

Russian Railways has an internal control system in place to provide reasonable assurance that it will achieve its goals.

Russian Railways' internal control system leverages the most up-to-date organisational and methodological framework and best international and national professional practices, operating in full compliance with the ethical standards applied by the internal audit and control functions in the Russian and global business communities.

The main objectives of the internal control system are:

to ensure the efficiency and robustness of business operations;
to safeguard assets and use resources in a cost effective manner;
to identify and manage risks;
to ensure the accuracy and completeness of financial (accounting) and other types of statements;
to ensure compliance with the laws and regulations of the Russian Federation and by-laws of Russian Railways.

The main structures in charge of the internal control function and their responsibilities are as follows:

governance bodies such as the Board of Directors and its Audit and Risk Committee, the Chief Executive Officer – Chairman of the Management Board of Russian Railways, relevant deputies of the Chief Executive Officer, and the Director for Internal Control and Audit are responsible for putting internal controls in place at the corporate level;
heads of branches, departments, divisions and units are responsible for putting internal controls in place and ensuring their smooth running at the operational level;
employees are responsible for the timely and efficient execution of existing internal control procedures;

in addition to implementing internal controls and ensuring their smooth running in relevant business units, certain departments and divisions are also responsible for exercising functional internal control within the given terms of reference in relation to end-to-end processes;

special internal control structures responsible for select functions. The Zheldorkontrol Internal Control Centre is in charge of follow-up internal control to identify violations and materialised risks. The Zheldoraudit Internal Audit Centre is responsible for assessing the organisation and functioning of the internal control system. Russian Railways' Board of Directors and its Audit and Risk Committee determine the overall concept of the internal control system, review its performance assessment results, and analyse its actual state subject to the nature, scale and conditions of Russian Railways' operations.

Deputy Chief Executive Officer – Director for Internal Control and Audit of Russian Railways supervises the internal control and internal audit operations, with the Zheldorkontrol Internal Control Centre and the Zheldoraudit Internal Audit Centre reporting directly to the Director.

The Zheldorkontrol Internal Control Centre is responsible for auditing the business operations of Russian Railways' units, performing follow-up controls and providing Russian Railways' management with reliable information about the business operations of the Company's units.

Internal audit is conducted by the Zheldoraudit Internal Audit Centre, a structural unit of Russian Railways, which is supervised by Deputy Chief Executive Officer – Director for Internal Control and Audit of Russian Railways and functionally reporting to the Audit and Risk Committee of the Board of Directors.

Internal audit serves:

to organise and conduct internal audits at Russian Railways to improve the efficiency and effectiveness of business processes, reliability of reporting, safety of assets, compliance with the laws of the Russian Federation and by-laws of Russian Railways; to systematically and consistently assess the organisation, reliability and efficiency of internal control and risk management systems and evaluate corporate governance practices; to promptly inform Russian Railways' management on the state of financial and business operations, the efficiency of business processes, the reliability of internal control and risk management procedures, and corporate governance; to prepare proposals and recommendations on improving operations, enhancing the reliability and efficiency of the internal control and risk management systems and corporate management practices for the entities and functions subject to internal audit (Russian Railways' business units, business processes, etc.) and/or Russian Railways as a whole.

The continuous development and improvement of the internal control and internal audit functions aims to support the strategic goals of Russian Railways, improve the efficiency of operations and effectiveness of business processes, the reliability and efficiency of the Company's internal control and risk management systems, as well as corporate governance practices, helping the Company to respond to externalities in a timely and adequate manner and increase the efficiency and effectiveness of its operations.

In 2018, Russian Railways set up a Risk Management and Internal Control Centre with a view to boosting the Company's internal control system. The Centre works to coordinate the evolving risk management and internal control system, monitor the risk management and internal control processes to achieve the Company's goals and mitigate risks to an acceptable level; state requirements for the risk management and internal control system and the risk management and internal control procedures and practices.