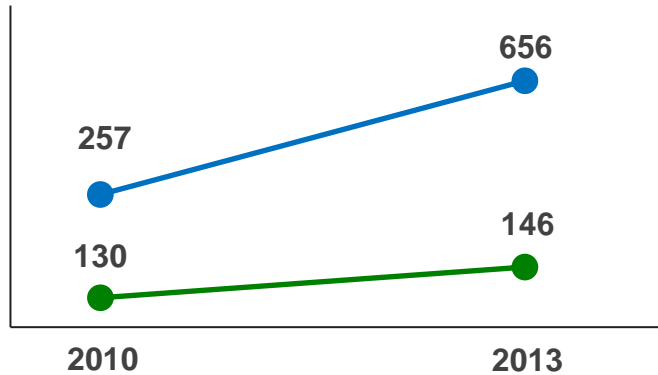


4
points



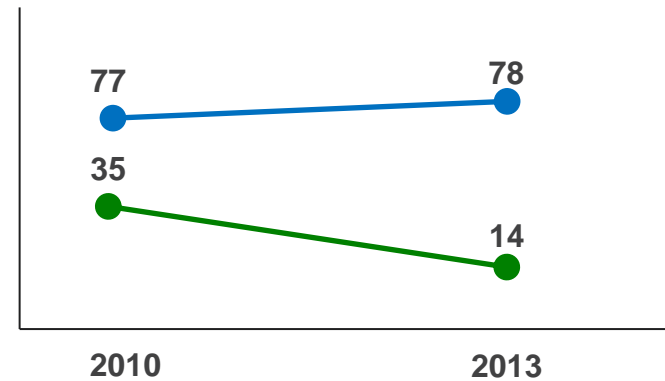
Decrease of violations by twice

Effectiveness of the internal control system



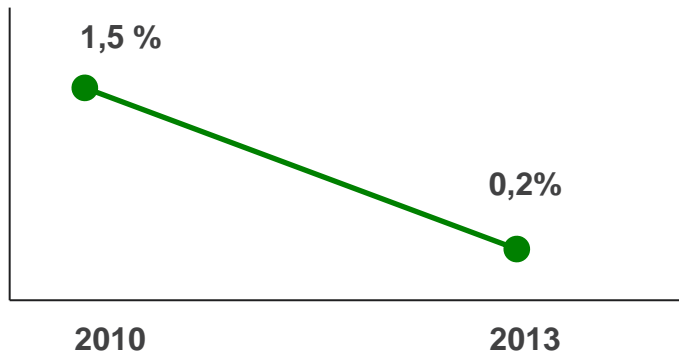
Quantity of:

- Audits
- Audited companies

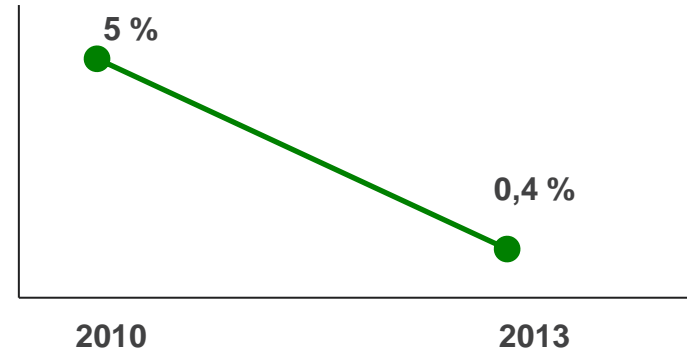


Quantity of:

- TOP-managers prosecuted
- including fired

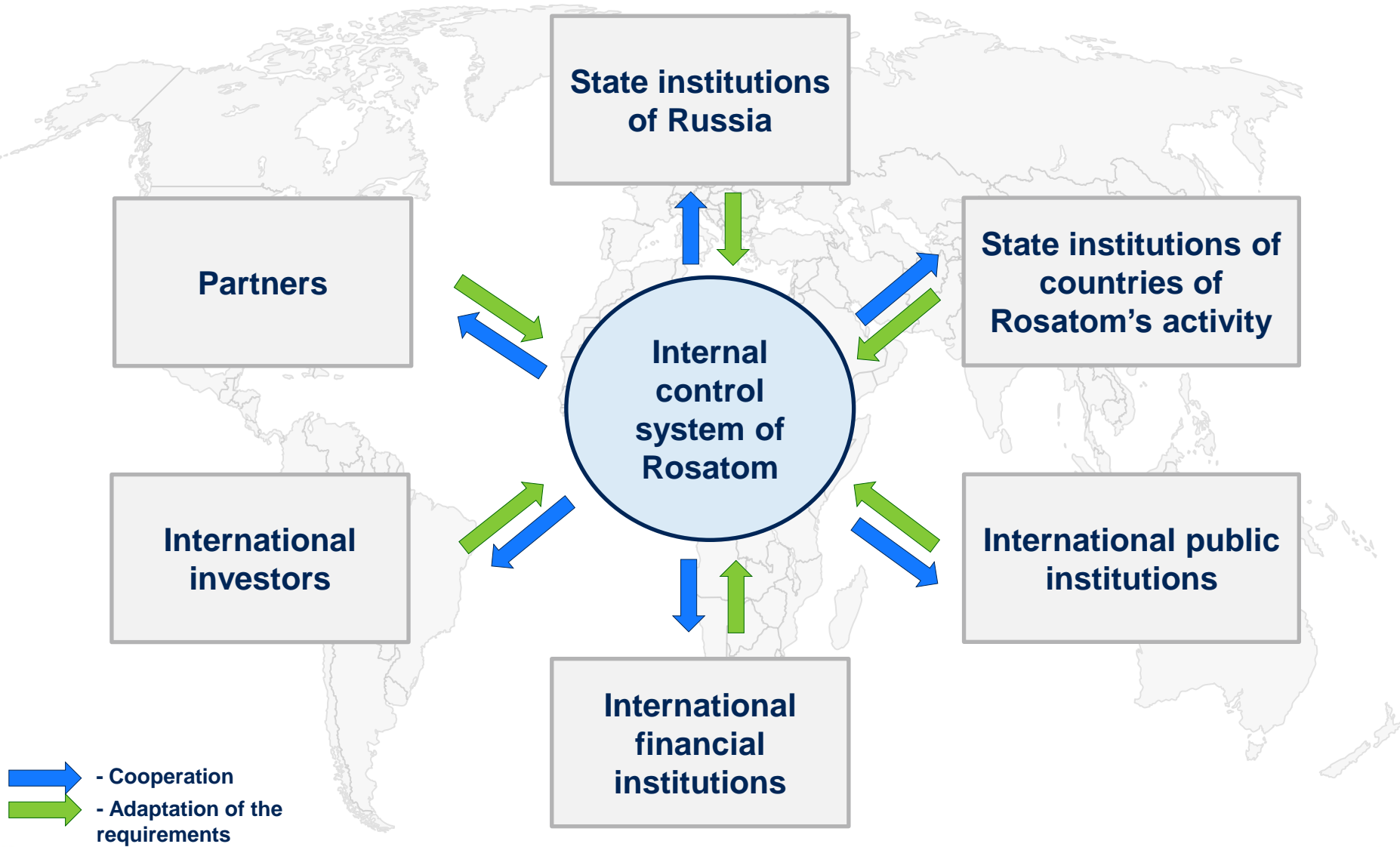


- % business transactions with significant disabilities



- The frequency of violations with evidence of corrupt behavior (actions in the interests of third parties)

Implementation of the internal control's principle of openness



Priorities of the Internal control system development in State Corporation “Rosatom” for the period of 2014 – 2015



1. Optimization of internal controls within processes of State Corporation “Rosatom”.
2. Independent confirmation of compliance of internal control system’s components to international standards
3. Adaptation existing model of internal control system to new requirements of state regulators (Budget code of RF, Code of Corporate Governance, etc.).
4. Development of compliance-function in State Corporation “Rosatom” and subsidiaries.

Thank you for your attention!