

"ENDORSED"

*by the resolution of the Audit Committee
of the Board of Directors of Joint Stock
Company «National Company
«Kazakhstan Temir Zholy»
as of February 13th, 2019
Minutes No. 01/19
(with changes and additions dated
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"APPROVED"

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Directors of Joint Stock Company
«National Company «Kazakhstan
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**Internal Audit
POLICY
of Joint Stock Company
«National Company «Kazakhstan Temir Zholy»**

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1. General provisions

1. This Internal Audit Policy of Joint Stock Company «National Company «Kazakhstan Temir Zholy» (hereinafter referred to as "the Policy") was developed following the Internal Audit Guidelines for joint-stock companies more than 50 percent of voting shares of which are directly or indirectly owned by «Samruk-Kazyna» JSC approved by the resolution of the Management Board of «Samruk-Kazyna» JSC (Minutes No. 67/13 as of December 13, 2013).

2. The Policy has been developed following the key provisions and requirements provided for in the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors Inc.¹ (hereinafter referred to as "the Standards") and contains basic requirements to the work procedure and assessment of performance of Internal Audit Department of Joint Stock Company «National Company «Kazakhstan Temir Zholy» (hereinafter referred to as "the Department", "the Company" respectively).

3. The Department, in the exercise of its professional activity, is guided by the status of the Department, its objective, tasks and functions, rights and powers, as well as other requirements determined by the Regulations on the Internal Audit Department, the Code of Ethics and the Standards.

4. Rules and other internal documents of the Department drawn up in accordance with this Policy shall be endorsed by the Audit Committee of the Board of Directors of the Company (hereinafter referred to as "the Audit Committee") and/or approved by the Board of Directors of the Company (hereinafter referred to as "the Board of Directors").

5. The Policy does not preclude the possibility of developing and approving additional requirements and norms in relation to organization of activities of the Department conforming to requirements of this Policy and other documents approved by «Samruk-Kazyna» JSC concerning activities of the Department, as well as requirements of the Standards.

2. Standards of quality characteristics

2.1. Independence and objectivity

6. Independence of the Department in accomplishment of its tasks and functions is ensured by the relevant organization form which provides for organizational reporting and functional accountability of the Department to the Board of Directors of the Company. Direct mentoring of activities of the Department is exercised by the Audit Committee.

7. In the course of execution of tasks and functions conferred to it, the Department shall be independent of influence of any persons in order to ensure proper performance and objective and independent judgements.

¹ Institute of Internal Auditors is an international professional association aimed at promoting the internal auditing profession and supporting internal auditors worldwide. The Institute brings together around 170,000 people in more than 100 countries. Institute of Internal Auditors has developed and is actively disseminating [the International Standards for the Professional Practice of Internal Auditing](#) and [the Code of Ethics](#) for internal auditors which aim at promoting and supporting high professional and ethical standards among members of the Institute and all internal auditors

8. Independence in drawing up an annual audit plan, choosing internal audit methods and procedures, volume of work for achieving the objective and reflecting the audit opinion is the criterion of independence of the Department.

9. Internal auditors shall be impartial and unbiased in their activities and shall avoid conflicts of interests.

10. In order to comply with the objectivity and impartiality principles in performing their functions, internal auditors shall not be engaged in any type of activities that further may be subject to internal audit and be engaged in auditing activities or functions performed by them within the period being audited.

2.2. Professional competence

11. Internal auditors shall have knowledge and skills necessary for the exercise of their official duties.

12. The personnel of the Department shall have the necessary collective knowledge to perform their role and improve it in the process of continuous professional development and advanced training.

13. Internal auditors shall demonstrate professional attitude towards work, the criterion of which is the ability to assess:

- the amount of work required to achieve the objectives of an audit engagement;

- the needs and expectations of clients, including the nature and timing of the engagement on provision of consultations, as well as the form of reporting on the results;

- the relative complexity, materiality or significance of the issues in respect of which guarantees and consultations are provided;

- the adequacy and effectiveness of risk management, internal control and corporate governance systems;

- the likelihood of significant errors, fraud or non-compliance with procedures;

- the cost of providing audit guarantees and consultations as compared with potential benefits.

14. Internal auditors shall have sufficient knowledge of key risks and control procedures associated with information technology and be able to use automated audit methods in the amount sufficient to perform the assigned tasks.

15. Internal auditors shall have sufficient knowledge to assess the risk of fraud and how the Company manages this risk.

16. If personnel of the Department does not have sufficient knowledge and skills to perform an audit engagement or a part of the engagement, the Department has the right to engage consultants or use co-sourcing in the internal audit in the prescribed manner.

2.3. Requirements for the Internal Audit Quality Assurance and Quality Improvement Program

17. The Head of the Department shall develop and adopt the Internal Audit Guarantee and Quality Improvement Program, which provides for measures aimed at

ensuring the compliance of the Department's activities with the Internal Audit Definition, the Standards and the Code of Ethics, and ensure its implementation by the Department.

18. The Internal Audit Guarantee and Quality Improvement Program shall cover all types of activities of the Department and provide for internal and external assessment, the goals and objectives as well as the means of implementation of which shall comply with the requirements of the Standards and internal documents regulating activities of the Department.

19. Internal assessment within the Internal Audit Assurance and Quality Improvement Program shall be performed in the form of ongoing monitoring and periodic inspections, the content and requirements for which are established within the framework of relevant policies and procedures.

20. Ongoing monitoring is implemented with the use of processes, assessment and analysis tools, as well as information necessary for the subsequent assessment of the compliance of the Department's activities with the Internal Audit Definition, the Code of Ethics and the Standards. The processes and tools used in the ongoing monitoring process shall include:

- overseeing the fulfillment of the engagement in terms of internal auditors' compliance with the standards of independence, honesty, objectivity, confidentiality and professional ethics;
- control over the compliance of the internal audit procedures and methods as well as the working documentation based on their results with the internal audit policy adopted by the Company;
- checking the adequacy and validity of the findings and conclusions by the results of audit engagements;
- filling in check tables (checklists);
- feedback from customers and other interested parties;
- selective expert assessment of working papers by employees of the Department who do not participate in the relevant audit;
- taking necessary measures in relation to internal auditors in cases of non-fulfillment or improper fulfillment of their assigned responsibilities;
- analysis of other performance indicators (such as, for example, duration of the audit cycle and adoption of recommendations).

21. Periodic inspections of the Department's activities shall be performed at least once every three years in order to assess the compliance of the Department with the Internal Audit Definition, the Code of Ethics and the Standards, both in the form of self-assessment and with the engagement of a qualified independent third-party expert in the field of internal audit (certified internal auditor) or a group (team) of auditors formed at the level of «Samruk-Kazyna» JSC from among the specialists of «Samruk-Kazyna» JSC Group.

22. A periodic inspection shall be performed with the use of the methodological manual on quality assessment of the Institute of Internal Auditors or a similar methodology. The structure of reporting based on the results of internal assessments shall ensure a sufficient degree of objectivity and confidence in the results of an audit engagement.

23. The external assessment of the Department shall be performed by a qualified and independent appraiser at least once every five years. External assessment can be performed:

- in the form of a complete external assessment;
- in the form of self-assessment with independent external confirmation.

24. The external assessment shall cover a wide range of issues, including the following elements of the internal audit activities:

- compliance with the Internal Audit Definition, requirements of the Code of Ethics and the Standards, as well as the Regulations on the Internal Audit Department, plans, policies, procedures, practices and applicable legal and regulatory requirements;
- expectations regarding internal audit activities expressed by the Board of Directors, the Audit Committee, the executive body and functional management;
- integration of internal audit into the Company's management process, including interaction between and within groups of key participants in the process;
- tools and methods used in internal audit;
- a set of knowledge, experience and special skills of personnel, including the attention of personnel to the improvement of processes;
- determination of the contribution of internal audit to the improvement of the Company's activities.

25. The Head of the Department shall discuss with the Audit Committee the frequency of external assessments, qualifications and independence of an external appraiser, including any possible conflict of interests. When selecting an external appraiser, the Head of the Department shall ensure that requirements of the Standards for qualifications and independence of the external appraiser are considered and followed.

26. Reports on the results of periodic assessment and external assessment of the Department are reviewed by the Audit Committee and the Board of Directors with the adoption of relevant decisions and recommendations.

3. Ethical standards

27. Internal auditors shall base their activities on the principles of honesty, objectivity, confidentiality, professional competence and adhere to the rules of conduct that comply with these principles.

28. Honesty is a principle according to which internal auditors are required to perform their work in good faith and with due responsibility and, if required by professional standards of internal audit, disclose relevant information.

29. Objectivity is the principle according to which internal auditors are required to demonstrate the highest level of professional objectivity in the process of collecting, assessing and transmitting information about the audited entity and shall not be influenced by their own interests and the interests of others in making judgments.

30. Confidentiality is a principle according to which internal auditors shall not disclose information received in accordance with their powers, except for the cases

when the disclosure of such information is allowed by the terms of its provision or required by law.

31. Professional competence is the principle according to which internal auditors shall fully apply the knowledge, skills and experience necessary to provide internal audit services, continuously improve their professional skills and the quality of work.

4. Performance Standards

4.1. Annual audit planning

32. The Head of the Department shall effectively manage activities of the Department in order to ensure the maximum usefulness of internal audit for the Company.

33. Every year, no later than on November 1, the Department shall begin developing a draft annual risk-oriented audit plan for the next year specifying business processes, procedures, activities or functions (divisions of the Company) that are subject to internal audit.

34. Preliminary procedures conducted prior to developing an annual risk-oriented audit plan are:

- Compiling/updating the Map of Audit Areas (Audit Universe);
- analysis of the approved Risk Map and the Risk Register of the Company for the year under planning.

35. The Map of Audit Areas is compiled on the basis of all business processes of the Company, including project administration performed by subsidiaries of the Company. In addition, when compiling/updating the Map of Audit Areas, the structure of the Company's assets, including the acquisition or alienation of shares in subsidiaries of the Company, is taken into account.

36. The Map of Audit Areas shall be approved by the Company's Audit Committee in accordance with the established procedure. If necessary, the Map of Audit Areas shall be updated and undergo the approval procedure in the prescribed manner.

37. The Department can perform audits of business processes not covered by the Map of Audit Areas on the basis of the relevant decision of the Board of Directors of the Company.

38. After determining the areas to be audited internally, internal auditors shall assess the importance of each area in terms of the tasks assigned to the Department and determine the areas that shall be covered by the annual audit plan. Meanwhile, there is a need to focus on business processes and areas of the Company's activities with the highest risks associated in accordance with the Risk Map, and/or those business processes in which the internal control systems are the least reliable.

The basis for development of the annual audit plan is the Risk Map, which shall be compiled by the Company's management, who is responsible for the effectiveness of risk management and internal control, and the Map of Audit Areas drawn up by internal auditors. The Department, in turn, shall perform independent risk assessment in order to ensure identification of new risks and/or possible reassessment of existing risks. The Department shall verify assessment of key risks

faced by the Company, as well as assist in risk management through the elaboration of recommendations based on completed audit engagements and information provided.

39. The Head of the Department shall ensure compiling a risk-based annual audit plan (**in the form of Annex 1**), taking into account resources of the Department needed for implementation of the plan, including calculation of the time spent on internal audit and the time required for the advanced training of internal auditors and their annual leaves (**in the form of Annex 2**).

40. To determine the required scope of the annual audit plan, the Department shall consider the following:

1) resources shall be concentrated on those business processes and areas of the Company's activities that are characterized by critical risks, while the large (high) risks and, appropriately, medium and low risks shall be included in the audit plan to confirm the adequacy of the rating criteria and the accuracy of determination of the risk group, as well as to ensure the audit comprehensiveness;

2) significant changes in processes, operations, technologies, corporate structure, results of the review of modified processes/projects;

3) complexity of the processes of the auditee, materiality/significance of business processes;

4) rating of the auditee based on the results of the previous audit;

5) the time elapsed since the previous audit;

6) information available to the Department on specific areas of the Company's and its subsidiaries' activities, in particular, regarding the quality of risk management and internal control systems and changes recently introduced to these systems;

7) the impact of regulatory requirements on business processes;

8) proposals/requests for auditing from management and structural divisions of the Company and its subsidiaries;

9) the extent to which the Department can use the work of the second line of defense, as well as external auditors, regulatory and supervisory authorities, consultants.

41. When drawing up the annual audit plan, goals demonstrating the usefulness and effectiveness of internal audit for the Company shall be defined for each audit engagement.

42. The objectives of audit engagements shall be related to the results of the preliminary risk assessment and the internal control system referring to the auditee (business process/sub-process, structural subdivision, subsidiary, Company) and assessment of corporate governance processes in the Company as a whole.

43. The Head of the Department shall provide a clear and precise statement of objectives of audit engagements for their adequate understanding and perception by both the auditee and customers, as well as internal auditors. Within the objective of an audit engagement, based on the field of audit, an appropriate form (type) of audit shall be justified:

– **Operational audit** - support of the view on the degree of confidence in the effectiveness of management of the auditee (the Company), including the assessment of the reliability and effectiveness of internal control systems;

- **Financial audit** - confirmation of the view that the accounts of the auditee are accurate and timely and that the reporting made on their basis is reliable;
- **Compliance audit** - assessment of compliance with the requirements of the legislation, internal documents of the Company and the adequacy of the systems and procedures applied to ensure compliance with these requirements;
- **Information system (information technologies) audit** - assessment of the security (safety) of the Company's information systems and the effectiveness of their use.

44. In drawing up the annual audit plan, the Department shall devote the necessary attention to one of the important tasks related to the assessment and issuance of relevant recommendations aimed at improving the corporate governance process regarding the achievement of the following objectives:

- 1) introduction, compliance and promotion of relevant ethical standards and values within the Company;
- 2) effective provision of information on risks and control of relevant bodies and divisions of the Company;
- 3) effective coordination of activities and exchange of information between the Board of Directors, the executive body of the Company, external and internal auditors.

45. Assessment of the effectiveness of the Company's internal control system (as a whole and/or in the context of key business processes), assessment of risk management and corporate governance systems generally shall be performed on an annual basis by the Department, to provide guarantees to the Board of Directors in relevant areas on an annual basis, as well as for the purpose of sound planning of activities of the Department.

46. The deadlines for the fulfillment of audit engagements in the annual audit plan shall be established taking into account the least influence on the current activity of the auditee. The planned deadlines for the implementation of audit engagements shall ensure the timeliness and relevance of reports provided to interested parties.

47. The draft annual audit plan (for the coming year) shall be submitted for approval by the Board of Directors of the Company no later than December 1 after preliminary consideration by the Audit Committee and in accordance with its resolution.

48. With the draft annual audit plan, the Department submits an analytical note on the substantiation of the audit plan and audit engagements.

49. The annual audit plan approved by the Board of Directors shall be submitted by the Head of the Department to the Head of the Company's executive body for information purposes.

50. The Head of the Department shall review the annual audit plan and discuss with the managers of audit engagements the need to make changes and additions to it, in the case of:

- obtaining unplanned engagements from the Audit Committee and/or the Board of Directors;
- identifying new risks and or reassessing existing risks based on the results of the performance of audit engagements.

51. The Head of the Department shall ensure timely adjustment of the annual audit plan and introduction of changes to it in the prescribed manner.

52. In the medium term, activities of the Department shall be aimed at ensuring adequate coverage of auditees in the Company and its subsidiaries for a three year period, provided that each high-risk auditee will be audited annually, with an average risk level – every two years, and with a low risk level – once every three years, taking into account the checks held by the second line of defense.

53. The list of auditees to be audited over a three-year period, taking into account the level of risks and inspections performed by the second line of defense in the Company and its subsidiaries, is determined by the Strategic Plan of the Department.

4.2. Performance of audit engagements

54. The Head of the Department shall ensure effective planning and performance of audit engagements provided for by the annual audit plan, by introducing best practices and procedures that contribute to the achievement of both the objectives of audit engagements and the goals and objectives of internal audit in general.

55. The process of performance of an audit engagement includes several steps, namely:

- planning of an audit engagement, including performance of a preliminary survey;
- conducting audit procedures;
- formation of the results of an audit engagement;
- the work of the Department with the materials of an audit engagement after the approval of the final version of the “Audit Report”, including the monitoring of the implementation of the recommendations of the Department.

56. A manager of an audit engagement shall control performance of the internal audit through the monitoring of:

- 1) the amount of actual work in comparison with the planned volume;
- 2) the performance of an audit engagement taking into account calculation of time spent on internal audit;
- 3) timely verification of the work performed, which shall be performed in order to avoid any non-standard situations after the completion of the audit.

57. Internal audit of auditees located in the area other than the location of the Company, if departure to the place of their location is necessary, shall be performed with a preliminary registration of official travels, in the manner prescribed by internal documents of the Company.

58. If necessary, the deadline for the performance of an audit engagement can be extended by the Head of the Department upon the memo of the manager of the audit engagement by making appropriate additions to the audit engagement.

4.2.1. Audit engagement planning

59. The process of audit engagement planning includes the following steps:

- 1) a preliminary survey of the auditee (business process);

- 2) development of an audit program;
- 3) determining the resources for the performance of an audit engagement, including calculation of time spent on internal audit;
- 4) drawing up an audit engagement.

60. The planning of an audit engagement shall be performed by the manager of the audit engagement with the involvement of internal auditors.

61. The process of planning of an audit engagement generally shall begin 15 working days before the commencement of the audit engagement.

62. Materials on the planning of an audit engagement shall be submitted for consideration of the Head of the Department 5 working days before the commencement of the audit engagement.

63. Responsibility for the quality, completeness and timeliness of planning of an audit engagement and submission of planning materials to the Head of the Department shall be entrusted to the manager of an audit engagement.

64. When performing urgent unscheduled audit engagements or asset inventory and liabilities recognition, the Department has the right to commence without performing separate planning procedures.

65. In order to perform internal audit effectively, internal auditors, shall develop and document the planning process for each audit engagement.

A) Preliminary survey of the auditee (business process):

66. For the effective planning of an upcoming audit engagement, a preliminary survey of the auditee (business process) shall be performed. The objective of this survey is to examine the actual goals of the auditee or business process audited, its structure or changes that took place since the last audit. Also, due attention shall be paid to assessing the level of materiality of the business process audited, which will make it possible to objectively form an opinion about the material consequences of the ineffective organization of the internal control system of this process for the Company as a whole.

67. At the stage of the preliminary survey, the auditors, depending on the auditee and purpose of the audit shall:

- analyze internal regulatory documents that govern the activity of the auditee or the organization of the process being audited;
- study the corporate structure, business processes of the auditee with a clarification of changes in its functions and structure which took place since the last audit (if any);
- perform familiarizing with databases and software serving the business process under consideration or business processes of the auditee;
- analyze the results of past audit engagements of this business process or auditee (if any);
- analyze the activities performed as a result of the previous audit, inspections of regulatory and supervisory authorities (if any), in order to assess the relevant measures taken;
- identify and interview the owner and other participants of the business process(-es) on the organization of the process(-es);

- analyze the actual purpose of the business process(-es) for their compliance with strategy for the development of the Company and the principles of goal-setting (specification, measurability, consistency, relevance, time limitation of achievement);
- study reports on the use of cost estimates (budget) of the audit object and on the executed work;
- study reports on the use of cost estimates (budget) of the auditee and on the executed work;
- analyze the results of risk assessment carried out by the Company's management (Risk register and Risk map) and, if necessary, carry out additional procedures for assessing the risk areas of the auditee or business process;
- identify problematic issues, the presence of which became known during the planning of the audit engagement;
- analyze the system of evaluation and indicators used to determine the effectiveness and efficiency of the process;
- analyze financial and other statements for the audited period.

68. Based on the results of the preliminary survey, the manager of audit engagement shall accurately determine the key aspects of the forthcoming audit (including timing and scope), on the basis of which the audit program is formed, as well as the audit procedures that will be used in assessing the design and testing the operational effectiveness of controls.

69. One of the key results of a well-conducted preliminary survey is an adequate understanding by the auditor of the actual organization of the analyzed business process or auditee (sequence of procedures responsible for execution, actual deadlines) and an objective assessment of the level of its regulation.

B) Development of the audit programme and identification of the resources:

70. Under the guidance of the head of the Department and the manager of the audit engagement, internal auditors shall draw up and document the audit programme (**in the form of Annex 3**) defining the scope and period of the audit, the nature, timing and scope of the planned audit procedures required to achieve the objectives of the audit engagement, based on the results of the risk assessment. The audit program shall be a set of instructions for the internal auditor performing internal audit, as well as a means of control and verification of the proper performance of work and ensure the effectiveness of internal audit.

71. The manager of the audit engagement shall calculate the time spent on the audit engagement (**in the form of Annex 4**), taking into account all its stages and shall determine the necessary resources to achieve the objectives of the audit engagement in coordination with the head of the Department. The composition of the audit team shall be determined on the basis of the nature and complexity of the audit engagement, time limit and the availability of actual resources.

72. The audit program shall be related to the calculation of the time spent on internal audit, which is an approximate estimate of the resources required to perform the audit engagement.

73. The manager of the audit engagement shall perform and/or ensure the following procedures when the audit programme is drawn up:

- 1) determine the nature of audit evidence required to obtain audit findings;
- 2) determine the procedures necessary for the gathering audit information;
- 3) identify priority actions and procedures to ensure the initial implementation of the most important and significant ones;
- 4) determine the types of operations/procedures and the appropriate sample size for testing control procedures.

74. The operations sample for testing operational efficiency of control procedures is determined by a reasonable method. The following circumstances and features of the internal control may affect the sample size:

- a) the frequency of performing manual internal control — the more manual internal control operates, the more operations are subject to test;
- b) materiality of internal control — internal control procedures that are relatively more important are subject to more extensive testing. For example, the more types of (financial) accounting misrepresentation are aimed at preventing internal control, the more important it is for testing;
- c) risk of failure of the tested internal control procedure — changes in the volume or types of transactions and operations, in the design of internal control, as well as the number and qualifications of key personnel responsible for the implementation and evaluation of internal control that occurred during the period under audit may require an increase in the sample size. In addition, the degree of dependence of this procedure on other internal control procedures, the complexity and level of subjectivity inherent to the internal control procedure, the dependence of the internal control procedure on the human factor affect the risk of failure of the tested internal control procedure;
- d) the level of automation of internal control procedures. In order to test the automatic internal control procedure, it is enough to perform only its repetition in the information system, i.e. the creation of a sample is not required. It is also necessary to confirm the effectiveness of the general computer (automated) controls procedures during the period.

75. Design and testing assessment of the operational effectiveness of controls is carried out in accordance with the working document (**in the form of Annex 5**) and is included in each audit program (except for the assessment of the effectiveness of risk management and internal control, Corporate Governance diagnostics conducted on the basis of appropriate methods and other unscheduled assignments).

76. Evaluation of the design effectiveness and operational effectiveness of internal control is carried out with the verification of evidence of internal control and its results (with information on the errors detected and corrective actions), which shall be documented.

77. In addition, the following methods can be used to assess the effectiveness of design and operational efficiency of control procedures:

- a) personnel interview of the auditee. The survey is conducted in order to assess the knowledge and skills of the personnel, as well as to obtain information on the actual transactions and operations procedure and internal control. The survey can

be conducted both among the personnel directly carrying out operations and internal control, and among the personnel whose role allows to have information on the effectiveness of internal control;

b) monitoring of transactions and operations and internal control. This method allows confirming the fact of internal control;

c) re-implementation of the internal control procedure. This method is used when no other methods provide satisfactory proof of the effectiveness of internal control, there is no documentation, and when internal control is automatic.

The separate application of most of the aforementioned methods of internal control evaluation cannot provide adequate assurance in the effectiveness of internal control design or operational efficiency of internal control. For example, when observing, there is a risk that the internal control procedure is carried out exclusively for the observer. When interviewed, personnel may provide information on the approved internal control procedures, but may not follow such approach as a practical matter. In this regard, the methods of internal control assessment shall be combined depending on the characteristics of the tested internal control procedures.

78. In order to ensure the reliability of the information used for internal control, it is advisable to use the same documents and information systems that are used by the personnel of the object of audit in assessing the internal control.

79. The audit program is developed with the justification of the planned procedures based on the results of the preliminary survey and the necessary resources to achieve the objectives of the audit engagement.

This justification includes a general and brief description of nature of risks, testing procedures and their results, defected significant errors, misstatements, non-compliance with the procedures and other risk factors, the types of operations/procedures that are subject to the internal audit, the sample size, the results of the previous audit reports and audits of the regulatory and oversight bodies (indicating the status of implementation of recommendations). Upon the results of the justification, the scope and period of the audit, the composition of the audit team (with the distribution of operations/procedures (issues) subject to internal audit between internal auditors, including the manager of the audit engagement) shall be determined. This justification shall be reflected in the audit program itself or separately in the form of a research note.

80. The audit program drawn up by the internal auditor shall be agreed by the head of the audit engagement and approved by the Head of the Department based on the submitted justification for its content and the cost of resources for its implementation.

81. The audit program may be updated and revised in the course of fulfillment of the audit engagement and prevent the use of new audit procedures, as planning is the internal auditor of its work is carried on continuously throughout the run-time audit engagement, in connection with variable circumstances or the unexpected results received during the performance of auditor procedures as and when needed. The reasons for significant changes in the audit program shall be documented.

C) preparation of the audit engagement:

82. The audit engagement (and/or a letter of notification on the performance of the audit engagement) shall be prepared by the head of the audit engagement (**see the form in Annex 6**) based on the audit program and shall be approved by the head of the Department.

83. The audit engagement contains the following information:

- 1) name of the audit object;
- 2) objectives of the audit engagement;
- 3) the audit period;
- 4) list of operations/procedures (issues) subject to the internal audit;
- 5) the terms of performance of the audit engagement;
- 6) composition of the audit team;
- 7) a list of the requested information and other materials required by the audit team and prepared by the staff of the audit entity prior to the commencement of the audit engagement².

84. An audit engagement (and/or a letter of notification) shall be submitted to the audited entity prior to the commencement of the audit engagement in order to notify its management of the upcoming audit and to allow sufficient time to prepare for the internal audit.

The precautionary nature of internal audit means that each audit engagement has been planned, and the personnel of the auditee is notified of the time, business processes, procedures and criteria of the audit engagement in order to provide internal auditors with the necessary level of confidence and to exclude the possibility of evasion of the personnel of the object of audit from providing and demonstrating all the required data.

If possible, it is necessary to avoid unexpected visits to the auditee, unless the element of surprise is an essential part of the audit procedures.

4.2.2. Conduct of an audit

85. Before the beginning of the internal audit, the manager of the audit engagement organizes and conducts an introductory meeting with the management of the auditee. At this meeting, the manager of the audit engagement introduces the management of the auditee with the audit engagement, the audit team, informs about the procedure and timing of the audit engagement, the working conditions of internal auditors and the procedure for interaction with the object of audit for the period of internal audit.

86. The purpose of the audit engagement is to carry out the audit procedures defined at the stage of planning the audit engagement to confirm the audit opinions. At the same time, internal auditors shall pay attention to those factors of activity of the auditee, which were not reflected in the audit program. Such factors may include cases indicating the existence of illegal actions in respect of the Company's property, which shall be immediately brought to the attention of the manager of the audit engagement and the head of the Department by internal auditors.

² If necessary, the audit engagement may contain a reservation that the list of requested information and documents is not exhaustive and can be expanded by the audit team during the audit.

A) Audit procedures:

87. In order to improve the efficiency of the internal audit, the Audit Engagement Leader, in agreement with the Head of the Service (if necessary), should ensure the development of detailed instructions on the methods of sampling, testing and evaluating business processes.

88. Internal auditors shall assess the adequacy of the measures applied by the auditees (units of the Company) to ensure the achievement of their objectives within the framework of the company's strategic objectives. At the same time, the internal audit of compliance of individual business processes (activities) with the requirements of quality management systems is more important than the internal audit of compliance of a separate units of the Company, as it includes activities at the junctures of various units and officials of the Company who participate in the implementation of the requirements for the auditee. In addition, it helps to encourage participants in management systems (units and officials of the Company) to good interaction with each other.

89. If the purpose of the audit engagement is to assess the effectiveness of the internal control system or to assess the effectiveness of risk management of the Company as a whole, the audit engagement may be performed on the basis of the appropriate assessment methodology. At the same time, these assessments shall be based on the basic principles and approaches within the framework of the methods approved by «Samruk-Kazyna» JSC, with maximum adaptation of these methods taking into account the specifics, structure and complexity of the Company's business processes. The head of the Service and/or Audit Engagement Leader shall take measures to analyze the approved methods for the adequacy of the tested processes and evaluation criteria to Express an opinion on the state of the internal control and risk management system. If necessary, the Department makes amendments to the methodology with the inclusion of new sections and/or control procedures (tests) based on the Company's risk assessment. Amendments to the methodology shall be agreed upon by the Audit Committee and approved by the Board of Directors of the Company.

90. In order to obtain information on the organization of the internal control system (ICS) of the business process or the auditee, the internal auditors shall conduct:

- 1) evaluation of control design;
- 2) the evaluation of the performance of control procedures (testing);
- 3) the analysis of the elements of the ICS (including the assessment of the control environment);
- 4) overall assessment of the effectiveness of the ICS of business process.

91. The flowcharting, also known as process maps, which help to find out which stages of the process are unnecessary or inconsistent, is recommended to improve the efficiency of the internal auditor. Flowcharts are convenient because they:

- provide an opportunity to visualize the process in its discussion and analysis;

- facilitate understanding of the process as a whole and in the part where the problems arose;
- facilitate understanding of relationships and sequence of actions in the process;
- help to diagnose the problem;
- help to forward ideas about the root causes of the issues;
- are considered to be a documented procedure.

92. During the evaluation of the control design, auditors are recommended to use the following methods, the results of which shall be reflected in the working documentation:

- use/formation of the ideal business process scheme ("as it should be"). The scheme of the ideal process is formed in such a way as to guarantee the achievement of the goals of this process;
- comparison of the actual business process diagram ("as it is") with the ideal one;
- analysis of the availability and effectiveness of control procedures provided for in the regulatory and administrative documents on the audited process;
- analysis of the availability, quality and effectiveness of control procedures actually inherent to the process;
- comparison of the content and quality of the actual control procedures with the requirements of internal documents on the business process;
- evaluation of the effectiveness of the procedure with the help of statistical analysis of accidents over a long period (3-5 years);
- benchmarking and searching for "the best practices" to optimize control procedures.

The design of the control shall be evaluated taking into account both the cost of a separate control procedure and the cost of establishing and maintaining the entire ICS. In the case of multiple control procedures aimed at managing one risk or dependent risks, different options for using control procedures to avoid unnecessary (duplicate) procedures shall be evaluated.

93. Based on the results of the study of internal documents of the audited business process and interviews with the owner and other participants in the process, the audit team is recommended to evaluate:

1) to what extent the objectives formalized in the regulations, policies and other documents or designated by the process owner are consistent with the development strategy of the Company and general rules of goal-setting;

2) criteria used by management to determine the effectiveness and efficiency of the business processes;

3) compliance of the current system of motivation of the owner and participants of the business process with the objectives of the business process/sub-process. If the purposes of the business process is not formalized and it is hard for the owner of the process to formalize them clearly, the auditors shall be based on their own theoretical and practical knowledge and skills (including on the basis of benchmarking) to propose goals for a given process and indicators for their measurement and coordination with the owner of the process.

94. One of the main audit procedures aimed at obtaining adequate conclusions about the reliability and efficiency of the business process ICS is the testing of the actual risk management procedures inherent to the analyzed process.

Testing the reliability of the ICS is aimed at determining the auditor's probability of achieving the goal of the control procedure by which the owner of the analyzed risk can effectively manage this risk. In this case, the purpose of the control procedure is determined by the auditor or based on the analysis of internal documents on the process, interviews with the owner of the process, or independently based on the "the best practices" of the organization of these processes in similar companies.

As a rule, testing is carried out by auditors with the help of a selective method. The sample size shall provide sufficient assurance to the auditors that the conclusions drawn from the sample data analysis will be acceptable for the entire volume of data (the population) from which the sample is drawn. The sample size can be determined using special formulas obtained on the basis of probability theory and mathematical statistics, or determined on the basis of the auditor's judgement.

During testing, a wide range of tools and procedures are used, the execution of which will allow forming objective conclusions about the effectiveness of ICS, such as: comparison/ confrontation, data analysis, etc.

Testing of control procedures makes it possible to assess the reliability of control in terms of management of the analyzed risk and the possible consequences of the implementation of this risk (taking into account the extrapolation of the test results of sample data for the entire population).

95. In determining the effectiveness and adequacy of the internal control system, the actions (or inaction) of the Company's management and administration aimed at integrating internal control into all business processes, timely assessment of risks and the effectiveness of control measures used to cushion their effect shall be taken into account.

Internal auditors need to make sure that there are regulated procedures in the Company that will not allow to carry out activities without taking into account all the inherent risks and embedding in the processes of adequate risk control measures. The detections revealed by internal auditors can be a signal of a possible problem related to the absence or improper functioning of the internal control system in the Company.

96. Internal auditors need to make sure that there are regulated procedures in the Company to monitor the information flow (receipt and transmission of information) and ensure information security. At the same time, it is necessary to study the developed contingency plans with the use of redundant (backup) automated systems and/or devices, including the restoration of critical systems for the Company's activities supported by an external service provider, as well as the feasibility of these plans in case of unforeseen circumstances. It is necessary to consider the regulation of protection from unauthorized access and dissemination of confidential information and from the use of confidential information for personal purposes.

B) Detections and audit evidence:

97. All conclusions identified by the internal auditors facts detections shall be based on the audit evidence, which will represent the basis for the internal audit results and issued recommendations. Thus, internal auditors shall collect, analyze, interpret and document information to confirm audit conclusions.

98. The audit evidence shall be competent and sufficient. For this purpose, the elements of evidence collected from various sources (external and internal) must be consistent, relevant, meaningful.

The competence of audit evidence refers to its reliability, which can be obtained using adequate audit procedures.

The sufficiency of audit evidence means its adequacy and credibility, by which an informed, enlightened person can come to the same conclusion as the internal auditor.

99. Internal auditors shall discuss the findings with the persons who carry out the relevant procedures to determine the causes of non-compliance. All identified findings and causes of non-compliance shall be recorded by internal auditors in the template of working documentation (**in the form of Annex 7**) and shall be immediately brought to the attention of the manager of the audit engagement.

100. The completed template of working documentation on detections shall be submitted to the management of the object of audit, which must confirm its consent or disagreement with the documentation within two working days by signing on the documentation form. In case of refusal of the manager of the auditee from signing of the relevant working documentation, he shall provide justification of the position within the specified term.

101. The manager of the audit engagement shall discuss all critical and significant findings with the management of the auditee as they arise and maintain a list of all the findings in the current audit file.

102. Recommendations provided for minor detections, possibly orally (in consultation with the manager of the audit engagement), shall also be recorded in the relevant working documentation.

103. When conducting an internal audit, internal auditors shall always be aware of the objectives of the audit engagement, performing only the amount of work that is necessary to adequately meet these objectives and develop time management skills by setting priorities and determining the time required to perform the tasks.

104. In order to discuss the nature of all findings and determine their rating for inclusion in the audit report, the manager of the audit engagement shall organize and hold a meeting of the audit team with the management of the auditee.

105. Under the guidance of the manager of the audit engagement, the audit team shall review all findings, assess the associated risks, and determine the rating (nature) for each finding based on the risks on the following scale:

1) critical detection - the detected noncompliance poses a direct risk to the effectiveness of the Company's activities and the achievement of its goals. Critical detection requires immediate corrective or preventive action and shall be brought to the attention of the Board of Directors of the Company and shall be under special control;

2) important (significant) detection – the detected noncompliance poses potential risks for the Company and indicates the weakening of the internal control system. Significant detections also require corrective or preventive action and shall be brought to the attention of the Company's Board of Directors and management.

3) minor detection – the detected noncompliance affects the operating activities or the control environment in the Company and is characterized as the availability of opportunities to improve the internal control system. Minor detections also require adequate measures and shall be brought to the attention of the management of the auditee.

106. Detection related to fraud, theft of property shall be immediately brought to the attention of the head of the Department, which shall be taken measures depending on the nature of the risks (consequences) that entail detection data.

c) Recommendations and advice:

107. Recommendations on the results of the detected findings shall be **based primarily on the analysis** of the causes of violations, existing shortcomings and inconsistencies. This approach allows ensuring the best development of qualified and adequate recommendations aimed at eliminating the causes of deficiencies and improving the system of internal control and risk management in the Company.

108. Based on the results of the business process control design assessment, the audit team shall work out recommendations with the Company's management on the construction and optimization of the current internal control system of the analyzed process. The recommendations shall mainly focus on:

- improving the quality of the control procedure execution formalized in the Company's internal documents, including through development of an effective system of motivation for employees executing this control procedure (if the formalized control procedure is effective, but there are deviations during its actual execution);
- legalization of the actually executed control procedure (in case if the actually implemented control procedure is effective, but is not provided for by the requirements of internal documents);
- development and formalization of the control procedure and control over its proper execution (if the control procedure is not provided for by internal documents and the actual actions of employees do not allow for effective risk management).

109. Each recommendation shall be aimed at addressing the root causes of the problems identified through working paper templates and existing quality checklists. Assessment of fulfillment of the specified requirement is taken into account at filling out the quality control template (**under the form, specified in Annex 12**).

The main purpose of the root cause analysis is to identify factors that led to the problem, to define behavior, actions, inaction or conditions that need to be changed to prevent repetition of similar events, as well as to learn the lessons that will contribute to more favorable consequences.

One or several root causes can be identified; they can be quite obvious or combine a number of complex factors that led to the identified consequences. If the root cause of the problem is not obvious, it can be identified through deductive

analysis using the following basic approaches (**under the form specified in Annex 8**):

- brainstorm;
- five why's;
- Ishikawa diagram (fish bone diagram);
- Pareto chart.

Depending on the complexity of detection, it may be advisable to use one approach or a combination of several approaches. Involvement of a head of audit entity in the discussion process with internal auditors to identify jointly the root causes of the identified problems and the development of a corrective action plan will significantly improve the quality and sustainability of the audit improvement process.

110. Considering that the main task of internal audit is to provide objective guarantees, one shall be extremely careful in the matter of increasing the relative share of consulting work in the Department's activities in order to avoid negative impact on the subsequent objectivity of internal audit.

The Department may provide consulting support during the development of the internal control system, control procedures, but shall not be responsible for creating/building, maintenance efficiency and coordination of the internal control system since this is the direct and immediate task of the Company's management.

At the same time, internal auditors shall not focus only on identifying inconsistencies; their work shall be aimed at continuous improvement and adding value to the Company, which provides for any positive changes resulting in increased efficiency and performance of the Company.

111. Internal auditors shall inform the manager of audit engagement and the head of the Department on all problems and unusual situations that occurred during execution of audit engagement.

112. Based on the working documentation of the members of the audit team, the manager of audit engagement shall prepare a preliminary version of the audit report.

4.3. Audit report

113. After drawing up the draft audit report, the manager of audit engagement or the head of the Department shall organize and hold a meeting with the management of the audit entity to discuss and achieve a mutual understanding of the content of the draft audit report and issues not reflected in the report and provide the draft audit report.

114. Internal auditors shall be prepared for possible conflict situations if the audit report contains critical comments. Internal auditors shall be able to defend their point of view, be persistent and confident in their own abilities and be able to immediately confirm the facts and detail the results of the audit.

Resolution of disputes and disagreements between internal auditors and the audited entity can be regulated through meetings and discussions. If it is impossible to come to a consensus, the consideration of disagreements is submitted to the level of the Audit Committee of the Company.

115. Internal auditors shall make appropriate adjustments based on the discussions and the presented facts and treat fairly and objectively what is based on facts and is significant while maintaining their objectivity. To this end, internal auditors shall not avoid changes that make the audit reports more understandable and accurate and do not affect the objectivity of the audit report. If there are significant differences of opinions, the internal auditors shall reflect their own opinion in the audit report, while also reflecting a comment of responsible persons of the audit entity.

116. Audit report shall:

- include the objectives and scope of the audit and the audit opinion reflecting the objectives of the audit and the results of the performed work (**under the form specified in Annex 9**);
- contain audit findings, relevant recommendations and, if necessary, comments from the management of the audit entity;
- contain objective, constructive and complete information on findings to ensure quick introduction of recipients of the report with the results of the internal audit;
- contain general opinion on adequacy and effectiveness of the audited systems of internal control and risk management;
- contain, along with discoveries, a description of positive aspects of the area being audited;
- maintain diplomatic balance, taking into account the susceptibility of the addressees of the report. Emphasis shall be placed on the need for improvements and not focus on criticism of management activities and/or past events.

117. When preparing an audit report, the internal auditors shall be guided by the following basic requirements:

1) the title page shall contain the name of audit engagement and the audit entity, the audit period and be dated to the end date of audit engagement, since events and operations that took place from the end date of the internal audit to the date of signing the audit report are not subject to internal audit. In addition, the title page of an audit report shall indicate addressees;

2) audit report shall include objectives of audit engagement and brief information about the audit entity with the attached flowchart of the business process (s);

3) audit report shall contain a detailed description of the audit findings. Audit findings shall include the following main elements: assessment criteria, determination of the nature of the finding, causes and consequences.

Assessment criteria are those standards in accordance with which the procedures (functions) are subject to internal audit. The correct determination of the assessment criteria establishes the legitimacy of the results of the internal audit. Examples of assessment criteria are internal documents of the Company regarding the activities of the audit entity, taking into account the degree of sufficiency (perfection) of the internal control systems established by these internal documents, as well as professional judgments of internal auditors regarding the standards that ensure effective management of the audit entity's processes.

Determination of causes of the identified findings and the unsatisfactory state is a necessary prerequisite for recommendations regarding remedial measures to be truly useful. The reasons may be fairly obvious or they can be ascertained by logical reasoning to provide recommendations with specific and practical ways to correct an unsatisfactory state. The absence in the audit report of an indication of the causes of the problem situation may indicate the insufficiency of the performed audit work. Internal auditors shall not allow situations where the reasons may not be deliberately determined in order to avoid direct confrontation with the responsible persons of the audit entity.

The consequences are the risks associated with the activity of the audit entity. The consequences may be expressed in quantitative terms. If the actual consequences cannot be ascertained, then it may sometimes be useful to identify potential (possible) or intangible risks in order to show the importance of the identified problem. It shall be taken into account that the identified risks determine the nature of the finding (critical, important, minor) and the degree of urgency to implement the relevant recommendations.

Audit report shall reflect each finding with assessment of its nature (degree of importance). The method of color and letter designation for findings³ and recommendations is recommended to be used.

4) audit report shall provide recommendations that the management of the audit entity shall follow to correct the noted facts. Recommendations in audit report shall clearly show what needs to be specifically changed/corrected/implemented.

Recommendations shall be directed, first of all, to eliminate the causes of the violation or non-compliance, improve the internal control system of the audit entity and demonstrate the effectiveness and usefulness of the proposed measures for the audit entity.

The relationship between recommendations of the internal auditor and the reasons that caused such an unsatisfactory condition shall be clearly and logically stated. If such a relationship exists, there is a strong possibility that the proposed actions will be implemented and properly monitored.

Recommendations for creation and optimization of the existing ICS shall be justified in terms of the cost-benefit analysis.

Each recommendation shall be targeted and shall correspond to the description of specific facts, which together constitute the audit finding. Recommendations shall be sent to the persons authorized to take the necessary action.

Recommendations shall contain proposed deadlines that shall be adequate to the nature of the finding, the identified risks, and possible and/or proposed measures to eliminate them.

5) audit report shall also contain a comment from the management of the audit entity with respect to the identified facts and a corrective and/or preventive action plan proposed by the management of the audit entity (**under the form specified in Annex 10**), if any has been compiled. If the corrective action plan is included in the

³ For example: for critical findings – red A icon; for important findings – yellow B icon; for minor findings – green C icon

response of the management of the audit entity to the preliminary audit report, the report shall contain assessment of such a plan by internal auditors, including an assessment of the status of implementation of the recommendations made during the audit. If the management of the auditee does not consider that there is a need for a corrective action plan or does not submit it within the prescribed time, then it is obliged to provide documentary justification for its position.

6) audit report shall also contain information on the positive aspects/processes of the audit entity or business process.

7) audit report shall contain an audit report about the internal control system in the audit entity.

Based on the assessment of all findings and inconsistencies, the audit team, led by the manager of audit engagement, shall determine the preliminary nature of the audit report on the internal control system in the audit entity by assigning a rating to the internal control and risk management systems in the audit entity in accordance with the following scale:

1) high rating – the internal control system operates efficiently and reliably. Assessment of audit design and testing demonstrate a positive result about acceptable reliability of the ICS. The identified minor findings do not affect the effectiveness of the ICS of the Company's business processes;

2) above average rating – the internal control and risk management system operates satisfactorily providing reasonable guarantees for the achievement of the Company's objectives. The identified findings do not bear financial and operational risks for the Company and require the adoption of corrective measures at the level of owners of business processes;

3) average rating – the internal control and risk management systems require improvements in terms of organizing the business process and recording operations and introducing additional control that provides reasonable guarantees for achieving the Company's goals. Identified findings are predominantly important and require corrective or preventive actions;

4) low rating – the internal control and risk management system does not operate properly. Identified findings are primarily critical, affect significantly the results of operating and financial activities and require adoption of immediate corrective or preventive actions by the management. Findings and corrective measures require continuous monitoring until the situation is adequately improved;

5) zero rating – the internal control systems are not implemented in the audit entity and are in a very unsatisfactory condition.

118. Within 5 working days, from the moment of receiving the preliminary version of the audit report the management of the audit entity shall prepare a plan of corrective actions in relation to the identified nonconformities. If the corrective action plan requires more time for preparation, the management of the audit entity shall provide due explanations to extend terms for submitting the plan and agree it with the head of the Department.

119. The Department shall issue the final audit report within 5 working days from the receipt of the corrective action plan.

120. The manager of audit engagement shall introduce the internal auditors who participated in the performance of audit engagement with the audit report on completeness and objective indication of audit opinion therein. In case of disagreement of professional opinions of the head of the Department and the manager of audit engagement, and/or internal auditors on significant issues related to audit engagements, a corresponding document shall be drawn up, which together with the audit report shall be submitted to the Board of Directors of the Company.

121. Audit report shall be signed by the manager of audit engagement, the head of the Department and the head of the audit entity. Audit report shall be signed by the head of the auditing entity within 3 working days after receipt.

Based on the results of the execution of individual instructions of the Sole Shareholder, the Board of Directors / Audit Committee or other state bodies, a conclusion / certificate can be drawn up, which / is also subject to consideration and signing by the head of the audit object within 3 working days after receipt.

122. Audit report shall be submitted to the Board of Directors of the Company in accordance with the procedure established by it.

123. If the final audit report contains an essential error that was discovered later, the head of the Department shall submit the corrected information to all recipients of the audit report.

124. Reports prepared by the Department and indicating cases of fraud and embezzlement shall be submitted to the Audit Committee immediately after they are compiled (signed), for subsequent transfer to the Compliance Service for an appropriate investigation.

125. The head of the Department shall provide analysis of the information contained in the audit report on its completeness and accuracy.

4.3.1.Planning and execution of consulting assignments

125-1. The nature/field of consulting services provided is determined by the Regulations on the Internal Audit Service of the Company.

125-2. The Service may undertake assurance engagements in areas previously performed in consulting engagements, provided that the nature of the consulting engagement does not affect objectivity and personal objectivity is ensured in the assignment of human resources to the engagement.

125-3. Internal auditors may provide consulting services in areas for which they were previously responsible.

125-4. If the independence and objectivity of internal auditors may be adversely affected by a proposed consulting engagement, this should be disclosed to the client/client prior to accepting the engagement.

125-5. The head of the Service must refuse the task of providing consulting services or seek advice and assistance if the employees of the Service do not have sufficient knowledge, skills and other competencies to complete the task or part of it.

125-6. Internal auditors should demonstrate a professional attitude in the course of providing consulting services, taking into account:

- the needs and expectations of clients/customers, including the nature and timing of the assignment, as well as the format for reporting results;

— the relative complexity and amount of work required to achieve the objectives of the engagement;

- costs of providing consulting services compared to potential benefits.

125-7. The Head of the Service should consider proposals for the performance of consulting assignments, taking into account what opportunities exist during the performance of assignments to improve the risk management process, bring benefits to the Company and improve its operational activities. Tasks accepted for execution must be included in the plan.

125-8. In order to ensure adequate coverage and minimize duplication of work, the head of the Service should share information with other internal and external parties conducting audits and providing advisory services, and consider using the results of their work.

125-9. In the course of consulting assignments, internal auditors should consider the risks in accordance with the objectives of the engagement, as well as be prepared for the presence of other significant risks.

125-10. Internal auditors have the right to use knowledge of risks, obtained in the course of performing consulting assignments, in the process of assessing the Company's risk management processes.

125-11. Internal auditors may use knowledge of controls, obtained during the performance of consulting assignments, in the assessment internal control processes in the Company.

125-12. Internal auditors should agree with the party receiving advice (client/client) on the objectives, scope of the consulting engagement, responsibilities and other expectations of the client/client. For the most important assignments, approval should be in writing.

125-13. The objectives of consulting engagements should include consideration of corporate governance, risk management and control processes within the limits agreed with the client/client.

125-14. The goals of counseling engagements should be consistent with values, strategy and goals of the Company.

125-15. If during the performance of guarantee services it becomes possible to provide consulting services to a significant extent, the objectives, content, respective responsibilities and other issues should be agreed with the client/customer in writing. The results of the consulting engagement shall be communicated to the client/client in accordance with the standards applicable to consulting services.

125-16. When performing a consulting engagement, internal auditors should ensure that its scope and content are sufficient to achieve agreed goals. If internal auditors have doubts about the scope and content of the engagement during the course of the engagement, these concerns should be discussed with the Head of the Service and, if necessary, with the client/client to decide whether to proceed with the engagement.

125-17. In the course of consulting assignments, internal auditors should pay attention to control issues in accordance with the objectives of the engagement, and also be prepared for the presence of significant control deficiencies.

125-18. Counseling assignment programs may vary in form and content depending on the nature of the assignment and are determined by the head of the Service.

125-19. The procedure for receiving, storing and transferring documents related to the consulting task to internal and external parties is regulated by the internal documents of the Service and the internal organizational and administrative documents of the Company that comply with the norms of the law.

125-20. Messages about the progress and results of tasks by counseling may vary in form and content depending on the nature of the assignment and the needs of the client.

125-21. The Head of the Service must communicate to clients/customers final results of the consulting engagement.

125-22. During the course of consulting assignments, there may be problems were found in the field of corporate governance, risk management and internal control. If these problems are significant, they must be brought to the attention of the Executive Management and the Board of Directors of the Company.

125-23. The Service monitors the status of problematic issues identified as a result of the consulting assignment, within the limits agreed with the client/customer and in accordance with this Policy.

4.4. Monitoring of implementation of the recommendations issued

126. Control over implementation of the recommendations issued shall be carried out by the Department on a quarterly basis on all significant audit findings (**under the form specified in Annex 11**). The purpose of monitoring is to determine whether the audit comment was adequately resolved, i.e. the measures have been taken to reduce (prevent) the identified risks.

127. Monitoring of the results for all conducted internal audits are subject to verification by the Audit Engagement Leader and head of the Service.

128. The management of the audit entity is responsible for making decisions on the appropriate action in response to the audit results reflected in the audit report or other documents issued as a result of the internal audit. The Company's management may decide to accept the risk associated with non-compliance with recommendations due to cost or other factors. In this case, the position of the Company's management on the acceptability of the identified risks for the Company shall be documented and communicated to the Board of Directors of the Company.

129. The management of the audit entity is responsible for accuracy of the information provided to the Department. In the case of providing inaccurate, misleading, incompetent, untimely and incomplete information, the Department is obliged to inform the management, the Audit Committee and the Board of Directors on it for taking appropriate measures.

130. When controlling implementation of the recommendations issued, the Department shall be based on the existing risk, as well as on the degree of difficulty and materiality of the timing of corrective actions.

131. Before the end of the quarter, the Department shall request information from the responsible units/persons of the Company on implementation of the recommended measures, including recommendations from the external auditor.

The obtained responses shall be assessed by the Department and, if necessary, checks shall be carried out on validity of the responses to determine whether the measures taken by the audit entity (the Company) respond to the comments reflected in the audit report or other relevant documents.

132. If the management of the Company (audit entity) assume the risk that is unacceptable for the Company or the taken control measures are inadequate to the risk level, as well as non-implementation of recommendations, the head of the Department is obliged to inform the Board of Directors of the Company. In addition, the Company's Board of Directors shall be informed on the decision of the Company's management on all significant audit results, including the results of control over implementation of the recommendations issued.

133. Information on the results of control over implementation of the recommendations issued is used by internal auditors at planning audit engagements, as well as in other necessary cases, for example, at preparing opinions on draft internal documents of the Company.

134. All information on the results control over implementation of the recommendations/measures issued, including recommendations themselves, shall be executed by the Department as a separate audit file, separately according on recommendations issued by the internal auditors and external auditors.

4.5. Working documentation

135. Working documentation is documents and materials prepared by the internal auditors or received and stored by them in connection with an internal audit. Working documentation can be presented in the form of data recorded on paper, in electronic form or in another form.

Working documentation is used:

- 1) at planning and conducting an internal audit;
- 2) at implementation of an ongoing monitoring and verification of work performed by internal auditors;
- 3) for recording audit evidence obtained for confirmation audit opinions reflected in the audit report.

136. The information included in the working documentation shall be sufficient, valid, relevant, useful and provide a solid basis for confirming the identified findings and for providing recommendations.

137. Working documentation shall be compiled during planning and execution of each audit engagement and executed in the form of an audit file (folder). When performing audit engagements of the same type over a number of years, some audit files (folders) may be categorized as permanent, updated as additional information becomes available, but still remain significant, unlike current audit files (folders) that contain information related mainly to the current audit.

138. Working documentation shall be compiled and systematized in the way allowing to meet circumstances of each specific audit engagement and needs of internal auditors in the course of its implementation. The file size of working documentation (folder) shall allow another internal auditor to understand the work

performed and the validity of conclusions of the previous internal auditor solely on the basis of this working documentation.

139. Audit file (folder) of working documentation shall include the following working papers:

- 1) general information concerning the audit entity;
- 2) information reflecting the process of planning audit engagement, including the audit program and all changes and additions thereto and calculation of the time spent on conducting an internal audit;
- 3) justification of the audit program based on the results of the preliminary survey;
- 4) audit engagement;
- 5) working documentation on audit findings, including the results of testing the ICS of audited business processes and all materials on the evidence base of findings;
- 6) drafts and final version of the audit report;
- 7) if necessary, copies of documents of the audit entity to confirm the findings of the internal auditor;
- 8) plan of corrective actions by the management of the audit entity;
- 9) all correspondence regarding the implementation of audit engagement.

140. Working documentation is used by internal auditors at planning follow-up audit engagements providing that audit engagements may be repeated, expanded. Use of working documentation contributes to:

- 1) reducing the time spent on understanding of the nature of the audit entity;
- 2) identifying the area of risk;
- 3) improving the quality of making calculations of the time spent on conducting an internal audit through definition of the necessary time and labor resources with greater accuracy.

141. The head of the Department shall ensure development of standard forms of working documentation, requirements for their preparation, storage and protection (with provision of archival copies), access for external parties and their inclusion to the Internal Audit Policy adopted by the Company. Such standardization will facilitate the work of internal auditors and at the same time allow reliable monitoring of the results of their work.

All working documentation (information) contained on computers of employees of the Department (internal auditors) shall be used by them jointly and, when an internal auditor is dismissed, shall be handed over by him/her to the head of the Department in accordance with the established procedure.

4.6. Report on the activities of the Department

142. On a quarterly and annual basis the Department shall submit to the Audit Committee and the Board of Directors a report on activities of the Department for the reporting period, which shall include the following:

- 1) information on performance of the Annual Audit Plan in terms of audit engagements for the reporting period, causes and factors of deviations from the plan, subject to existence of such with formulation of the issue (if necessary) on adjustment to the Annual Audit Plan;

2) a brief overview of the completed audit engagements for the reporting period with indication of:

- significant findings, including those in the corporate governance system, in internal controls of audited business processes, identified risks, including facts and risks of fraud, affecting the achievement of the Company's operational and strategic goals⁴;
- reasons for the identified findings and inconsistencies (in a concise form);
- risk assessment (consequences) of identified findings;
- assessment of effectiveness of the internal control system of audited business processes with rating;
- the recommendations issued;
- the information on adoption/non-adoption by the Executive Body of the Plan of corrective measures based on the results of audit and recommendations not accepted by the Executive Body⁵;

3) information on restrictions in the activities of the Department related to performance of audit engagements;

4) information on implementation of recommendations of the Department given following the results of previous audits;

5) information on consulting services provided and the degree of their completeness and quality;

6) information on implementation of the Strategic Plan of the Department (following the results of the reporting year);

7) information on the results of monitoring of the implementation of recommendations of external auditors based on the results of audit of the Company's annual financial statements and/or the Company's Action Plan for their implementation, indicating overdue recommendations (actions);

8) information on other activities (work) conducted by the Department during the reporting period (information on interaction with an external auditor, regulatory bodies, information on participation in trainings, implementation of individual development plans by the Head and employees of the Department, etc.);

10) opinion following the results of audit activities in relation to audit objectives and scope, summarizing the results of audit activities for the reporting period.

143. As part of the annual report of the Department, a brief review of the completed audit engagements may be limited to indicating the most significant findings and recommendations for the reporting period with conclusions demonstrating effectiveness and usefulness of the Department for the Company. In addition, it is advisable to reflect the findings following the results of the assessment of effectiveness of the internal control and risk management system, IT audit in the Company.

⁴ Findings/recommendations for each audit engagements shall be outlined in order of importance, beginning from critical findings requiring immediate response.

⁵ In case of non-acceptance of a recommendation by the Executive Body (risk acceptance), the report shall state assessment (opinion) of the Department on reasonableness of risk acceptance by the Executive Body.

4.7. Assessment of the performance of the Head and employees of the Department

144. Assessment of performance of the head and employees of the Department shall be conducted following the policies and procedures approved by the Board of Directors that establish motivational key performance indicators (KPIs) and/or management systems according to objectives for the Head and employees of the Department, with assessment of their performance.

145. Assessment of performance and efficiency of employees of the Department according to the results of an audit engagement shall be conducted following a quality control template (**in the form, specified in Annex 12**).

146. The internal auditors quality control system is based on the professional opinion of the Head of the Department and a manager of an audit engagement, ensuring objective and comprehensive assessment of quality of work of internal auditors in the process of performing audit engagements.

147. The Head of the Department provides for ongoing assessment procedures on a regular basis (quarterly/semi-annually, annually) as part of the ongoing monitoring of activities of internal auditors. The degree of achievement of the objectives set for employees of the Department shall be reflected and presented to the Audit Committee and the Board of Directors as part of assessing performance of internal auditors, conducted on a quarterly/semi-annually and annual basis.

148. The system of management by objectives and quality control of the internal auditors' work help the Head of the Department to obtain necessary information for the further planning of professional training for internal auditors in order to improve the quality of work and ensure more effective use of professional qualities of internal auditors when planning and executing audit engagements.

149. The Head of the Department, on a quarterly/semi-annually basis, shall ensure that assessment of performance of activities by the Head and employees of the Department is submitted for consideration by the Audit Committee and the Board of Directors. Depending on the results of this assessment, the Audit Committee/the Board of Directors may issue recommendations/decide:

- on bonuses payment to the Head and employees of the Department in accordance with the results of the assessment;
- on changing the amount of remuneration of individual or all employees of the Department within the approved scale (scheme) of remuneration of employees of the Department or by reviewing the salary scheme of the Head and employees (based on an analysis of the salary survey, results of the Company's financial and economic activities, etc.) within the approved budget of the Company for the relevant year;
- on penalties in respect of individual employees for failure to fulfill objectives and tasks set or violation of requirements of the Standards and the Code of Ethics;
- on taking the measures under the Internal Audit Assurance and Quality Improvement Program;
- on participation of the Head and employees of the Department in selection of candidates for the Personnel Reserve of the Company or «Samruk-Kazyna» JSC.

150. The procedure for remuneration and calculation of the amount (ratios) of remuneration of the Head and employees of the Department shall be established by internal policies and procedures for organizing the work of the Department, taking into account the requirements of the Company's internal documents approved by the Board of Directors and governing issues of remuneration, performance assessment, bonuses payment and remuneration.

Annex 1
to the Internal Audit Policy
of JSC «NC «KTZ»

Annual Audit Plan
of the Internal Audit Department of JSC «NC «KTZ» for _____

No. No.	Name of an audit engagement	Risk rating	Period of execution of an audit engagement	Objectives of an audit engagement
I.	Central Office			
1.	<i>Names of business processes</i>			
2.				
II.	Branches			
	<i>Names of branches and business processes</i>			
1.				
2.				
III.	Representative offices			
	<i>Names of representative offices and business processes</i>			
1.				
2.				
IV.	Subsidiaries, dependent and jointly- controlled entities			
	<i>Names of business processes</i>			
1.				

2.				
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Head of
the Internal Audit Department

Annex 2
to the Internal Audit Policy
of JSC «NC «KTZ»

Calculation
of the time spent on internal audit and the time required for the advanced training of internal
auditors and their annual leaves
(for drawing up the Annual Audit Plan)

No.	Type of audit activities	Time in man-hours*				
		Head	Deputy Head	Senior Auditor	Auditor	Total
1	Department management					
2	Annual audit planning					
3	Procedures for planning a separate audit engagement					
4	Preparation of reports on activities of the Department					
5	Participation in preparation of the Annual Report of the Audit Committee					
6	Performance of audit engagements					
7	Preparation of an audit report					
8	Preparation of audit recommendations					
9	Monitoring of implementation of the recommendations issued					
10	Formation of working documentation					
11	Consulting activities					
12	Performance of an individual development plan					
13	Participation of internal auditors in the Company's audit conducted by an external auditor					
14	Annual leave					
15	Department management at the time of absence of the Head of the Department					
TOTAL						

*Calculation of time in man-hours based on the Balance of Working Time for 20____.
Head of the Internal Audit Department _____ full name

_____, 20 ____

Annex 3
to the Internal Audit Policy
of JSC «NC «KTZ»

Audit program

Name of an audit engagement _____
 Name of a business process (auditee) _____
 Objectives of an audit engagement _____
 Audit period _____
 Number of man-hours _____
 Risk rating (following the results of a risk assessment analysis) _____
 Internal auditor (full name, position, signature) _____
 Date _____

No · No ·	List of audit procedures	Audit method	Period of execution (number of man - hours)	Documents required for execution of an audit procedure	Working documentati on	Note
1.						
2.						

Agreed by:
 Manager of the audit engagement _____ (full name, position, date)

Approved by:
 Head of the Internal Audit Department _____ (full name, date)

Annex 4
to the Internal Audit Policy
of JSC «NC «KTZ»

Calculation
of the time spent on a separate audit engagement

No .	Type of audit activities	Department management	Procedures for planning a separate audit engagement	Performance of an audit engagement	Preparation of an audit report	Formation of working documentation	TOTAL
1	Head		x	x	x	x	
2	Manager of an audit engagement	x					
3	Internal Auditors	x					
Total man-hours							

Manager of the audit engagement _____ full name
_____, 20 ____
(date of signing by the manager of an audit engagement)

Head of the Internal Audit Department _____ full name
_____, 20 ____
(date of signing by the Head of the Department)

Annex 5
to the Internal Audit Policy
of JSC «NC «KTZ»

**Design assessment and testing of operating efficiency of inspection
of a business process “ _____ ”**

1	2	3	4	5	6	7	8	9	10	11	12
N o.	Code of a business process	No. and name of a sub-process or operation	Code and name of the risk impeding achievement of a goal	Purpose of auditing this risk and Audit Description (Who? What is he/she doing? When and for how long)	Regulatory document	Type of audit (manual, automatic or IT-dependent)	Audit frequency	Test 1 (Yes/No)	Audit trail (actual)	Test 2 (Yes/No)	Test 3 (Yes/No)

13	14	15	16	17	18	19	20
Test 4 (Yes/No)	Test 5 (Yes/No)	Description of finding	Rating of finding	Assessment of audit design (following the result of end-to-end audit)	Recommendation	End-to-end audit was conducted by (full name)	Date of end-to-end audit

When assessing the design of efficiency of audit procedures, the following techniques are used:

- availability of an ideal scheme of business process (“how it should be”). The scheme of an ideal process shall be formed in such a way as to ensure the achievement of objectives of this process.
- comparison of the actual scheme of a business process (“as it is”) with an ideal one;
- analysis of availability and effectiveness of audit procedures, stipulated in regulatory and directive documents on an audited process;
- analysis of availability, quality of performance and effectiveness of audit procedures actually inherent in the process;
- comparison of the content and quality of execution of actual audit procedures with requirements of internal documents on a business process;
- assessment of effectiveness of a procedure using a statistical analysis of incidents over a long period (3–5 years);
- benchmarking and search for the “best practice” to optimize audit procedures.

Test 1 - to make sure that internal documents provide for an audit procedure by which the risk is managed and the goal of controlling this risk will be achieved.

Test 2 - to make sure that there is actually an audit procedure by which the risk is managed and the goal of controlling this risk will be achieved.

Test 3 - to make sure that audit procedures from internal documents and the actually executed ones are identical.

Test 4 - to make sure that the regulated audit procedure provides for a reasonable guarantee to achieve the relevant business goal.

Test 5 - to make sure that the actually executed audit procedure provides for a reasonable guarantee to achieve a relevant business goal (test of consequences).

Annex 6
to the Internal Audit Policy
of JSC «NC «KTZ»

“Approve”
Head of the Internal Audit Department of JSC
«NC «KTZ»
_____ full name
_____, 20____

Audit engagement

Auditee: _____
Objectives _____ of _____ an _____ audit _____ engagement

Audit _____ period: _____ from _____ through _____

List of operations/procedures subject to internal audit:

- 1.
- 2.
- ...

Management of an audit engagement is assigned to _____
_____ (full name, and position of the manager of an audit engagement).

Composition of the audit group includes:

1. _____ (full name and position of an internal auditor)
2. _____ (full name and position of an internal auditor)
- ...

The audit engagement shall be conducted within _____ working days on site, starting from _____, 20____ through _____, 20____.

In the event of non-standard situations in the process of performing an audit engagement, the manager of an audit engagement, in order to achieve objectives of the audit engagement, in coordination with the Head of the Internal Audit Department, shall provide audit of operations/procedures unforeseen by the audit engagement.

In these situations, as well as in other necessary cases, the head of the Internal Audit Service has the right to change the composition of the audit team.

The Head of the audited entity should provide the audit group with necessary preliminary information and materials by _____.

Annex: List of requested information and other materials.

Manager of an audit engagement (full name)

_____, 20____

(date of signing by the manager of an audit engagement)

I have read and understood the audit engagement:

Head of the audited entity (full name)

_____, 20 ____
(date of signing)

Annex 7
to the Internal Audit Policy
of JSC «NC «KTZ»

Template of working documentation for findings

Reference to working paper: _____
Drafted by (full name, position of an internal auditor): _____ Date,
signature: _____
Checked by (full name, position of the manager of an audit engagement):
_____ Date, signature: _____
Identified inconsistency rating⁶: _____

	Audit judgment	Comments of the Head of the audited entity:
	Summary of an inconsistency: _____	
	Assessment criteria: <i>(what and how it should be)</i> _____	
	Facts: <i>(what was identified)</i> _____	
	Causes: <i>(why did this situation happen)</i>	
	Consequences: <i>(What are the consequences or probable consequences of this situation, if possible, using quantitative and cost indicators (if necessary with the attached justification calculations))</i>	
	Recommendations <i>(if possible, with an indication of the estimated costs of implementation of recommendations, assessment of direct/indirect economic effect from the implementation of recommendations in tenge (if necessary, with the attached justification calculations))</i> : _____	

⁶ 1) **critical findings** – identified inconsistencies present an immediate risk to performance of the Company and achievement of its goals. Critical findings require immediate corrective or preventive actions and shall be brought to attention of the Board of Directors of the Company and shall be under special control;

2) **important (significant) findings** – identified inconsistencies present potential risks for the Company and indicate weakening of the internal control system. Significant findings also require taking corrective or preventive actions and shall be brought to attention of the Board of Directors of the Company and the management of the Company;

3) **minor findings** – identified inconsistencies affect the operating activities or the control environment in the Company and are characterized as being the possibility of improving the internal control system. Minor findings also require adequate measures and shall be reported to the management of the audited entity.

_____ (full name, signature of the Head of the audited entity)

Annex 8
to the Internal Audit Policy
of JSC «NC «KTZ»

Root cause analysis

A brief description of the four approaches to the root cause analysis is presented below:

Pareto Principle is a method of solving problems, which is based on the search for 20% of the main reasons, which lead to 80% of all problems in order to improve the overall result of a project.

Brainstorm is a method of group work by using which participants try to find a solution for a specific problem by collecting a list of ideas spontaneously expressed by group members.

Ishikawa Diagram is a visual approach, often referred to as the fish skeleton diagram, used to understand all the possible causes of a problem, by listing the reasons according to categories into which, if desired, one could go deeper to identify the root cause.

Five Why's is an iterative survey method used to study causal relationships underlying a particular problem. The approach is to identify the root cause by repeating the question “Why?”. Each question underlies the next question.

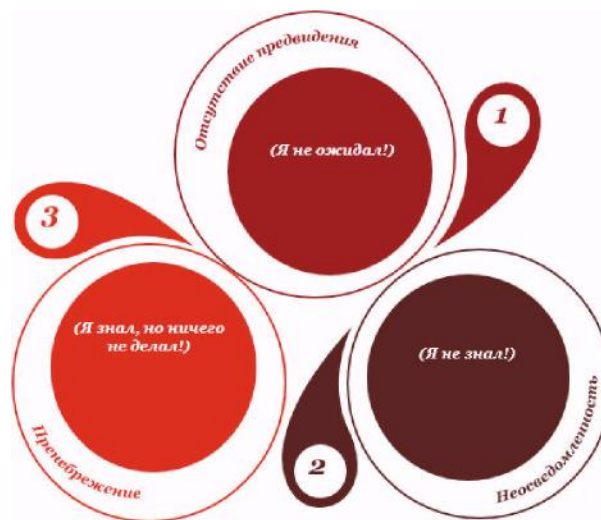
For all methods, it is advisable to consider the factors in the following categories:

Main reason	Description
People	Any participant in the process
Process	How the process is implemented and specific requirements for its implementation, such as policies, procedures, rules, regulations and laws
Technology	Any equipment, computers and tools needed to solve the task.
Materials	Raw materials used for production of the final product
Measurements	Process data used to assess the quality.
Environment	Conditions such as location, time and culture in which the process operates

“Five “Why's” method

The “Five “Why's” method is a simple method that helps to establish a causal relationship in direct sequence, coming from the consequence to the cause until finding the root cause. The “five” in the title comes from an empirical observation of the number of repetitions of the procedure, which, in most cases, are necessary to resolve the problem. The method does not provide for strict rules regarding a series of questions or duration of the process of searching for additional root causes. Consequently, even though the requirements of the method are implemented in strict accordance with the rules, the result still depends on knowledge and perseverance of the involved people. The real reason, as a rule, indicates a process that operates improperly or a lack of process. Inexperienced professionals are often faced with the fact that the answers point to typical excuses, such as lack of time, insufficient investment, lack of human resources. These answers may be true, but not controllable. Therefore, instead of posing the question “why?” it is necessary to formulate the questions in the following way: “Why is the process ineffective?” or “What are the factors that directly led to the consequences?”

The three main mechanisms are presented below:



Source: The PwC Internal Audit Methodology

Procedure

- Write down a specific observation. A written statement of the problem contributes to the process of formulating the problem and its full description. It also provides a team focus on a single issue.
- Ask why the problem occurred and write down the answer under the problem statement.
- If the provided answer does not reveal the root cause or does not act as a reason of a previously written problem, ask again why and write down the answer.
- Continue analyzing the answers to the questions “Why?” until the team comes to an agreement in establishing the root cause. This process may require asking fewer or more than five “Why?” questions.

"Five "Why's" – example

Observation: State the possible reason: *Increased number of incoming calls*

Next, you need to ask the following questions:



Bear in mind that in this example, the fifth question “Why” implies the presence of an improperly operating process or alternative behavior, which is finding of a causal link.

Annex 9
to the Internal Audit Policy
of JSC «NC «KTZ»

Audit report

Name of an audit engagement
Purpose of an engagement:
Name of an audited entity
Period of execution of an audit engagement
Audit period

This audit engagement was conducted by the Internal Audit Department in accordance with the powers granted by the Regulations on the Internal Audit Department of JSC «_____».

This audit report is intended for consideration by:
(addressees are indicated)

JSC «_____»
Internal Audit Department

_____, 20____

Contents

1. _____
(name of the operation/procedure (issue) of the audit engagement) (No. of page)

2. _____
(name of the operation/procedure (issue) of the audit engagement) (No. of page)

◆

◆

◆

List of Annexes:

Annex number	Annex name	Number of sheets
--------------	------------	------------------

Observation

Findings

Causes

Consequences (risks)

Recommendations

Assessment of the internal control system

Annex: _____ on __ sheets.

It is necessary to take into account that the plan of corrective actions of the management (at its presentation) shall be drawn up as appendix to the audit report.

Manager of the audit engagement _____ full name

_____, 20__
(date of signing of the report by the manager of an audit engagement)

Head of the Internal Audit Department _____ full name

_____, 20__ (the date of signing of the report by the Head of the Department)

Read and understood:

Head (of the audited entity) _____ full name

_____, 20__
(date of signing of the report by the Head of the audited entity)

Annex 10
to the Internal Audit Policy
of JSC «NC «KTZ»

Plan of corrective and/or preventive actions proposed by the audited entity following the results of the _____ audit, conducted by the Internal Audit Department

Ser. No.	Summary of an inconsistency	Recommendations of the Department	Planned corrective and/or preventive actions	Deadline for corrective and/or preventive actions	Note
1					
2					

Head (of the audited entity) _____ full name

_____, 20__

(date of signing of the report by the Head of the audited entity)

Annex 11
to the Internal Audit Policy
of JSC «NC «KTZ»

Information

**based on the results of monitoring of the issued
recommendations dated _____, 20__**

Ser. No.	Name of an audit engagement (audit report) and deadlines of its implementation	Name of an audited entity – activity executor	Content of recommendations	Activity aimed to close the recommendation	Assessment of implementation of recommendations (audit remarks)	Note
1						
2						

Head of the Internal Audit Department _____ full name
(signature)

Annex 12
to the Internal
Audit Policy of JSC «NC «KTZ»

**Control of quality of work of internal auditors
following the results of an audit
on the topic: " _____ " "**

Ser. No.	List of Key Performance Indicators (KPIs)	Maximum score of KPIs, % for the manager of an AE	Manager of an audit engagement	Maximum score of KPIs, % for an internal auditor	auditor	auditor	auditor
1	2	3	4	5	6	7	8
1	<i>Implementation of objectives and tasks, including:</i>						
1.1	Objectives of audit engagements	10	0	10	0	0	0
1.1.1	Achievement of objectives of audit engagements by an internal auditor	10		10			
2	<i>Compliance with performance and labor discipline, including:</i>						
2.1	Standards of quality characteristics	10	0	10	0	0	0
2.1.1	Level of independence and objectivity of an internal auditor	5		5			
2.1.2	Professional competence of an internal auditor	5		5			
2.2	Compliance of internal auditors with ethical standards	10	0	10	0	0	0
2.2.1	Integrity	2		2			
2.2.2	Objectivity	2		2			
2.2.3	Confidentiality	2		2			
2.2.4	Professional competence	2		2			
2.2.5	Compliance with daily schedule and labor discipline	2		2			
3	<i>Quality, timeliness and effectiveness of performed work, including:</i>						
3.1	Compliance of an internal auditor with planning procedures for a separate audit engagement	15	0	10	0	0	0
3.1.1	Correctness of identification of objectives of an audit engagement by an internal auditor	7		5			
3.1.2	Compliance with preliminary planning procedures for an audit engagement by an internal auditor	5		5			
3.1.3	Manager of an audit engagement determining adequacy of resources to perform the audit engagement	3		x	x	x	x
3.2	Performance of an audit engagement	25	0	35	0	0	0
3.2.1	Compliance with requirements for performance of an audit engagement by the manager of the audit engagement and an internal auditor	10		15			
3.2.2	Timely informing of the manager of an audit engagement and the Head of the Department about the main results of internal audit, which may affect the content of audit reports	10		10			
3.2.3	Compliance with deadlines for an audit engagement by	X	X	10			

	an internal auditor						
3.2.4	Compliance with deadlines for implementation of the quarterly plan by the manager of an audit engagement	5		X	X	X	X
3.3	Audit report	15	0	10	0	0	0
3.3.1	Readiness of an internal auditor for possible conflict situations in case the audit report contains serious remarks	5		4			
3.3.2	Ability of an internal auditor to defend his/her point of view, perseverance and self-reliance and willingness to immediately confirm the facts and detail the audit results	5		4			
3.3.3	Compliance with requirements for the form of the audit report by the manager of an audit engagement and an internal auditor	5		2			
3.4	Audit recommendations	15	0	15	0	0	0
3.4.1	Sufficiency, validity, materiality, usefulness of information for confirming identified findings and for providing recommendations	5		5			
3.4.2	Availability, importance (value) of recommendations aimed at improving ways and methods of increasing the efficiency of general corporate governance and limiting the risks of corporate activities and the internal control system	5		5			
3.4.3	Level of identification of causes of identified findings and unsatisfactory state so the recommendations for corrective measures are really helpful	5		5			
	Degree of performance of KPIs by an audit engagement, % (score)	100	0	100	0	0	0
	Read and understood (signature, date)						

Note: score of maximum KPIs may vary according to the judgment of the manager of an audit engagement

Manager of the audit engagement _____ full name