

**Confirmed by
Resolution of the Board of Directors of
"KazTransOil" JSC
(minutes of the meeting
Dated "15" November 2012
No. 15/2012)**

**Regulations on the
Internal Audit Service
of "KazTransOil" JSC**

1. General provisions

1. The present Regulations determine the status of Internal Audit Service "KazTransOil" JSC (hereinafter – Service), mission, goals, tasks, functions of the Service, issues of interaction of the Service with the Board of Directors of "KazTransOil" JSC (hereinafter – KTO), Management Board, structural subdivisions of KTO, rights and responsibilities of the Service, issues of compensation of the Service employees, imposing disciplinary punishments on them.

2. The Service at implementation of activity is guided by the RoK legislation, KTO Charter, decisions of KTO bodies, the present Regulations, other internal documents of KTO. The Service carries out its activity based on the international professional standards of internal audit elaborated by Institute of Internal Auditors.

3. Determination of quantitative structure, the Service term of office, appointment of its head and other employees, early termination of their powers, determination of operating procedure of the Service, size and terms of payment of labour and awarding of employees of the Service, decision-making on imposing disciplinary punishments on them is carried out by KTO Board of Directors.

4. Labour agreements with employees of the Internal Audit Service are concluded by the General Director (Chair of the Management Board) on the basis of the decision of KTO Board of Directors according to the RoK labour legislation.

Employees of the Service cannot be elected to the structure of KTO Board of Directors and Management Board.

5. The Service carries out its activity according to the plan of work of the Service for the corresponding year, approved by KTO Board of Directors, and unscheduled tasks on the instructions of KTO Board of Directors or the Chair of KTO Board of Directors.

6. Employment duties, rights and responsibilities of the head and employees of the Service are defined by the corresponding duty regulations, which are elaborated on the basis of the present Regulations, labour agreements, KTO internal documents, and affirmed by the Chair of the Board of Directors or on his assignment by the Chair of the Committee on Internal Audit of the Board of Directors.

7. With a view of appropriate and effective implementation of assigned duties by employees of the Service, the Service shall be provided with necessary organizational and technical specifications, in particular:

1) all workplaces of the Service employees should be directly in the location of the KTO central office;

2) each employee of the Service should be provided with the desktop personal computer (laptops);

3) the Service should be provided with the necessary office equipment (fax, scanner, etc.), reference and periodical publications.

2. Status of the Service

8. The Service is the KTO body, which is directly subordinated and accountable to KTO Board of Directors, carrying out control of KTO financial and economic activity, assessment in the field of internal control, risk management, execution of documents in corporate governance and consultation with a view of improvement of KTO activity.

9. In order to control financial and economic activity of legal entities, shares/equity shares in which authorized capital belong to KTO, employees of the Service in the prescribed manner can be appointed to the members of audit commissions of these legal entities.

10. Monitoring of the Service activity is carried out by the Committee on Internal Audit of KTO Board of Directors (hereinafter – Committee on Internal Audit) in accordance with the Regulations of the Committee on Internal Audit of KTO Board of Directors. The issues related to the Service activity are submitted for consideration of KTO Board of Directors after preliminary coordination with the Committee on Internal Audit.

11. The Service shall be independent of influence of any persons at performance of the tasks assigned to it and functions with a view of their appropriate performance and ensuring objective and impartial judgments.

12. Independence of the Service is reached by means of providing of the corresponding organizational status of the Service and objective position of employees of the Service at performance of their duties.

13. With a view of observance of principles of objectivity and impartiality in the course of performance of functions the Service employees should not be involved in any kinds of activities, which subsequently can be exposed to internal audit, and be engaged in audit of activity or functions which were carried out by them during the period which is exposed to audit.

14. Assessment of the Service's activity and its head is carried out by the Board of Directors according to KTO internal documents on the basis of assessment which was carried out by the Committee on Internal Audit.

3. Mission and Goal

15. Mission of the Service lies in rendering of necessary assistance to KTO Board of Directors and Management Board in performance of their duties on achievement of KTO strategic objectives, in granting independent and objective guarantees and consultations aimed at creation of added value of KTO.

16. The main goal of the Service's activity is the provision of KTO Board of Directors with the independent and objective information intended for ensuring of KTO effective management, way of introduction of a system approach to improvement of risk management processes, internal control and corporate governance.

17. Activity of the Service should correspond to interests of KTO shareholders taking into account the requirements to the public companies, including requirements to disclosure of information and decrease of risks.

4. Tasks and functions

18. The main tasks of the Service are:

- 1) assessment of reliability and effectiveness of internal control system in KTO;

2) assessment of reliability and effectiveness of risk management system in KTO, promoting regular identification, prevention, assessment and monitoring of risks by granting reasonable guarantees in achievement of the purposes of activity (risk management) by KTO;

3) assessment of reliability, completeness, objectivity of accounting system and drawing up of KTO financial statements on its basis;

4) assessment of KTO observance of requirements of the RoK legislation and assessment of adequacy of systems and procedures elaborated and applied to ensure compliance to these requirements (compliance-control);

5) assessment of rationality and efficiency of use of KTO resources and applied methods (ways) of ensuring safety of KTO assets;

6) assessment of improvement of corporate governance process in KTO;

7) methodological promotion and coordination of activity of Internal Audit Services of subsidiary and jointly controlled organizations of KTO (further – SJCO).

19. The Service according to the tasks assigned to it in accordance with the established procedures implements the following functions:

1) carries out assessment of appropriateness and effectiveness of internal control system in KTO;

2) carries out assessment of comprehensiveness of application and effectiveness of methodology of risk assessment and risk management procedures in KTO;

3) carries out assessment of observance of the requirements of RoK legislation, treaties, KTO internal documents, and implementation of instructions of the authorized state bodies, decisions of KTO bodies and assesses the systems established in order to observe the requirements;

4) carries out assessment of appropriateness of measures applied by structural subdivisions of KTO to ensuring achievement of goals set before them, within strategic objectives of KTO;

5) carries out assessment on introduction and observance of the accepted principles of corporate governance, corresponding ethical standards and values in KTO;

6) carries out assessment of efficiency of receiving by appropriate KTO bodies and structural subdivisions of information on the issues related to risks and internal control;

7) carries out monitoring over execution of the external auditor recommendations by KTO;

8) carries out subsequent control over implementation of recommendations of the Service issued in accordance with the established procedures;

9) advises the KTO Board of Directors, the Management Board, structural subdivisions concerning organization of internal control and internal audit systems;

10) supervises activity of SJCO internal audit services and takes part in assessment of their activity, in case of absence in these organizations of boards of directors and/or committees on internal audit;

11) if necessary promotes carrying out audits in KTO, which are carried out by the external auditor;

12) carries out other functions assigned to the Service within its competence and not influencing the principle of its independence.

5. Qualification requirements

20. The head of the Service should have higher professional (financial and economic) education, experience in audit and/or accounting and/or finance sphere no less than 7 years, including on executive positions no less than 3 years, knowledge of the International Financial Reporting Standards and the international professional standards of internal audit developed by Institute of internal auditors, knowledge of RoK

regulatory acts, including concerning auditor activity, accounting, taxation are preferable in internal audit of the international public company or the international audit companies and in oil and gas industry. Obligatory presence of the certificate of competency on "auditor" qualification assignment, received according to the Law of RoK "On auditor activity", and/or certificate of internal auditor of CIA, and/or certificate of the jury accountant of ACCA and/or CPA, and/or DIPiFR diploma. Knowledge of Kazakh and English languages is preferable.

21. Employee of the Service should have higher professional education in the sphere of economy and finance, and/or accounting and audit, and/or information technologies, and/or legal sphere, and/or technical sphere, and also experience in these areas no less than 3 years, knowledge of the International Financial Reporting Standards and international professional standards of internal audit developed by Institute of internal auditors, knowledge of RoK regulatory acts, including concerning auditor activity, accounting, taxation. Presence of the international certificate of internal auditor of CIA or the certificate of the jury accountant of ACCA and/or CPA, and/or DIPiFR diploma, knowledge of the Kazakh and English languages is preferable.

6. Rights of the Service

22. The Service in order to implement the main tasks and functions the in prescribed manner has the right:

1) to access to personnel, production and other objects, to all documentation and any other information requested in connection with carrying out internal audit, including, to data and information, being commercial and official secrets of KTO;

2) to access to information base of KTO registration data (computer programs of accounting, etc.) on a constant basis in a passive mode, i.e. without the right of input and adjustment;

3) to request any information and documents, including draft documents submitted for approval by KTO General meeting of shareholders, Board of Directors, Management Board, to receive for familiarization resolutions/minutes of meetings of the bodies, and if necessary to receive extracts from resolutions/minutes of meetings;

4) for elaboration of planned measures of the Service and performance of separate tasks on the instructions of KTO Board of Directors or the Chair of KTO Board of Directors, with a view of receiving consultations on highly specialized questions as independent experts to involve employees of KTO, and experts of other legal entities (except for persons who during the calendar year preceding the audit were implementing activities or functions in KTO);

5) to hold consultations with KTO structural divisions, SJCO and other organizations on the issues within the competence of the Service;

6) to make offers to the Board of Directors on improvement of procedures and methods of internal audit, change of the monitoring system and administrative policy of KTO and SJCO;

7) to participate in preparation and implementation of KTO programs and projects on the Service activities;

8) to take part in the programs aimed at training, retraining, professional development of KTO employees and programs of certification of internal auditors;

9) to carry out other rights, not contradicting the RoK legislation, KTO Charter, the present Regulations and KTO internal documents.

7. Responsibilities of the Head of the Service

23. The Head of the Service is responsible for:

- 1) planning of activity and organization of work of the Service, ensuring scheduling of work of the Service for the corresponding year and control of its execution;
 - 2) ensuring elaboration of documents regulating activity of the Service, including methodical recommendations on internal audit and other documents concerning activity of the Service;
 - 3) ensuring timely representation to KTO Board of Directors of reports on the Service activity;
 - 4) periodic assessment of urgency of the Service tasks and functions for achievement its goals (no less than once a year);
 - 5) introduction of offers on determination of quantitative structure, staffing table, term of office of the Service, appointment of employees of the Service, and early termination of their powers, the Service operating procedure, size and terms of payment of labour and awarding of employees, imposing on the Service employees of disciplinary punishments, organizational technical provision of the Service;
 - 6) taking measures to increase the level of professional training of employees of the Service;
 - 7) initiating of convocation of meetings of KTO Board of Directors and/or Committee on internal audit on the issues within the competence of the Service;
 - 8) decision-making on all issues within the competence of the Service.
24. The head of the Service has the right to be present at General shareholder meeting on the issues which have been earlier considered by the Service, at the meetings of Board of Directors which consider the issues of activity of the Service, to offer issues for inclusion in the agenda of meeting of the Board of Directors, to submit for consideration of the Committee on internal audit of the Board of Directors of the candidate for inclusion in the structure of the Service employees.

8. Salary of the Service employees

25. The salary size of employees of the Service shall provide their independence from the KTO Management Board that is reached by determination of terms of payment of labour and awarding of employees of the Service by KTO Board of Directors.
26. Terms of payment of labour and awarding of employees of the Service, and granting social support, guarantees and compensatory payments are determined according to KTO internal documents.
27. The payment system of employees of the Service can be reconsidered by KTO Board of Directors on the results of monitoring of achievement by KTO of the approved purposes.

9. Imposition of disciplinary penalties

28. For violation of labour discipline, default or inadequate execution of assigned labour duties according to decision of KTO Board of Directors disciplinary penalties are imposed on the head and employees of the Service in accordance with the established procedure.
29. Financial responsibility of the head and employees of the Service and the procedure of compensation for the damage inflicted by them (in case or availability), and the procedures on imposing of disciplinary penalties are carried out in line with RoK legislation and KTO internal documents.

10. Submission of information to KTO Board of Directors

30. The service provides the KTO Board of Directors with reports on the Service activity preliminarily considered by the Committee on internal audit, in the following terms:

- 1) quarter – till the 25th day of the month following the reporting quarter;
- 2) annual – till the 25th day of the second month following the fiscal year.

On the request of the Chair of KTO Board of Directors the head of the Service submits the brief monthly report on the Service activity.

31. Summaries of reports executed by the Service on the results of auditor tasks and indicating cases of wrongful actions (inactions) of KTO employees should be submitted to KTO Board of Directors immediately after their conduct.

32. The head of the Service shall provide the analysis of information submitted to KTO Board of Directors, about its completeness and accuracy.

33. The reports on activity of the Service shall include:

1) short conclusions on the results of carried-out auditor tasks in line with the plan of work of the Service for the corresponding year, indicating the issued recommendations (if necessary attaching the corresponding materials);

2) information on other measures and work, carried out by the Service for the reporting period (results of unscheduled auditor tasks and monitoring of recommendations of external auditors, own recommendations, information on participation in trainings etc.);

3) conclusion on the results of auditor activity concerning set goals and the sphere of coverage of the audit, generalizing results of the auditor activity for the reporting period.

34. The Board of Directors considers reports on activity of the Service and in the established procedure takes decisions on them.

11. Interaction of the Service with the Management Board

35. The Service relations with the Management Board shall be based on the principle of independence, as the level of organizational and functional independence of the Service makes direct impact on objectivity of the Service employees.

36. The Service on the results of its activity submits to KTO Management Board a quality assessment of implementation of the accepted administrative decisions by KTO heads of various levels.

37. The Service within interaction with the management Board:

1) with a view of informing represents to KTO Management Board the approved by KTO Board of Directors action plan for the corresponding year;

2) provides the KTO Management Board with copies of the corresponding auditor reports made on the results of an auditor task.

38. The KTO Management Board in accordance with the established procedure shall:

1) promote creation of effective environment of control in KTO;

2) provide use of outsourcing/co-sourcing of any activity in the field of internal audit according to the decision of the KTO Board of Directors;

3) carry out administrative and organizational and technical support of the Service.

39. Intervention of KTO Management Board in the Service activity is prohibited.

12. Responsibility of the Service

40. The Service is responsible for timely and quality execution of functions and tasks assigned on it.

41. The Head of the Service in the prescribed manner is personally responsible for quality and timeliness of execution of functions and tasks assigned on the Service in accordance with the present Regulations, RoK legislation, labour agreement, duty regulations and other KTO internal documents.

42. The Service employees in the prescribed manner are personally responsible for quality and timeliness of execution of functions and tasks assigned on them in accordance with the duty regulations, labour agreements, RoK legislation, and other KTO internal documents

13. Interaction with other KTO structural subdivisions and other organizations

43. The Service, in executing tasks and functions assigned on it, in the prescribed manner interacts with all KTO structural subdivisions, SJCO and other organizations in line with the RoK legislation.

14. Final provisions

44. Amendments and addenda to the present Regulations in the prescribed manner can be introduced by decision of KTO Board of Directors.