

# **TSATR – AUDIT SERVICES LLC**

Transparency report 2023





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# MESSAGE FROM THE LEADERS



**MARCHELLO GELASHVILI**

B1 Group  
Managing Partner

Welcome to the Transparency Report 2023 of TSATR – Audit Services LLC, a member of B1 Group. We believe that how we advance audit quality, identify and mitigate risk, and maintain our independence as auditors should be transparent to stakeholders. This report is one of the ways in which we provide an update on what we are doing in these areas.

Maintaining the highest standard of audit remains our primary goal, and our ultimate goal is to serve the public interest by impartially evaluating risk and identifying opportunities to boost confidence in the capital markets and business, and supporting long-term and sustainable value development. The work of auditors is crucial to the operation of financial markets as they uphold investor confidence and foster transparency. Businesses, authorities and other stakeholders rely on us to perform exceptionally in each engagement.

We are focused on investing in tools to improve what we do, creating high-performing, diverse and inclusive teams, and building trust and confidence through the audits we deliver.

Our reputation is based on and grounded in providing high-quality professional audit services, objectively and ethically, to every company we audit.

We embrace the transparency objectives of the applicable UK and EU regulations (“Regulations”), which require Russian statutory auditors (as a third country auditors) of companies incorporated outwith the UK whose transferable securities are admitted to trading on the UK regulated market (PIEs) to publish annual transparency reports.



**MIKHAIL KHACHATURIAN**

B1 Group Assurance Leader  
General Director of TSATR –  
Audit Services LLC



The Transparency Report 2023 of TSATR – Audit Services LLC complies with the Regulations and covers the fiscal year ended 31 December 2023 as well as any more recent relevant events.

This report highlights how we have implemented International Standard on Quality Management 1 (ISQM 1) to drive further audit quality improvements. The new standard, which became effective on 15 December 2022, requires audit firms to design, implement and monitor a system of quality management. TSATR – Audit Services LLC performed its first System of Quality Management annual evaluation as of 30 June 2023. Our annual evaluation conclusion as of 30 June 2023 was that the System of Quality Management provides reasonable assurance that the objectives of the System of Quality Management are being achieved. You can find more detail on this evaluation in the System of Quality Management section of this report.

In this report, you can also learn about our Audit Quality Policies and Procedures (AQPP) programs, which provide a framework to help address evolving audit risks and a consistent approach to sustaining high-quality audits across the B1 network.

We also include updates on our continuing commitment to sustainability, within B1 Group and for B1 clients, as an important element in creating long-term value for all stakeholders. For example, B1 Assurance services help clients respond to investors and stakeholders who are seeking for more robust and transparent non-financial information.

Based on a number of considerations, including the assessment of our System of Quality Management which incorporates findings of our internal and external inspections, we continue to be committed to improving audit quality and maintaining our independence. We focus on this by analyzing inspection findings and taking appropriate action. Continuous and sustainable enhancement of audit quality necessitates us to question our methods of audit execution in order to improve them on a continuous basis.

We encourage all our stakeholders – including clients and their investors, audit committee members and regulators – to continue to engage with us on our strategy as well as any of the matters covered in this report.



# ABOUT US

## LEGAL STRUCTURE, OWNERSHIP AND GOVERNANCE

TSATR – Audit Services LLC is a limited liability company organized in Moscow, Russia, and is a member firm of B1 Group.

In this report, we refer to ourselves as “TSATR – Audit Services”, “we”, “us” or “our”. B1 refers collectively to the organization of the member firms of B1 Group.

TSATR – Audit Services LLC is owned by B1 Group JSC and 6 individuals (B1 partners) who are members of the Russian self-regulated organization of auditors.

TSATR – Audit Services LLC has the following branches in Russia:

- ▶ TSATR – Audit Services LLC branch in Ekaterinburg
- ▶ TSATR – Audit Services LLC branch in Kazan
- ▶ TSATR – Audit Services LLC branch in Krasnodar
- ▶ TSATR – Audit Services LLC branch in Novosibirsk
- ▶ TSATR – Audit Services LLC branch in Rostov-on-Don
- ▶ TSATR – Audit Services LLC branch in Saint-Petersburg
- ▶ TSATR – Audit Services LLC branch in Togliatti
- ▶ TSATR – Audit Services LLC branch in Vladivostok

## NETWORK ARRANGEMENTS

B1 Group is a leader in assurance, tax, strategy and transactions, and consulting services.

Our multi-disciplinary teams provide services of the highest quality in line with global best practices.

Our assurance practice consists of almost 1,700 professionals with broad expertise and a wealth of experience in delivering the most challenging projects. Independence, integrity, objectivity and professional skepticism form the foundation of our audits.

B1 Group is a network of independent member firms operating in two regions: Russia and Belarus.

As of 1 January 2024, the B1 Group network has 15 active entities:

- ▶ B1 Group JSC
- ▶ B1 – Business Consulting LLC
- ▶ B1 – IT LLC
- ▶ B1 – Consult LLC
- ▶ TSATR – Audit Services LLC
- ▶ Center for Audit Technologies and Solutions Limited Liability Company
- ▶ B1 Academy of Business LLC
- ▶ B1 – Corporate Services LLC
- ▶ TSATR – CONSULT LLC
- ▶ B1 – Center LLC
- ▶ B1 – Finance LLC
- ▶ KRSB Management Company LLC
- ▶ B1 Audit Services LLC
- ▶ B1 Digital LLC
- ▶ B1 Legal Services LLC





According to the membership and organizational framework of the B1 Group network, each member firm of the B1 Group network is an independent legal entity. The lead organization of the B1 Group network coordinates the work of the network's member firms ("B1 firms") and promotes cooperation between them. The aim of the B1 Group network's lead organization, among other things, is to assist B1 firms in providing extremely high-quality services to clients worldwide. B1 follows the overall strategy and aims that are common for the B1 Group network. B1 implements common strategies and plans and strives to maintain a defined level of services to clients. B1 firms are required to comply with the common standards, methodologies, and policies and procedures of the B1 Group network, including audit methodology, and policies and procedures covering quality and risk management, independence, professional knowledge

sharing, human resources and technology. But above all, B1 firms must conduct their professional activities in accordance with applicable professional and ethical standards and requirements of the current legislation. B1 firms have the right and are obliged to use the brand name of B1 in their activities. B1 firms are audited to assess compliance with B1 Group network requirements and policies in all areas, including independence, risk management and service quality, audit methodology and human resources. B1 firms that are unable to meet quality and other B1 membership requirements may be excluded from the network.

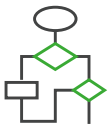
Operationally, B1 Group member firms are managed by the Managing Partner, and each B1 firm is managed by a General Director.

More information about TSATR – Audit Services LLC can be found at <https://b1.ru/en/>.

# SYSTEM OF QUALITY MANAGEMENT

## FROM INTERNAL QUALITY CONTROL SYSTEM TO SYSTEM OF QUALITY MANAGEMENT

During this year, we finalized the implementation of International Standard on Quality Management 1 (ISQM 1), which became effective on 15 December 2022, and completed the transition from the Internal Quality Control System to the System of Quality Management.



### STRUCTURE

The reputation of TSATR – Audit Services for providing high-quality professional audit services independently, objectively and ethically is fundamental to our success as independent auditors.

TSATR – Audit Services continues to work on the effectiveness and efficiency of its audit methodology and processes, while improving audit quality.

TSATR – Audit Services works towards understanding where audit quality may not be up to its own expectations and those of stakeholders, including independent audit regulators. This includes external and internal inspection activities and a root cause analysis of adverse quality occurrences to enable a continual improvement of audit quality.



### DESIGNING, IMPLEMENTING AND OPERATING A SYSTEM OF QUALITY MANAGEMENT

ISQM 1 requires a more proactive and risk-based approach to managing quality at the firm level by requiring firms to design, implement and operate a System of Quality Management. ISQM 1 also requires evaluating, at least annually, the System of Quality Management.

ISQM 1 includes robust requirements for the governance, leadership and culture of professional accountancy firms, and introduces a risk assessment process to focus the firm's attention on mitigating risks that may have impact on engagement quality. It also requires more extensive monitoring of the System of Quality Management to identify deficiencies that require corrective actions and to provide the basis for evaluating the overall effectiveness of the System of Quality Management.

ISQM 1 outlines an integrated and iterative approach to the System of Quality Management based on the nature and circumstances of the firm and the engagements it performs.





## SQM-RELATED ROLES AND RESPONSIBILITIES

To enable the design, implementation and operation of the System of Quality Management in TSATR – Audit Services, individuals are assigned to SQM roles. The individuals in these roles have the appropriate experience, knowledge, influence and authority, and sufficient time to fulfill their System of Quality Management roles and are accountable for fulfilling their responsibilities.

Below is a summary of SQM-related responsibilities in TSATR – Audit Services:

- ▶ SQM Independence responsibility – the Independence Leader
- ▶ SQM Monitoring and Operational responsibility – the Professional Practice Director (PPD) in consultation with the Assurance Leader (AL) and the Quality Enablement Leader (QEL)
- ▶ SQM ultimate responsibility – the General Director of TSATR – Audit Services



## EFFECTIVENESS OF SYSTEM OF QUALITY MANAGEMENT ANNUAL EVALUATION

The General Director, on behalf of TSATR – Audit Services, is required to evaluate the System of Quality Management on an annual basis, as of 30 June, and conclude on its effectiveness. The evaluation process is executed annually based on the SQM policy.

This evaluation determines whether the System of Quality Management in place at TSATR – Audit Services provides reasonable assurance that:

- ▶ TSATR – Audit Services and its personnel are fulfilling their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and engagements are being conducted in accordance with such standards and requirements, and
- ▶ Reports being issued are appropriate in the circumstances

The evaluation of the effectiveness of the System of Quality Management utilizes information gathered from monitoring activities performed over a period. The evaluation considered the results of the following:

- ▶ Tests of System of Quality Management key controls
- ▶ Internal and external engagement inspections
- ▶ Other monitoring activities (e.g., tests of compliance by TSATR – Audit Services and its personnel with ethical requirements related to independence, quality criticisms made by external regulators relevant to the System of Quality Management, issues reported through the Ethics Hotline, etc.)

Professional judgment is used in evaluating the results of the monitoring activities, including in determining whether findings, individually or in combination with other findings, rise to the level of a deficiency. Any deficiencies identified require a root cause analysis to be performed, a quality improvement plan to be developed and are evaluated to determine the severity and pervasiveness of the deficiency. When determining the System of Quality Management annual evaluation conclusion, if a severe deficiency was identified, we would need to assess whether the effect of the deficiency was corrected and the actions taken by 30 June were effective.



## SYSTEM OF QUALITY MANAGEMENT EVALUATION CONCLUSION AS OF 30 JUNE 2023

The evaluation conclusion for TSATR – Audit Services as of 30 June 2023 is that its System of Quality Management provides reasonable assurance that the objectives of the System of Quality Management are being achieved.



# COMPONENTS OF OUR SYSTEM OF QUALITY MANAGEMENT

In the following sections, we describe the principle components of the System of Quality Management which TSATR – Audit Services follows:

- ▶ System of Quality Management risk assessment process
- ▶ Governance and leadership
- ▶ Relevant ethical and legal requirements
- ▶ Client and engagement acceptance and continuance
- ▶ Engagement performance
- ▶ Resources
- ▶ Information and communication
- ▶ System of Quality Management Monitoring and Remediation process.

## SYSTEM OF QUALITY MANAGEMENT RISK ASSESSMENT PROCESS

TSATR – Audit Services has designed and implemented a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks as required by ISQM 1.

The risk assessment process includes:

1. Establishing quality objectives
2. Identifying and assessing quality risks, and
3. Designing and implementing responses

The system of quality management is intended to operate in a continual and iterative manner and to respond to changes in the nature and circumstances of the firm and its engagements. ISQM 1 provides the following definitions relevant to executing the risk assessment process:

- ▶ Quality Objectives are the desired outcomes in relation to the components of the system of quality management to be achieved by the firm
- ▶ Quality Risks are risks that have a reasonable possibility of: (1) occurring; and (2) individually, or in combination with other risks, adversely affecting the achievement of one or more quality objectives
- ▶ Responses are policies or procedures designed and implemented by the firm to address one or more quality risk(s):
  - Policies are statements of what should, or should not, be done to address a quality risk(s)
  - Procedures are actions to implement policies

The various components of the system of quality management are intended to be interrelated. The risk assessment process applies to the other components, except for monitoring and remediation.



TSATR – Audit Services is required to perform the risk assessment process on an annual basis to identify and consider information that indicates that additional or modified quality objectives, quality risks or responses are needed due to changes in the nature and circumstances of the firm or its engagements.

## **GOVERNANCE AND LEADERSHIP**

### **TONE AT THE TOP**

The leadership of TSATR – Audit Services is in charge of establishing the right attitude across the firm. Although the tone at the top is important, TSATR – Audit Services employees also know that they are leaders in their teams and that they should be the first to set the example for professionalism and excellence. B1 dedication to excellence and B1 shared values, which motivate and direct B1 employees to act ethically, are ingrained in our identity and the work we accomplish.

By strongly encouraging teamwork, the B1 culture emphasizes the value of consultation when handling intricate or ambiguous accounting, auditing, reporting, regulatory or independence issues. We consider it critical to ensure that engagement teams and clients appropriately follow recommendations from consultants.

The B1 culture of consultation, training initiatives and internal communications all contribute to the B1 approach to promoting corporate ethics and integrity, which is governed by the B1 Code of Conduct and other regulations. The importance of delivering high-quality work, abiding by B1 policies and professional standards, and setting an example is consistently emphasized by senior leadership. Furthermore, B1 firms evaluate the quality of professional services rendered as a key measure for assessing and compensating B1 professionals.

### **CODE OF CONDUCT**

We promote a culture of integrity among our professionals. B1 has adopted its own Code of Conduct that describes the values and behaviors we want to adhere to, which we believe will enable us to build public trust.

The B1 Code of Conduct provides a clear set of principles that guide our actions and our business conduct and are to be followed by all personnel.

B1 complies with applicable laws and regulations, and B1 values underpin our commitment to doing the right thing. This important commitment is supported by several policies and procedures, explained in the paragraphs below.

## **RELEVANT ETHICAL AND LEGAL REQUIREMENTS**

### **INDEPENDENCE**

Compliance with relevant ethical requirements, including independence, is a key element of the System of Quality Management. It involves determining that we are independent in fact as well as in appearance.

In its daily activities, TSATR – Audit Services follows international and local codes of ethics (i.e., the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants, the local Code of Professional Ethics of Auditors, etc.), promoting a culture of integrity among our professionals, which are to be followed by all our personnel.

Refer to the Independence Practices section for information on policies, tools and process relating to maintaining independence.

### **ROTATION AND LONG ASSOCIATION**

TSATR – Audit Services supports mandatory audit partner rotation to help reinforce auditor independence. TSATR – Audit Services complies with the audit partner rotation requirements of the IESBA Code of Ethics, the Independence Rules for Auditors and Audit Organizations in Russia, as well as the U.S. Securities and Exchange Commission (SEC) independence rules, where required. TSATR – Audit Services supports audit partner rotation because it provides a fresh perspective and promotes independence from company management, while retaining expertise and knowledge of the business. Audit partner rotation and long association rules, combined with independence requirements, enhanced systems of internal quality controls and independent audit oversight, help strengthen independence and objectivity, and are an important safeguard of audit quality.

For PIEs, the B1 Independence Policy requires that the lead engagement partner, the engagement quality reviewer and other audit partners who make key decisions or judgments on matters significant to the audit (together, “key audit partners”) be rotated after seven years. For a new PIE, including a newly listed company, key audit partners may remain in place for an additional two years before rotating off the engagement (with the concurrence of those charged with governance) if they have served the company for six or more years prior to the audit client becoming a PIE.

Upon completing the maximum service period for rotation, a key audit partner may not lead or coordinate professional services to the PIE audit client until the expiration of a cooling-off period. This period is five years for a lead audit engagement partner, three years for an engagement quality reviewer and two years for other partners subject to rotation.

In addition to the key audit partner rotation requirements applicable to PIE audit clients, B1 has established a long association safeguards framework. This is consistent with the requirements of the IESBA Code of Ethics and includes consideration of the threats to independence created by the involvement of professionals over a long period of time and a safeguards framework to address such threats.

We designed a process to effectively monitor compliance with the internal rotation rules, as well as requirements for audit partners and other professionals who have had a long association with the audit client. There is also a process for rotation planning and decision-making that involves consultation with, and approvals by, our Professional Practice and Independence professionals and our PPD.

## **WHISTLEBLOWING**

The B1 Ethics Hotline provides B1 people, clients and others outside of the organization with a means to confidentially report activity that may involve unethical or improper behavior, and that may be in violation of professional standards.

When a report comes into the B1 Ethics Hotline, it receives prompt attention. Depending on the content of the report, appropriate individuals from Risk Management, Legal or other functions are involved in addressing the report.

There are two channels of communication:

- ▶ Internet: <https://hotline.b1.ru>, and
- ▶ email: [ethicshotline@b1.ru](mailto:ethicshotline@b1.ru).

## **ANTI-BRIBERY**

The B1 Anti-bribery Policy provides B1 people with direction on certain unethical and illegal activities. It emphasizes the obligation to comply with anti-bribery laws and provides a definition of what constitutes bribery. It also identifies reporting responsibilities when bribery is discovered. In recognition of the growing impact of bribery and corruption, efforts have been sustained to continue to embed anti-bribery measures across B1.

## **INSIDER TRADING**

Securities trading is governed by many laws and regulations, and B1 personnel are obliged to comply with applicable laws and regulations regarding insider trading. This means B1 personnel are prohibited from trading in securities, while in possession of material, non-public information.

The B1 Insider Trading Policy reaffirms the obligation of B1 people not to trade in securities when in possession of insider information, provides detail on what constitutes insider information, and identifies with whom B1 people should consult if they have questions regarding their responsibilities.

## **ANTI-MONEY LAUNDERING (AML)**

B1 is categorized as an entity subject to AML legislation requirements. B1 has put in place policies and procedures, such as risk assessments, suspicious activity reporting, identification and Know Your Client (KYC) procedures, to fulfill these commitments in accordance with the AML Policy. B1 personnel receive training on their legal obligations as well as pointers on who to contact with inquiries.



## PERSONAL DATA PROTECTION POLICY

The standards for the acquisition, use and protection of personal data – including that pertaining to current, former and potential employees, clients, suppliers and business associates – are outlined in the B1 policy on personal data protection.

The policy on personal data protection supports respecting and protecting personal information, in accordance with applicable law, regulatory frameworks and professional standards.

## CONFIDENTIALITY POLICY

B1 firms' daily operations are deeply rooted in the protection of sensitive information. B1 internal regulations demand respect for intellectual capital and any other sensitive and restricted information. These regulations offer a clear set of guidelines to direct behaviors expected of all individuals who work with B1. The Confidentiality Policy goes into further detail about our method of information protection and reflects the constantly evolving limitations on data use. This policy constitutes the core, broader confidentiality framework that contains important policies on conflicts of interest, privacy of personal data, and record-keeping. It also adds further clarity for individuals who work with B1 firms.

Other guidance includes:

- ▶ Social media guidance
- ▶ Information handling requirements

Furthermore, professionals are expected to report any behavior they witness that they believe violates a law, rule, applicable standard or internal policies. This is mandated by the B1 Code of Conduct and also covers the incorrect or unauthorized sharing of private data.

## CLIENT AND ENGAGEMENT ACCEPTANCE AND CONTINUANCE

### POLICY ON CLIENT AND ENGAGEMENT ACCEPTANCE

The B1 policy on client and engagement acceptance sets out principles for B1 firms to determine whether or not to accept a new client, a new engagement for an existing client, or agree the terms of any new engagement. These decisions are crucially important for managing risk, protecting B1 people and meeting regulatory requirements. The principles set by the B1 client and engagement acceptance policy are fundamental to maintaining quality and help ensure the adherence to B1 values, address risk and drive consistency in the System of Quality Management.

The objectives of the policy are to:

- ▶ Establish a rigorous process for evaluating risk and making decisions to accept or continue clients or engagements
- ▶ Meet applicable independence requirements
- ▶ Identify and deal appropriately with any conflicts of interest
- ▶ Identify and decline clients or engagements that pose excessive risk
- ▶ Require consultation with designated professionals to identify additional risk management procedures for specific high-risk factors
- ▶ Comply with legal, regulatory and professional requirements

In addition, the B1 policy on conflicts of interest defines standards for addressing categories of potential conflicts of interest and a process for identifying them. It also includes provisions for managing potential conflicts of interest as quickly and efficiently as possible, using appropriate safeguards. Such safeguards may include obtaining client consent to act for another party where a conflict of interest may exist, establishing separate engagement teams to act for two or more parties, implementing appropriate separations between engagement teams or declining an engagement to avoid an identified conflict.

The B1 policy on conflicts of interest and associated guidance considers the increasing complexity of engagements and client relationships, and the need for speed and accuracy in responding to clients. They also align with the latest International Ethics Standards Board for Accountants (IESBA) standards.



### **PUTTING POLICY INTO PRACTICE**

We use the B1 Tool for Client and Engagement Acceptance (PKiP), an intranet-based system, for efficiently coordinating client and engagement acceptance and continuance activities in line with service line and B1 firm policies. PKiP takes users through the acceptance and continuance requirements, and identifies the policies and references to professional standards needed to assess both business opportunities and associated risks.

Decisions about acceptance or continuance of clients and engagements consider the engagement team's assessment of several risk factors across a broad range of categories, including management's attitude, internal controls and related parties.

As part of this process, we carefully consider the risk characteristics of a prospective client or engagement and the results of due diligence procedures. Before taking on a new engagement or client, we determine whether we can commit sufficient resources to deliver quality service, especially in highly technical areas, and if the services the client wants are appropriate for us to provide. The approval process is rigorous, and no new audit engagement may be accepted without the approval of the PPD.

In the B1 annual client and engagement continuance process, we review our service and ability to continue to provide a quality service, and confirm that clients share B1's commitment to quality and transparency in financial reporting. The lead audit engagement partner of each audit, together with our Assurance leadership, annually reviews our relationship with the audit client to determine whether continuance is appropriate.

As a result of this review, certain audit engagements are identified as requiring various oversight procedures during the audit, and some audit clients are discontinued. As with the client acceptance process, our PPD and Assurance Leader are involved

### **ENGAGEMENT PERFORMANCE**

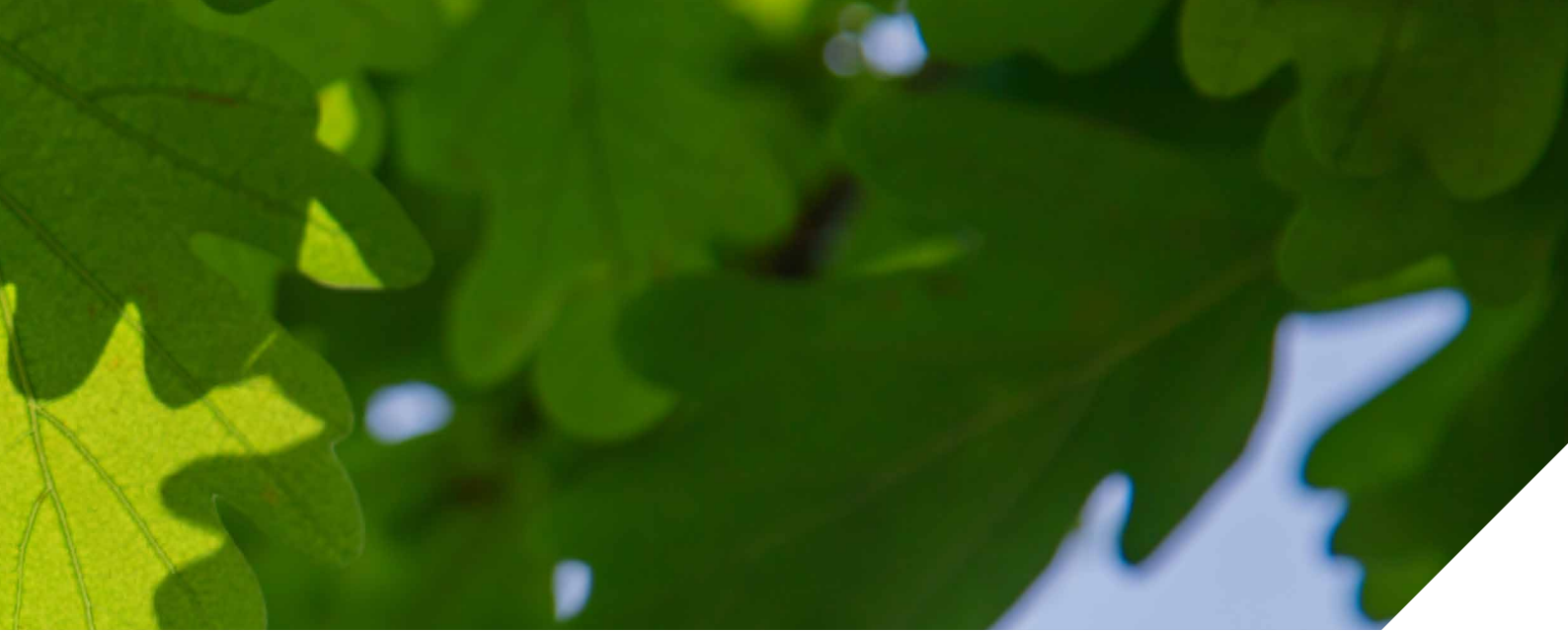
B1 continuously invests in developing audit methodologies and tools, with the goal of performing the highest-quality audits.

#### **RESOURCES – TECHNOLOGY**

B1 audit engagement teams use technology to assist in executing and documenting the work performed in accordance with B1 internal policies.

Globus, the B1 audit platform, enables us to provide a high-quality audit. Globus is a customized technology solution that allows us to evolve our software to respond to changes in the accounting profession and regulatory environment.





Through the use of profile questions, audit engagements in Globus are automatically configured with information relevant to an entity's size, complexity and listing requirements. This helps to keep pre-populated audit plans customized and up-to-date. Globus allows teams to address risks and their relationship to the planned response and work performed in key areas.

Audit engagement teams use other applications, data analyzers and forms during various phases of an audit to assist in executing procedures, making and documenting audit conclusions, and performing analysis.

#### **ADDRESSING THE RISK OF FRAUD**

B1 monitors its audit procedures and implements changes that are necessary in order to more effectively combat fraud as part of continuous improvement initiatives. Businesses now have access to more data than ever before, opening new avenues for data mining, analysis and interpretation to uncover fraud. Auditors are well-suited to perform this function, and we are increasingly employing data analytics to spot unusual transactions and transactional trends that could point to fraud.

However, there are limitations to technology, and sound judgment is still necessary. In order to enhance fraud detection, it is the duty of all parties involved – management, boards of directors, auditors and regulators – to pay closer attention to corporate culture and tone at the top.

B1 is taking additional actions to address this important area of audit, including:

- ▶ The use of data analytics for fraud testing in audits
- ▶ Using additional internal and external data and information to enable more targeted responses to external risk indicators, such as short selling and whistleblowers
- ▶ Requiring the use of forensic specialists in the audit on a targeted-risk basis

#### **REVIEWS OF AUDIT WORK**

B1 policies describe the prerequisites for prompt and direct involvement of senior professionals, together with the extent of review necessary for the completed audit work. An audit engagement team's supervisory members thoroughly examine the audit paperwork to ensure that it is comprehensive and accurate technically. A second-level review is conducted by senior audit executives and engagement partners to assess the overall suitability of the audit work and the associated accounting and financial statement presentation. A tax professional evaluates the significant tax and other pertinent working papers as appropriate and depending on risk. An engagement quality reviewer (see below for details) evaluates critical areas of accounting and financial reporting and audit execution for listed and some other companies. They also assess the financial statements of an audited entity and the auditor's report.

The nature, timing and extent of the reviews of audit work depend on many factors, including:

- ▶ Risk, materiality, subjectivity and complexity of the subject matter
- ▶ Ability and experience of audit team members preparing the audit documentation
- ▶ Level of the reviewer's direct participation in the audit work
- ▶ Extent of consultation employed

B1 policies also describe the roles and responsibilities of each audit engagement team member for managing, directing and supervising the audit, as well as the requirements for documenting their work and conclusions.

## **CONSULTATION REQUIREMENTS**

The foundation of the B1 consultation policies is our collaborative culture that encourages audit professionals to exchange viewpoints on intricate accounting, auditing and reporting matters. Policies and procedures pertaining to consultation are intended to engage proper resources in order to facilitate audit teams' ability to draw relevant conclusions.

For complex and sensitive matters, there is a formal process requiring consultation outside of the audit engagement team with other personnel who have more experience or specialized knowledge, primarily Professional Practice and Independence personnel. In the interests of objectivity and professional skepticism, B1 internal policies require members of Professional Practice, Independence and certain others to withdraw from a consultation if they currently serve, or have recently served, the client to which the consultation relates. In these circumstances, other appropriately qualified individuals would be assigned.

B1 internal policies also require that all consultations are documented, including written concurrence from the person or persons consulted, to demonstrate their understanding of the matter and its resolution..

## **ENGAGEMENT QUALITY REVIEWS**

The B1 engagement quality review policies address audit and assurance engagements. Engagement quality reviewers are experienced professionals with significant subject-matter knowledge. They are independent of the engagement team and provide an objective evaluation of the significant judgments the engagement team made, and the conclusions reached in formulating the auditor's report. The performance of an engagement quality review, however, does not reduce the responsibilities of the partner in charge of the engagement for the engagement and its performance. In no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual.

B1 policies and practices related to the assignment and eligibility of professionals to serve as engagement quality reviewers have been enhanced to conform with the requirements of International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews. These enhancements focus on assigning an engagement quality reviewer who has the appropriate competence and capabilities, including sufficient time, as well as having sufficient authority and objectivity to achieve an effective engagement quality review. Training and enablement support the execution of the engagement quality review.

The engagement quality review spans the entire engagement cycle, including planning, risk assessment, audit strategy and execution. Policies and procedures for the performance and documentation of engagement quality reviews provide specific guidelines on the nature, timing and extent of the procedures to be performed, and the required documentation evidencing their completion. In all circumstances, the engagement quality review is completed before the date of the auditor's or assurance report.

For audits, engagement quality reviews are performed by audit partners in compliance with professional standards for audits of all listed companies, certain public-interest entities and those considered to need close monitoring. The Assurance Leader and the PPD approve all required audit engagement quality review assignments.

## **AUDIT ENGAGEMENT TEAM RESOLUTION PROCESS FOR DIFFERENCES OF PROFESSIONAL OPINION**

Because of the collaborative culture at B1, employees are expected to voice their opinions without fear of retaliation when there is a difference of opinion in the workplace or when they are uncomfortable with

something that has to do with a client engagement. B1 has relevant policies and procedures in place to enable audit engagement team members to voice disagreements on important accounting, auditing or reporting issues. People are informed of these principles when they join B1, and we keep fostering an environment that upholds each individual's right and obligation to voice their opinions and consider those of others.

When professional opinions diverge during an audit, the audit engagement team usually resolves the issue. The matter will be forwarded to the next level of authority if any participant in the discussion is dissatisfied with the outcome, and receive consideration until a resolution is achieved or a final judgment is made, which may involve consultation with Professional Practice where necessary.

Additionally, the auditor's report may not be released until the issue is resolved if the engagement quality reviewer makes suggestions that the engagement partner rejects or if the issue is not resolved to the reviewer's satisfaction. Professional opinions that differ and are settled by consultation with Professional Practice are duly documented.

## **DOCUMENTATION RETENTION**

All engagements and staff are subject to the B1 policies on retention and disposition of records and information. These policies are designed to meet local regulations and address cases when someone learns of any actual or reasonably anticipated claim, litigation, inquiry, subpoena or other government proceedings affecting us or one of our clients that may be related to our work.

## **RESOURCES**

Refer to the Continuing Education of Audit Professionals section for additional information on B1's commitment to investing in talent to drive further advances in audit quality.

## **FORMATION OF AUDIT ENGAGEMENT TEAMS**

The assignment of professionals to an audit engagement is made under the direction of our Assurance leadership. The factors considered when assigning people to audit engagement teams include engagement size and complexity; engagement risk; specialized industry knowledge and experience; timing of work; continuity; and opportunities for on-the-job training. For more complex engagements, consideration is given to whether specialized or additional knowledge is needed to supplement or enhance the audit engagement team.

To help with conducting audit procedures and gathering adequate audit evidence, experts in special accounting or auditing fields, such as tax or information technology, are frequently assigned as members of the audit engagement team. Furthermore, the audit engagement team may use the work of internal specialists with expertise in fields other than accounting or auditing, such as actuarial analysis, asset valuation or forensics, to help obtain adequate audit evidence.

The policies of B1 mandate that the assignment of persons to designated roles in the audit be approved. Among other things, this is done to ensure that the professionals leading the audit have necessary competencies – that is, the knowledge, skills, and abilities – to fulfill their engagement responsibilities, and to comply with auditor rotation regulations, where necessary.

## **DIVERSITY AND INCLUSIVENESS**

B1 has consistently demonstrated dedication to diversity and inclusivity (D&I). This dedication to creating high-achieving, inclusive and diverse teams is particularly crucial in the audit industry, as a variety of viewpoints foster critical thinking and professional skepticism. Enhanced inclusivity and diversity facilitate innovative thinking, improve decision-making and boost organizational agility.

## **AUDIT METHODOLOGY**

The B1 Internal Audit Methodology provides a framework for delivering high-quality assurance services through the consistent application of thought processes, judgments and procedures in all assurance engagements, regardless of the size. The B1 Internal Audit Methodology also requires compliance with relevant ethical requirements, including independence from the audited entity. Making risk assessments, reconsidering and





modifying them as appropriate, and using these assessments to determine the nature, timing and extent of audit procedures are fundamental to the B1 Internal Audit Methodology. The methodology also emphasizes applying appropriate professional skepticism in the execution of audit procedures. The B1 Internal Audit Methodology is based on International Standards on Auditing (ISAs) and is supplemented to comply with Russian regulatory and statutory requirements.

The B1 Internal Audit Methodology is organized by topic, and is designed to focus the audit strategy on the financial statement risks, and the design and execution of the appropriate audit response to those risks. The Internal Audit Methodology consists of two key components: requirements and guidance; and supporting forms and templates. The requirements and guidance reflect both auditing standards and our internal policies. The forms and templates include leading practice illustrations and assist in performing and documenting audit procedures.

The B1 Internal Audit Methodology can be tailored to the relevant requirements and guidance, depending on the nature of the entity being audited – e.g., there are profiles for listed entities and for those considered non-complex entities, etc.

Enhancements have been made to address emerging auditing issues and matters, changes in International Standards on Auditing, implementation experiences, and external and internal inspection results. Recently, enhancements have been made to our Internal Audit Methodology to emphasize the holistic approach to identifying, assessing and responding to fraud risks as well as to significant risks of misstatements of financial information. This approach includes applying the fraud triangle as a lens on the information obtained from our risk assessment procedures. This approach also emphasizes evaluating the results of our audit procedures in the context of responding to the risk of material misstatement in financial statements due to fraud.

Also, recently, the B1 Internal Audit Methodology was updated for the requirements of ISA 220 (Revised), Quality Management for an Audit of Financial Statements, ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and new independence requirements of the IESBA Code of Ethics for pre-concurrence of non-assurance services and disclosure of fees. A suite of enablement to implement the new and revised requirements was issued.

In addition, current and emerging developments are monitored and timely audit planning and execution communications are issued. These emphasize areas noted during inspections as well as other key topics of interest to local audit regulators and the International Forum of Independent Audit Regulators (IFIAR).

## **CERTIFICATION OF TECHNOLOGY**

The technology certification process is a tool that helps B1 verify that technology used in audit engagements is fit-for-purpose – i.e., that it accomplishes its objectives, is appropriate for use in the audit circumstances, and that B1 personnel have the necessary capabilities to use it.

Areas covered by the certification include, inter alia, a clear definition of the solution's objective for audit evidence; its proper testing; the availability of methodology, enablements and learning to support its application; and the appropriate management of pertinent legal and regulatory requirements, such as data privacy.

## **INFORMATION AND COMMUNICATION**

A new component in ISQM 1 is the information and communication component, which facilitates the creation, use and sharing of information in order to support the System of Quality Management's design, implementation, and operation.

The quality objectives within the component address the effective two-way communication between:

- ▶ Personnel
- ▶ Member firms within B1 Group
- ▶ External parties
- ▶ Service providers

Both the execution of audit engagements and the operation of the System of Quality Management depend on efficient two-way communication.

## **SYSTEM OF QUALITY MANAGEMENT MONITORING AND REMEDIATION**

The objective of the monitoring activities is to provide relevant, reliable and timely information about the design, implementation and operation of the SQM

The monitoring process includes a combination of the following:

- ▶ Testing of the SQM Key Controls identified during the risk assessment process
- ▶ Testing of completed engagements, including inspections that occur through the Audit Quality Review (AQR) program for audit engagements and engagements within the scope of ISQM 1
- ▶ Reviews of in-process engagements (engagement quality reviews)
- ▶ Self-certifications and attestations – Certifications (or self-assessments) by SQM Control Owners provide information about the execution of SQM Key Controls or non-compliance with B1 policies or procedures
- ▶ Other sources of information to be considered as part of the monitoring – Other inputs and sources of information (e.g., external inspection results) that may identify deficiencies in the SQM are also considered in the monitoring

Any control exceptions, quality occurrences or other matters that indicate a deficiency may be present and are identified in the monitoring activities are captured and evaluated.

The severity and pervasiveness of deficiencies will be evaluated by investigating the root cause(s) of the identified deficiencies in order to:

- ▶ Evaluate the severity and pervasiveness of the identified deficiency, and
- ▶ Appropriately remediate the identified deficiency

Remedial actions are designed and implemented to address the identified deficiencies, which are responsive to the results of the root cause analysis.

## **ANNUAL EVALUATION**

The PPD, in consultation with the Assurance Leader and the QEL, will perform the following relating to the annual evaluation process:

- ▶ Review and approve the monitoring results. As part of this review and approval, obtain and understand the results of the root cause analysis of any identified deficiencies as well as the actions taken or to be taken to design and implement remedial actions to address the identified deficiencies
- ▶ Ensure that remediation actions are effective and appropriately designed and implemented to correct the identified deficiencies. If the remediation activities are not effective, take appropriate action to determine that the remedial actions are appropriately modified such that they are effective

- ▶ Ensure that information about the results of the monitoring activities will be communicated to engagement teams and other individuals as needed to enable them to perform their responsibilities
- ▶ If the SQM evaluation does not provide the firm with reasonable assurance that the objectives of the SQM are being achieved, allocate resources to take prompt and appropriate actions to remediate the identified deficiencies in the SQM

The General Director of TSATR – Audit Services evaluates, on behalf of the firm, the system of quality management. Based on the evaluation of the SQM, the General Director of TSATR – Audit Services is required to conclude on whether the objectives of the SQM are being achieved.

### **AUDIT QUALITY REVIEWS (AQR)**

B1 executes the AQR program, reports results and develops responsive action plans. The AQR program complies with requirements and guidelines in ISQM 1. It also aids B1's continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

The engagements reviewed each year are selected on a risk-based approach, emphasizing audit engagements that are large, complex or of significant public interest, including elements of unpredictability. The AQR program includes detailed risk-focused file reviews covering a sample of listed and non-listed audit engagements, and public interest entities and non-public interest entities, to measure compliance with internal policies and procedures, and relevant local professional standards and regulatory requirements.

The AQR program complements external inspection activities, such as inspection programs executed by audit regulators. It also informs us of our compliance with regulatory requirements, professional standards, and policies and procedures.

The most recent AQR at B1 took place in June 2023. The scope of the program included 21 partners and 22 engagements.

AQR reviewers and team leaders are selected for their skills and professional competence in accounting and auditing, as well as their industry specialization. They have often participated in the AQR program for a number of years and are highly skilled in the execution of the program. Team leaders and reviewers are independent of the engagements and teams they are reviewing.

The results of the AQR process are summarized, along with any key areas where the results indicate that continued improvements are required. Summarized results are shared with B1 personnel. Measures to resolve audit quality matters noted from the AQR program and regulatory inspections are addressed by the Assurance Leader and the PPD.

### **EXTERNAL QUALITY ASSURANCE REVIEW**

B1 firms' audit practices are subject to inspection not more than once a year by a relevant governmental oversight body in each respective country.

The B1 Russian firm's audit practice and our registered statutory auditors are subject to inspection at least once every five years, but not more than once a year, by a self-regulated organization of auditors. As part of their inspections, the governmental oversight body and the self-regulated organization of auditors evaluate our quality management system and review selected engagements.

The B1 Russian firm's audit practices are subject to periodic inspections by the Financial Reporting Council (FRC, UK) and the Central Bank of the Russian Federation.

The last quality assurance inspection by the Russian federal oversight body took place in 2023. The final report on the inspection was issued on 27 September 2023.

The last quality assurance inspection by the Russian self-regulated organization of auditors took place in 2021. The certificate on the inspection results was issued on 3 February 2022.

The Central Bank of the Russian Federation conducted an inspection in 2023 as part of the process of including the information of the audit firm, TSATR – Audit Services LLC, into the register of audit firms which are allowed to perform audit of public interest entities on the financial market. As a result, TSATR – Audit Services LLC was included in the above-mentioned register.



We thoroughly evaluate the points raised during the inspections to identify areas where we can improve audit quality and their relevance to the System of Quality Management. Engagements with significant findings are subject to a root cause analysis (see the next section). Together with the AQR process, external inspections provide valuable insight into the quality of B1 audits. These insights enable us to effectively execute high-quality audits.

Information on the Russian federal oversight body along with the publicly available inspection results can be found at <https://roskazna.gov.ru/>.

Information on the Russian self-regulated organization of auditors can be found at <https://sroaas.ru/>.

Information on the Financial Reporting Council (FRC, UK) can be found at <http://www.frc.org.uk>.

Information on the Central Bank of the Russian Federation can be found at <https://cbr.ru/eng/>.

## **ENGAGEMENT-LEVEL ROOT CAUSE ANALYSIS AND ACTION PLANS**

A key component of the B1 quality improvement methodology is engagement-level root cause analysis which offers a thorough evaluation of the underlying reasons for an audit's unfavorable inspection outcome. This allows us to determine critical elements that may affect audit quality and to respond appropriately.

The audit procedures of B1 firms locate and assess the problems in quality management when a root cause analysis is carried out. By examining this data, we can gain more insight into the factors that contribute to unfavorable inspection results. In order to address the underlying reasons for engagement-related findings, improvement action plans are created. The audit procedures of B1 firms look at the type and frequency of underlying causes to see if there are any systemic problems. If so, additional action plans are created.

## **AUDIT QUALITY INDICATORS**

Assurance leadership uses a variety of metrics or audit quality indicators (AQIs) to track the implementation of the B1 plan and quality priorities in addition to understanding the overall System of Quality Management annual results. A set of metrics can be used to indicate the quality of an audit, whereas no one reportable metric or combination of metrics can be considered an exclusive indicator of audit quality.

Assurance leadership monitors the execution of the B1 strategy and vision by our practice through a set of metrics or audit quality indicators (AQIs). These include: external and internal inspection results; Milestones performance; the extent of executive involvement; deployment of minimum learning and attestation; root cause analysis; improvement of engagement quality review extent and milestones; retention and loading rates, and some other.

## **IDENTIFYING AND ASSESSING SYSTEM OF QUALITY MANAGEMENT DEFICIENCIES AND PERFORMING ROOT CAUSE ANALYSIS**

Findings are information about the design, implementation and operation of the System of Quality Management which indicates that one or more deficiencies may exist. Findings are accumulated from the performance of monitoring activities. B1 evaluates each finding or aggregation of findings considering the relative importance of the finding(s) to determine whether a deficiency exists.

If any deficiencies are identified, a root cause process is executed to determine the root cause, assess the severity and pervasiveness of the deficiency, and develop responsive actions.

## **SYSTEM OF QUALITY MANAGEMENT QUALITY IMPROVEMENT PLANS**

For any identified deficiency, a quality improvement plan is developed, which includes:

- ▶ Correcting the effect of the identified deficiency
- ▶ Remediating the identified deficiency in a timely manner
- ▶ Evaluating the effectiveness of the remediation actions

Quality improvement plans are developed in consultation with the Assurance leadership and the QEL and are reviewed by the PPD to help ensure the appropriateness of the actions designed.



# INFRASTRUCTURE SUPPORTING QUALITY

## **QUALITY IN B1**

Delivering long-term value to clients, people and society is our strategic goal. We have put together a solid team of specialists with a wide range of skills and a wealth of experience in completing various projects in Russia over the course of more than 35 years. Our interdisciplinary teams use international best practices to deliver services of the highest caliber.

B1 firms have adjusted their practices to keep providing high-quality audits in the face of the changing environment. Our teams can perform high-quality audits with independence, integrity, objectivity and professional skepticism, supported by analytics and digital tools.

It is the responsibility of B1 firms to provide high-quality audits. In order to ensure adherence to professional standards and B1 policies, B1 oversees the entire process for quality evaluations of completed engagements as well as feedback for the quality of engagements still in progress.

## **SUSTAINABLE AUDIT QUALITY**

Audit quality continues to be the highest priority for B1 firms.

Audit quality policies and procedures (AQPP) establish a strong governance structure that enables each B1 firm to provide high-quality audits. Improvement of our AQPP is an ongoing process. There are six AQPP pillars: tone at the top; exceptional talent; simplification and innovation; audit technology and digital; enablement and quality support; and accountability.

B1 has deployed sound technological tools that enhance the quality and value of B1 audits, including the B1 Globus audit platform.

B1 Globus facilitates the use of the “Milestones” project management functionality, which helps audit teams stay on pace with their audit execution and drive executive involvement.

The goal of the current AQPP programs is to help B1 teams understand the business of the organizations they audit. B1 remains a leader in delivering quality audits by utilizing technology and data to carry out increased engagement risk assessment. Members of the Professional Practice Group also actively assist engagement teams in maintaining the pace and progress of their audits, ensuring appropriate executive involvement, and offering guidance and encouragement when needed.

Every team member is aware of audit quality and dedicated to putting it into practice. The achievement of all our objectives and aspirations is driven and enabled by AQPP.

## **MILESTONES**

Effective project management helps audit engagement teams to stay focused on the risks that matter most across the audit cycle, better balance the workload by allocating the right amount of time to complete the risk tasks, and ensure timely executive involvement. The Milestones functionality is enabled through Globus.

## **PROFESSIONAL PRACTICE**

The Professional Practice Director (PPD) is overseen by the Assurance Leader and works to establish audit quality control policies and procedures. This helps provide greater assurance as to the objectivity of audit quality and consultation processes. The PPD also leads and oversees the Professional Practice Group. This is a group of technical subject-matter specialists in accounting and auditing standards who consult on accounting, auditing and financial reporting matters; and perform various practice monitoring and risk management activities.

The PPD oversees the development of the B1 Internal Audit Methodology and related audit policies and technologies so that they are consistent with relevant professional standards and regulatory requirements. The Professional Practice Group also oversees the development of the guidance, training and monitoring programs, and processes used by B1 firm professionals to execute audits consistently and effectively.

Additional resources often augment the Professional Practice Group, including professionals focused on:

- ▶ Internal control reporting and related aspects of the Internal Audit Methodology
- ▶ Accounting, auditing and risk issues for specific topics, industries and sectors
- ▶ Event-specific issues involving areas of civil and political unrest; pandemics; or sovereign debt and related accounting, auditing, reporting and disclosure implications
- ▶ General engagement matters and how to work effectively with audit committees

## **RISK MANAGEMENT**

Risk Management (RM) coordinates organization-wide activities designed to help B1 people meet compliance responsibilities and support client-facing teams in delivering quality and exceptional client service.

Among other things, the RM Leader helps monitor the identification and mitigation of risks associated with quality as well as other risks across the organization.

The RM Leader is responsible for establishing consistent risk management execution priorities and co-ordinating risk management across B1.

## **CYBERSECURITY**

Since B1 provides professional services, it has a strong data privacy and information security program in place that is in line with industry standards, complies with applicable laws and regulations, and safeguards the availability, confidentiality and integrity of both personal and commercial data.

The proactive B1 approach to cybersecurity involves putting in place the systems and procedures required to control and reduce cybersecurity risks. A committed group of information security experts keeps a close eye on our IT environment and guards it against unwanted access to systems and data.

Beyond technical and process controls, all B1 employees are required to annually affirm in writing their understanding of the principles contained in the B1 Information Security Policy and Acceptable Use of Technology Policy, as well as their commitment to abide by them.

B1 has extensive security training beginning with the new hire process. B1 people receive regular and periodic communications, reminding them of their responsibilities outlined in these policies and of general security awareness practices. Other ongoing programs include the security awareness training sessions delivered to employees in different training methods. They cover various security topics and changes in regulatory and cybersecurity landscapes.





# INDEPENDENCE PRACTICES

The B1 Independence Policy requires our people to comply with the independence standards applicable to specific engagements, e.g., the IESBA Code of Ethics, local audit law, the Code of Professional Ethics of Auditors and independence rules.

We consider and evaluate independence with regard to various aspects, including financial interests; employment relationships; business relationships; non-audit services for audit clients; applicable firm and partner rotation requirements; fee arrangements; pre-approval by an audit committee or those charged with governance, where applicable; and partner remuneration and compensation.

**Failure to comply with applicable independence requirements will factor into decisions relating to a person's promotion and compensation, and may lead to other disciplinary measures, including dismissal.**

B1 has implemented applications, tools and processes to support us and our professionals in complying with independence requirements.

## **B1 INDEPENDENCE POLICY**

The B1 Independence Policy contains the independence requirements for B1 firms, professionals and other personnel. It is a robust policy predicated on the IESBA Code of Ethics, local audit law, the Code of Professional Ethics of Auditors and independence rules.

The B1 Independence Policy is an example of an intellectual resource provided to drive consistency in the System of Quality Management.

## **INDEPENDENCE CONTROL SYSTEM (SKN)**

SKN is an intranet-based tool that helps B1 professionals identify the entities from which independence is required, and the independence restrictions that apply. The tool includes family-tree data relating to affiliates of audit clients and is updated by audit engagement teams. The entity data includes notations that indicate the independence rules that apply to each entity. SKN is an example of a technological resource provided by the firm to drive consistency in the System of Quality Management.

## **PERSONAL INDEPENDENCE CONTROL SYSTEM (SKPN)**

SKPN is another important tool that assists in identifying proscribed securities and other impermissible financial interests and relationships (e.g., personal appointment, employment of family members). All professionals are required, prior to purchasing a security or financial product, to check via SKPN whether the product is permitted. There is an additional control in case the independence status of the issuer has changed: SKPN immediately sends a notification to the user with the requirement to dispose of the proscribed securities.

For audit engagement teams, there is also a quarterly (for managers and above) and annual (for all professionals) independence confirmation process.

## **INDEPENDENCE COMPLIANCE**

B1 has established several processes and programs aimed at monitoring the compliance of its people with independence requirements. These include the following activities, programs and processes.

### **INDEPENDENCE CONFIRMATION**

The annual B1 Independence Confirmation process is aimed to confirm compliance with B1 Independence Policy and process requirements. Additionally, all client-facing professionals at the ranks of manager through partner, and certain others, based on role or function, are required to confirm compliance with independence policies and procedures every quarter.

### **INDEPENDENCE COMPLIANCE REVIEWS**

B1 conducts internal procedures to assess B1 firm compliance with independence matters. These reviews include aspects of compliance related to non-audit services, business relationships with the companies we audit and financial relationships of B1 firms.

### **PERSONAL INDEPENDENCE COMPLIANCE TESTING**

Each year, the B1 Independence team establishes a program for testing compliance with personal independence confirmation requirements.

For the 2023 testing cycle, B1 tested 42 partners and other personnel.

### **NON-AUDIT SERVICES**

B1 monitors compliance with professional standards, laws and regulations governing the provision of non-audit services to audit clients through a variety of mechanisms. These include the use of tools, such as the Tool for Client and Engagement Acceptance (PKIP) (see page 12) and the Professional Services Directory (KPU), as well as training and required procedures completed during the performance of audits, and internal inspection processes.

### **INDEPENDENCE LEARNING**

B1 develops and deploys a variety of independence learning programs. All B1 professionals and certain other personnel are required to participate in annual independence learning.

The annual independence learning program covers independence requirements, focusing on recent changes to policy, as well as recurring themes and topics of importance, and is held by our Independence team.

In addition to the annual learning program, independence awareness is promoted through various events and materials.

### **PROFESSIONAL SERVICES DIRECTORY (KPU)**

We assess and monitor our portfolio of services on an ongoing basis to confirm that they are permitted by professional standards, laws and regulations, and to make sure that we have the right methodologies, procedures and processes in place as new service offerings are developed. We restrict services from being provided that could present undue independence or other risks. KPU provides B1 people with information about B1 service offerings. It includes guidance on which services can be delivered to audit and non-audit clients, as well as independence and other risk management issues and considerations.

#### **► Business relationship assessment**

B1 people are required to check potential business relationships with the Independence team for independence restrictions and, if any, obtain advance approval for a potential business relationship with an audit client, thereby supporting our compliance with independence requirements.

#### **► Audit committees / Those Charged with Governance (TCWG) and oversight of independence**

We strive to maintain close and consistent contacts with audit committees and other governance-related bodies. We oversee and verify adherence to B1 standards for audit committee / TCWG communications and, where necessary, for the pre-approval of non-audit services through B1 quality review procedures.

**The goal is to help B1 people understand their responsibilities and to enable each of them, and their firms, to be free from interests that might be regarded as incompatible with objectivity, integrity and impartiality in serving an audit client.**



# CONTINUING EDUCATION OF AUDIT PROFESSIONALS

## DEVELOPMENT OF B1 PEOPLE

### PROFESSIONAL DEVELOPMENT

B1's goal of enhancing the confidence in the capital markets can only be achieved by continuously improving the knowledge and skills of our people.

Our employees can develop and realize their potential at varying rates of advancement, and we give them a chance to gain the appropriate experience, education and coaching. Throughout this process, more seasoned professionals provide on-the-job coaching to assist junior team members by sharing knowledge and expertise.

Learning at B1 combines interactive, on-site or virtual classroom-based simulations and case studies with "on-demand" e-learning courses, and provides application support.

Learning programs that are created in response to developments in independence and professional standards, emerging issues, new technology, and accounting and reporting standards are added to the curriculum.

Relevant team members study to achieve IFRS accreditation if a B1 firm audits financial statements prepared under International Financial Reporting Standards (IFRS).

B1 requires that audit professionals obtain at least 20 hours of continuing professional education each year and at least 120 hours over a three-year period. Of these hours, 40% (eight hours each year and 48 hours over a three-year period) must cover technical subjects related to accounting and auditing.

### KNOWLEDGE AND INTERNAL COMMUNICATIONS

We recognize the value of supplying audit engagement teams with the relevant latest information in addition to our professional development and performance management initiatives, so that they can effectively carry out their duties.





B1 resources and tools available to audit teams include:

- ▶ Meridian, which includes local and international accounting and auditing standards, as well as interpretive guidance
- ▶ Publications, such as International GAAP, IFRS developments and illustrative financial statements
- ▶ Accounting and Auditing News – a monthly update covering assurance and independence policies, developments from standard-setters and regulators, as well as internal commentary thereon
- ▶ Practice alerts and webcasts covering a range of specific matters designed for continuous improvement in B1 firms' Assurance practices

#### **PERFORMANCE MANAGEMENT**

Our people's career, development and performance are connected through the B1 performance management system. B1 links its people with our goal and helps them focus on the future and move forward through professional development, counselor conversations, continuous feedback and career opportunities. At every step of their time with B1, we help our employees grow and develop.

Regular conversations with a counselor on matters like learning, trying new teams, utilizing evolving technologies and pursuing varied career paths, help B1 people pinpoint areas for growth and maximize their professional potential.

# REVENUE AND REMUNERATION

## FINANCIAL INFORMATION

Revenue includes expenses billed to clients and revenues related to billings to other B1 firms. Revenue amounts disclosed in this report include revenues from both audit and non-audit clients.

Revenue is presented in accordance with the rules on preparation of financial statements established in the Russian Federation and includes revenues from:

1. Statutory audit of annual and consolidated financial statements of PIEs listed in the UK, and entities belonging to a group of undertakings whose parent undertaking is a PIE listed in the UK
2. Statutory audit of annual and consolidated financial statements of other entities
3. Permitted non-audit services to entities listed in the UK that are audited by the statutory auditor or the audit firm
4. Permitted non-audit services to other entities

### Financial information for the period ended on 31 December 2023, expressed in RUB million

SERVICE	REVENUE	PERCENT
Audits and directly related services for UK-listed companies we audit	195	3%
Other audits and directly related services	4,673	71%
Non-audit services provided to UK-listed companies we audit	236	4%
Non-audit services provided to other entities	1,444	22%
<b>Total revenue</b>	<b>6,548</b>	<b>100%</b>



## PARTNER REMUNERATION

Quality is a fundamental element of the B1 performance management system and lies at the heart of the B1 strategy. Specific quality and risk management indicators are among the criteria used to evaluate and remunerate B1 partners.

Documenting partners' goals and performance is the cornerstone of the evaluation process. A partner's goals are required to reflect our top priorities, one of which is quality.

B1 policies prohibit evaluating and remunerating lead audit engagement partners and other key audit partners on an engagement based on the sale of non-assurance services to companies they audit. This reinforces to B1 partners their professional obligation to maintain independence and objectivity.

Specific quality and risk performance measures have been developed to account for:

- ▶ Providing technical excellence
- ▶ Living the B1 values as demonstrated by behaviors and attitude
- ▶ Demonstrating knowledge of, and leadership in, quality and risk management
- ▶ Complying with policies and procedures
- ▶ Complying with laws, regulations and professional duties
- ▶ Contributing to protecting and enhancing the B1 brand

**We operate under a system that requires quality to be a significant consideration in a partner's overall year-end rating.**

To recognize different market values for different skills and roles, and to attract and retain high-performing individuals, the following factors are also considered when we determine our partners' total reward:

- ▶ Experience
- ▶ Role and responsibility
- ▶ Long-term potential

Remedial actions are taken when quality requirements are not met. These actions can include performance reviews, pay adjustments, further training, closer monitoring or reassignment. Separation from B1 may be one of the remedies taken in response to a pattern of non-compliance or particularly severe non-compliance.



# APPENDIX 1:

## LIST OF PIE AUDIT CLIENTS

### TSATR – AUDIT SERVICES LLC PIE AUDIT CLIENTS

In the fiscal year that ended on 31 December 2023, TSATR – Audit Services LLC performed audits of the following PIEs listed on the UK regulated market:

- ▶ **En+ Group IPJSC**
- ▶ **X5 Retail Group N.V.**
- ▶ **VK Company Limited** (delisted from the London Stock Exchange in September 2023)







## ABOUT B1 GROUP

B1 Group offers a full range of professional services, covering assurance, strategy, technology, consulting, transactions, valuation, tax, law and business support.

In our 35 years in Russia and more than two decades in Belarus, we have assembled a strong team of professionals with broad expertise and a wealth of experience in delivering challenging projects. B1 Group is based in ten cities: Moscow, Minsk, Ekaterinburg, Kazan, Krasnodar, Novosibirsk, Rostov-on-Don, St. Petersburg, Togliatti and Vladivostok.

We help clients find new solutions, grow, transform and operate their business as well as strengthen their financial and human capital.

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