

**“APPROVED”**  
by the Decision of the Board of Directors  
of JSC “NC “Astana EXPO-2017”  
of 29 August 2013  
Protocol No 6

with amendments introduced  
by the Decision of the Board of Directors  
JSC “NC “Astana EXPO-2017”  
dated 27 May 2014  
Protocol No 12

**PROVISION OF THE INTERNAL AUDIT  
OF THE JOINT STOCK COMPANY  
“NATIONAL COMPANY “ASTAN EXPO-2017”**

**Astana**

**Provision**  
**of the Internal Audit**  
**1. General Provisions**

1. This Provision of the Internal Audit Department of JSC “NC “Astana EXPO-2017” (hereinafter, Provision) determines the status of Internal Audit Department (hereinafter - IA), tasks and functions performed by the IA, the qualification requirements for Head of IA and employees, authorities, powers and responsibilities of the IA, the amount and terms of payment, remuneration and material assistance, training, basic requirements for evaluation of the services and limitations of the IA, as well as the interaction of the IA with the Board of Directors, with the Audit Committee of the Board of Directors and with the Management of JSC “Astana EXPO-2017” (hereinafter, the Company), relationships with other divisions of the Company, subsidiaries (dependent) companies of the Company, as well as the procedures for making changes and amendments to the Provision.

In accordance with generally accepted international standards, internal audit is an activity that provides independent and objective assurance and consulting intended to improve the organization. It helps an organization to accomplish its objectives by using a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and corporate governance.

2. The number of the personnel (members) and the composition of the personnel are approved by the Board of Directors of the Company (hereinafter, the Board of Directors) and is included into the staff list of the Company.

3. The IA is headed by the Head of IA. The appointment of the Head of IA and the employees (proposed by the Head of IA), and exclusion of them from office, the amount and terms of remuneration and bonuses of the Head of IA and the employees are determined by the Board of Directors after the prior approval of the Audit Committee of the Board of Directors (hereinafter, the Committee). It is not permitted to appoint the Head of IA from the former managers staff of the Company.

4. Social provision, guarantees and compensation for the Head of IA and employees of the IA are provided in accordance with the Company’s internal documents.

5. The employment contract with the Head of IA and employees of the IA is based on the decision of the Board of Directors, with the subsequent issue of the order by the Chairman of the Management in accordance with the labor legislation of the Republic of Kazakhstan.

6. The duties, rights and responsibilities of the Head of IA and the employees are defined in relevant job descriptions developed on the basis of this

Provision, employment contracts, internal documents of the Company and are approved by the Committee.

7. In carrying out its activities, the internal audit is governed by the laws of the Republic of Kazakhstan, the Charter, the decisions of the Company, this Provision and other internal documents.

8. During the year, the IA operates in accordance with the annual audit plan approved by the Board of Directors with the prior approval by the Committee. The IA also performs unscheduled tasks on behalf of the Chairman of the Board of Directors and the Committee.

9. During the execution of its tasks and functions in accordance with established procedure, the IA interacts with all divisions of the Company and its subsidiary (affiliate) organizations, as well (within its jurisdiction) with other organizations.

10. The activities of the IA are based on International Professional Standards of Internal Audit and the code of ethics developed by the Institute of Internal Auditors (The Institute of Internal Auditors Inc.).

## **2. Status of the Internal Audit**

11. The IA is a body of the Company, organizing and performing the supervision of the financial and economic activities of the Company, being directly subordinate and accountable to the Board of Directors. The interaction of the IA on administrative issues is provided with the Management.

The activities of the IA are overseen by the Committee. This means that all matters related to the activities of the IA are preliminarily reviewed, approved or agreed by the Committee.

12. The IA must be independent from the influence of any individual in the performance of its tasks and functions for their proper implementation and provision of objective and impartial judgment. The Head of Internal Audit must confirm the organizational independence of the internal audit to the Board of Directors at least once a year.

13. The criterion of independence is the independence of the IA in the preparation of annual audit plan, in the choice of methods and procedures of internal audit, in the scope of work to achieve this goal and in the reporting of results.

14. In the performance of their tasks and functions, the Head of IA and the employees of the IA must be objective and impartial and avoid conflicts of interest of any kind. The employees of the IA must not be involved in any activities that may subsequently be subjected to internal audit.

15. The Head of IA and the employees of the IA must comply with the internal documents of the Company, except for documents that cannot be applied to it in accordance with the status of the IA, the Charter and this Provision.

### **3. Mission and Goals**

16. The Mission of the IA is to provide the necessary assistance to the Board of Directors and the Management in carrying out their responsibilities to achieve the strategic objectives of the Company.

17. The main goal of the IA is to submit independent and objective information to the Board of Directors and to the Committee to ensure the effective management of the Company, and to promote the achievement of the goals of the Company, through the control of financial and economic activities, assessments and recommendations for improvement in the Company's internal control systems, risk management and corporate governance in accordance with the powers defined by the Board of Directors and this Provision.

### **4. Objectives and Functions**

18. The main tasks of the IA Department are:

- 1) assessment of the reliability and effectiveness of the internal control system;
- 2) assessment of the reliability and effectiveness of the risk management system;
- 3) assessment of the implementation and improvement of the corporate governance process;
- 4) assessment of the completeness and accuracy of financial and management information;
- 5) assessment of compliance with the laws of the Republic of Kazakhstan and the assessment of the adequacy of systems and procedures established and implemented to ensure compliance with these requirements and internal documents (compliance monitoring);
- 6) assessment of efficiency and effectiveness of the Company's resources and the methods used to safeguard the assets of the Company.

19. The IA performs the following functions in accordance with its objectives in compliance with established procedure:

- 1) Assesses the effectiveness of internal control procedures (including those in the financial reporting and information systems, including the issues of information security and reliability and integrity of information on financial and economic activities of the Company). In parallel, the Management of the Company develops and implements internal control procedures for different spheres of the Company and oversees their implementation;

2) Assesses the completeness and effectiveness of risk assessment methodology and risk management procedures;

3) Assesses the implementation and improvement of adopted corporate governance principles in compliance with ethical standards and values of the Company;

4) Verifies the compliance with the requirements of the legislation of the Republic of Kazakhstan, international agreements, internal documents, as well as the compliance with the instructions of authorized and supervisory bodies and the decisions of the Company;

5) Assesses the adequacy of the measures applied by structural divisions of the Company to ensure achievement of their objectives within the strategic objectives of the Company;

6) interacts with structural divisions of the Company on matters within the competence of the IA;

7) conducts inspections for safeguarding the Company's assets;

8) monitors the implementation of recommendations of the external auditor;

9) follows up the implementation of the recommendations of the IA;

10) advises the Board of Directors, the Committee, the Supervisory Board and the Company's divisions on matters within the competence of the IA;

11) participates as a consultant in the process of selecting the external auditor of the Company;

12) assesses the efficiency of cooperation and information exchange between the external auditor and the Board of Directors, the Committee, the Management and the IA;

13) interacts with the external auditor on matters arising in the course of the external audit.

20. The analysis of the progress in the implementation of the tasks and functions assigned to the IA is carried out by the Audit Committee based on the results of the IA summed up on an annual basis;

21. Based on the results of the assessments, the IA elaborates recommendations (including proposals to improve the existing systems of internal control and risk management processes, principles and business practices) and comments on any matters within the competence of the IA.

The head of the audited entity shall be personally liable for a failure to implement or untimely implementation of the recommendations of the IA and shall monitor the compliance with the executive discipline reporting to the Chairman of the Management.

## **5. Qualification Requirements**

22. The candidates for vacant posts are to meet the following eligibility requirements:

1) The Head of IA must comply with the following requirements, namely to have:

- higher professional (financial and economic) education;
- experience in auditing and/or accounting and/or finance – at least seven years;
- experience in a managerial position – at least three years;
- knowledge of international financial reporting standards and international professional internal auditing standards, developed by the Institute of Internal Auditors, Inc.;
- knowledge of normative legal acts of the Republic of Kazakhstan.

The Head of IA of the Company is subject to the following minimum requirements in terms of additional special training: mandatory certification in the “Auditor” qualification, received in accordance with the Law of the Republic of Kazakhstan “On Auditing” and/or a certificate of the Association of Certified Chartered Accountants (ACCA) and/or diploma of DipIFR (Diploma in International Financial Reporting), and/or diploma in internal auditing DipCPIA (Certified Professional Internal Auditor Diploma), and / or DipPIA (Professional Internal Auditor Diploma), and/or DipIA (Diploma in Internal Audit), and/or Certified International Professional Accountant (CIPA), and preferably knowledge of the Kazakh and foreign languages.

2) The IA employee must meet the following requirements:

- higher professional education in the areas of economics and finance and/or accounting and/or auditing and/or legal field;
- experience in the areas referred to in subparagraph 1) of this paragraph - at least three years;
- knowledge of international financial reporting standards and international professional internal auditing standards, developed by the Institute of Internal Auditors, Inc.;
- Knowledge of the legislation of the Republic of Kazakhstan.

Furthermore, the employee should preferably have a certificate and/or qualifications in the sphere of the audit and/or financial statements, knowledge of the Kazakh and foreign languages.

## **6. Professional Development**

23. The Head and the employees of IA are obliged to develop their professional knowledge and skills by taking part in annual programs (seminars or

courses) of training, retraining and professional managerial and operational improvement and certification programs for internal auditors.

24. The Management of the Company shall assist the improvement of the knowledge and skills of the Head and the employees of IA by ensuring the inclusion into the budget of the Company, in the prescribed manner, of the cost of education and training on specialized topics and programs developed by the Head of IA and agreed with the Audit Committee for the purpose of Continuous Professional Development.

25. The training plan for the Head and the employees of IA must include, as a priority, training and qualification procedures and methodologies for conducting internal audit, accounting and financial reporting, internal control systems, risk management, corporate governance principles and management of the core business processes of the Company.

26. The preparation procedure for training and capacity building applications and further procedures associated with this process are carried out in accordance with the internal documents of the Company.

## **7. Rights and Powers of the Internal Audit**

27. The IA is authorized for the following:

1) access to all documentation and any other information requested in connection with the internal audit, including the evidences and information, commercial and official secrets upon written request;

2) administrative access to information databases (computer accounting software, etc.) on a continuous basis in the passive mode, i.e. without the right to make entries or corrections;

3) to request in writing and to receive materials, including draft documents submitted for approval by the sole shareholder, the Board of Directors, the Management of the Company and to receive all the orders / protocols and other data solutions bodies;

4) to execute its duties and functions in accordance with established procedure after prior agreement with the Committee:

– to receive services (including outsourcing / co-sourcing of any activity in the field of internal audit, etc.);

– to engage any employees of the Company in consultation with the Management of the Company;

5) to conduct consultations and interviews with the Management of the Company, subsidiaries, other organizations and its structural divisions, as well as other legal entities on matters within the competence of the IA;

6) to make proposals to the Board of Directors, the Committee and the Management on matters within the competence of the IA;

7) make proposals to the Board of Directors on determining the procedures of service, the amount and terms of remuneration and bonuses of the Head and employees of IA, organizational and technical support of the IA, after prior agreement of the Committee;

8) to participate in the preparation and implementation of programs and projects of the Company related to the IA;

9) to participate in programs of training, retraining and professional development of employees of the Company, including certification programs of internal auditors;

10) to exercise other rights, not contradicting the legislation of the Republic of Kazakhstan, the Company's Charter, the present Provision and internal documents of the Company.

28. The IA has the following authorities:

1) To have an annual audit plan of control and to control its implementation;

2) To ensure the development of documents concerning the activities of the IA;

3) To ensure the submission of reports on the activities of the IA to the Board of Directors and the Committee;

4) To have periodic assessment of the relevance of the objectives and functions of the IA with respect to achievement of its objectives;

5) To realize measures on improvement training of employees of the IA;

6) Periodically or as appropriate to implement the rotation of the duties of the IA employees, in order to prevent conflicts of interest, and to facilitate exchange of experience;

7) To submit proposals on the development and efficiency of the IA to the Board of Directors and Committee;

8) To initiate meeting of the Board of Directors and/or the Management on matters within the competence of the IA;

9) To make decisions on all matters within the competence of the IA.

29. The powers of the Head of IA also include:

1) To implement the management of the IA, to organize its work, to create necessary conditions for the successful implementation of the duties by the IA employees;

2) To make proposals to the Board of Directors and the Committee on determining the number, term of office, operation, amount and terms of remuneration and bonuses of employees, organizational and technical support of the IA;

3) To make proposals to the Committee on admission, transfer, sanctioning, and dismissal of employees of the IA;

4) To represent the IA in agencies, departments and subsidiaries and affiliated companies of the Company on matters within the competence of the IA;



- 5) To review and sign correspondence on matters within the competence of the IA.

## **8. Responsibility of the Internal Audit**

30. The IA is responsible for the timely and proper execution of its objectives and functions.

31. The Head of IA is personally responsible for the following in the prescribed manner:

- 1) The quality and timely execution of the objectives and functions of the IA in accordance with this Provision, the legislation of the Republic of Kazakhstan, the employment contract and job description;
- 2) The development of annual audit plan and its execution;
- 3) The follow-up/monitoring of compliance with earlier recommendations;
- 4) The submission to the Board of Directors and the Committee of the report on the activities of the IA.

32. The IA employees shall be in the prescribed manner personally responsible for the quality and timely execution of their duties and functions in accordance with this Provision, the legislation of the Republic of Kazakhstan, job descriptions and employment contracts.

## **9. Activity Restrictions**

33. Head and employees of IA shall not:

- 1) carry out the functions of the Company, which are not related to the IA in accordance with this Provision;
- 2) participate in any activity that would prejudice the impartiality of the assessment made by the Head and employees of IA, or may be perceived as inflicting such prejudice;
- 3) be included into committees and other working groups/commissions created by the Company, as their members with the right of signing. In the work of these committees and other working groups/commissions, the Head and the employees of IA should be involved only in an advisory capacity, without voting rights;
- 4) direct the actions of employees of the structural divisions of the Company, except when these workers are assigned in the prescribed manner to participate in the performance of an audit assignment;
- 5) use confidential information for personal benefits or in any other manner inconsistent with the laws of the Republic of Kazakhstan, or which may cause damage to the Company;

6) accept gifts or use services, which could result in damage to independence, objectivity and impartiality or could be perceived as causing such damage.

## **10. Interaction between the Internal Audit and the Board of Directors**

34. The relations between the IA and the Board of Directors should be built around the key role of the IA related to the provision of the Board of Directors with independent and objective information for ensuring effective management of the Company.

35. The IA shall provide the Board of Directors with quarterly and annual reports on the activities of the IA, with prior agreement with the Committee, respecting the following deadlines:

1) quarterly - not later than the 25th day of the second month following the reported quarter;

2) annual - not later than the 1st day of the third month following the reported year.

36. Upon request of the Chairman of the Board of Directors or any member of the Board of Directors, the Head of IA shall provide a summarized monthly report on the activities of the IA, previously agreed with the Committee.

37. The Head of IA should provide an analysis of the information submitted to the Committee for completeness and accuracy.

38. Quarterly and annual reports on the activities of the IA should include:

1) information on the implementation of the audit plan by the IA;

2) a summary report on the results of the accomplishment of audit assignments in accordance with the work/action plan of the IA, indicating the recommendations elaborated (attaching appropriate materials);

3) information on other actions/work carried out by the IA during the reporting period (results of ad hoc audit assignments, information on participation in professional development courses, training, etc.);

4) conclusion on the results of audit activity in relation to the objectives and the scope of the audit with the description of the results of audit activities for the reporting period (if necessary, with an indication of adequacy of resources, services).

39. The Board of Directors takes note of quarterly and annual reports on the activities of the IA.

40. The Head of IA has the right to attend meetings of the Committee at which issues of its activities are reviewed and is obliged to participate in the meetings of the Committee by the invitation of the Chairman of the Committee.

41. The Head of IA shall have the right:

1) To require the initiation of a meeting of the Board of Directors of the Company in the prescribed manner, including the discussion of the most sensitive and important topics;

2) To have regular meetings with the Chairman of the Committee to coordinate the actions on informing the members of the Board of Directors and to determine the extent to which information materials are needed to the Board of Directors.

42. The annual financial statements of the Company, reviewed by the Board of Directors, must be accompanied with the conclusion of the Internal Audit on the reliability of the information based on the audit conducted in accordance with international professional standards of internal audit.

## **11. Interaction between the Internal Audit and the Management**

43. The relations between the IA and the Management of the Company shall be based on the principle of independence, as the level of organizational and functional independence of the IA has a direct impact on the objectivity of internal auditors.

44. The IA has information on all key aspects of the Company's activities and tools for data compilation and analysis and must provide the information to the Management of the Company on the Company's management decisions implementation.

45. Within the framework of its interaction with the Management of the Company, the IA shall:

1) submit approved the annual audit plan to the Management approved by the Company's Board of Directors for the Management's consideration;

2) to provide Management with the audit report/conclusion based on the results of assignments for the Management's consideration.

46. The Management of the Company shall:

1) promote the establishment of an effective control environment in the Company;

2) ensure the use of outsourcing/co-sourcing for any activity in the area of internal audit by the decision of Board of Directors, in the prescribed manner;

3) provide administrative (organizational and technical) support to the IA.

47. The Management shall not interfere in the activities of the IA.

## **12. Assessment of the Activities**

48. The IA can provide regular assessments (internal and external) of the effectiveness of its own work.

49. The internal assessment of the IA is conducted by the Board of Directors based on the recommendations of the Committee.

50. The external quality assessment of the IA is conducted at least once every five years, with the help of external experts in accordance with international professional standards of internal audit.

### **13. Final Provisions**

51. Access to working documents and other materials is available exclusively to IA employees. Access to working documents and other materials of the IA to persons who are not employees of the IA is provided in accordance with legislation.

52. The heads of structural divisions of the Company should be familiar with the contents of this Provision.

53. Changes and amendments to this Provision may be made by the Decision of the Board of Directors with the prior approval by the Committee.