

**Joint-stock company  
CENTRAL –ASIAN ELECTRIC POWER CORPORATION**

«Approved»  
by Decision of Audit Committee Members  
of CAEPCO, JSC

«07» December 2010.  
(Minutes № 2 )



«Approved»  
by Decision of the Board of Directors  
of CAEPCO, JSC

«08» December 2010  
(Minutes № 3 )

**Internal Audit  
POLICY  
of  
Joint-Stock Company  
CENTRAL –ASIAN ELECTRIC POWER CORPORATION  
(taking into account the additions and changes approved by the Board of Directors on 01.12.2011)**

Almaty, 2010

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This Internal Audit Policy (hereinafter referred to as the Policy) of CAEPCO, JSC (hereinafter referred to as the Company) has been developed in accordance with the Republic of Kazakhstan legislation, international professional standards of internal audit and internal standard documents of the Company.

The Policy regulates the internal audit activity of the Company and establishes the unified basic standards and requirements of procedure, quality and reliability of auditing which are binding upon the Company auditors.

## **1. MAIN DEFINITIONS AND ABBREVIATIONS**

1. Internal audit standard is a professional provision stating the requirements to the internal auditing of the whole activity range as well as to the evaluation of internal audit activity.

2. Independence ---- it is a freedom from conditions which might create a threat to the ability of Internal Audit Department of the Company (further- IAD), a manager or auditors to fulfill their obligations without bias.

3. Objectivity ---- a quality, a mental orientation which allows fairly, honestly and really evaluate the actions and situation.

4. Conflict of interests ---- any relations which actually are or might be perceived as not meeting the interests of the organization, or such situation when an internal auditor who is a person endowed by trust has a competitive, professional or personal interest.

5. A third-party organization ---- a legal entity which is not related to the Company and providing services in the specific area.

6. Independent expert ---- a legal entity or an individual which is not related to the Company and having special knowledge, skills and experience in the specific area.

7. Professional ethics ---- a system of professional moral norms, etiquette, including principles related to the profession and internal audit conducting procedure.

8. Professional competence - the quality including scope of knowledge, skills and experience of an expert which are enough to meet the requirements for a certain position.

## **2. STANDARDS OF QUALITY CHARACTERISTICS**

### **Standard of internal audit "Independence and objectivity"**

9. Independence of IAD while realizing its tasks and functions is provided by the proper organizational status which stipulates the accountability of IAD to the Board of Directors of the Company.

10. In order to properly perform the tasks and functions assigned to it and to ensure the objective and impartial judgments, IAD shall be independent from influence of the third parties, except for the Board of Directors of the Company and Audit Committee.

11. Criterion of independence of IAD shall be independence while drawing up the annual action plan, choosing a method and procedures of internal audit, scope of works to achieve the goal and representing the audit reports.

12. Internal auditors shall be impartial and open-minded in their work and shall void any conflict of interests.

13. With a view to comply with the principles of objectivity and impartiality the internal auditors shall not be involved in any kinds of activity which afterwards can be exposed

to internal audit or shall not conduct an audit of activity or the functions which have been carried out by them during the period which is being audited.

14. The internal auditor cannot be appointed to check the divisions of the Company if he/she is related to any of the Company's management members.

15. The internal auditor has not the right to combine work in other divisions of the Company, and also may not be elected into the Board of Directors of the Company.

### **Standard of internal audit "Professional competence of an auditor"**

16. Internal auditors should possess knowledge and skills necessary for performance of their personal duties.

17. The personnel of IAD should possess necessary collective knowledge for performance of its role and improve them in the course of continuous improvement of professional skills.

18. Internal auditors should pertain to their work from the point of view of a well-advised within reasonable limits and competent internal auditor.

19. In case the personnel of IAD does not possess sufficient knowledge and skills to perform an auditor's task or its part, IAD has the right in due order to involve advisers or to use outsourcing in the internal audit.

20. The level of professionalism should allow an auditor to perform auditing qualitatively by a selective method. Thus, it is necessary to consider: scope of auditing necessary for achievement of audit purposes; essentiality and importance of issues to be checked; sufficiency and effectiveness of the internal audit system.

### **Standard of internal audit "Improvement of internal audit quality"**

21. Actions for improvement of quality of internal auditors' work should be developed for the purpose of providing the quality of work and confidence that activity of IAD is being performed according to this Policy.

22. Monitoring process of general efficiency of actions for providing the quality of work should include the external evaluation and independent control.

23. The external evaluation to review the quality of IAD working should be performed during the external auditing.

24. The head of IAD should carry out monitoring of general efficiency of actions to provide the quality of work during the whole process of the auditor's task realization in order to achieve the purposes of the auditor's task.

25. The quality control system of internal auditors' work is based on standard procedures and policies as well as on professional opinion of IAD head and includes the following:

- 1) observance by internal auditors of standards of independence, honesty, objectivity, confidentiality and professional etiquette;
- 2) conformity of procedures and techniques of internal audit and the working documentation prepared by its results to this Policy;
- 3) submitting the basic results of the audit which can affect the content of audit reports to the head of IAD;
- 4) taking necessary measures in relation to the internal auditors in cases of default or inadequate performance of the duties assigned to them.

26. The system of quality control of work should promote the reception of information for the further planning of vocational training of auditors for more effective utilization of professional qualities of internal auditors.

### **Standard of internal audit "Professional etiquette of an auditor"**

27. Etiquette of internal auditors shall be based on the following principles:

1) **Honesty** -- the principle in accordance with which the internal auditors shall perform their functions in good faith with proper responsibility and it is required by professional standards of the internal audit to disclose the relevant information.

2) **Objectivity** -- the principle in accordance with which the internal auditors shall demonstrate the highest level of their professional objectivity during collection, evaluation and transfer of information on an audit object and in their judgments shall not be incurred to the influence of their personal interests and interests of other persons.

3) **Confidentiality** -- the principle in accordance with which the internal auditors shall not disclose the information received by them thanks to their powers, except for the cases when such information may be disclosed due to conditions of its submitting or is necessary in accordance with the legislation.

4) **Professional competence** -- the principle in accordance with which the internal auditors shall in full degree apply their knowledge, skills and experience necessary to perform the procedures of internal audit and constantly improve their professional skills and quality of work.

## **3. STANDARDS OF INTERNAL AUDIT PERFORMANCE**

28. Head of IAD shall effectively manage IAD activity in order to provide the maximum benefit of the internal audit for the Company.

29. Head of IAD shall develop the **risk-oriented plan** which defines the priorities of the internal audit in accordance with the aims of the Company. The plans shall be developed for a year as well as for every auditor's task.

30. Head of IAD shall define the **resources** necessary to achieve the aims of the auditor's task. Membership of the auditor's group shall be defined on the basis of the character and degree of complexity of the auditor's task, limited terms and availability of the actual resources.

31. Head of IAD shall report to Audit Committee and the Board of Directors of the Company on aims, responsibilities and duties of internal audit as well as on progress of execution of the annual plan and separate auditor's tasks. The reports shall include information on essential risks and problems of control, including fraud risks, problems of corporate governance and other information necessary for top Executive management and the Board of Directors.

32. Internal audit shall provide the **evaluation** and facilitate the improvement of processes of **corporate governance, risk management and control** through the systemized and phased approach.

33. Internal audit shall give the estimation and relevant recommendations on improvement of **corporate governance in relation to the following purposes:**

- 1) Popularization (promotion) of ethic norms and values within the Company;
- 2) Ensuring the effective management of the Company activity and responsibility to the work;
- 3) Transfer of the relevant information regarding the risks and control within the Company;

4) Coordination of activity and exchange of information between the Board of Directors of the Company, Audit Committee, internal and external auditors and executive management of the Company.

34. Internal audit should evaluate **risks** related to **corporate governance, operational activity and informational systems** of the Company regarding:

- 1) Reliability and completeness of the information on economic and financial activity;
- 2) Efficiency and operational performance;
- 3) Preservation of assets;
- 4) Compliance with the requirements of laws, legal acts and contractual obligations.

35. Assisting the Company management to improve the risk management processes the internal auditors should refrain from the direct participation in risk management, which is the responsibility of Executive management of the Company.

36. The aims which conform to the results of preliminary evaluation of risks should be defined for every auditor's task.

37. **Volume and content** of the auditor's task should be sufficient to achieve the aims of the task.

38. Internal auditors shall develop and record (document) **the work programs** which allow to achieve the aims of the task and should determine procedure of collecting, analyzing, evaluating and recording the information during the task performance.

39. Internal auditors should collect the sufficient **scope** of reliable, relevant information to achieve the aims of the task.

40. Internal auditors should state the **conclusions** and provide the results of the task based on the proper analysis and information evaluation.

41. Internal auditors should **record (document)** the relevant information with the aim to give reasons for conclusions and results of the auditor's task.

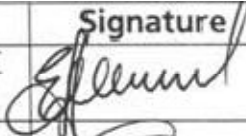

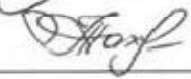
42. Head of IAD shall develop **the rules of keeping the records** related to the task not depending from information carrier. These rules should comply with the internal organizational and administrative documents of the Company and legal norms.

43. The proper **control** is necessary in order to achieve the aims, provide the quality of performance and improve qualification of IAD employees.

44. Internal auditors should **inform on the results** of the task performance. Such information should contain the aims, scope and content of the task as well as the relevant conclusions, recommendations and action plans. The information should be exact, unbiased, clear, short, functional, full and up-to-date.

45. Head of IAD should develop and support the monitoring system of actions of the Company management which are performed by the task results.

**APPROVAL SHEET**

	<b>Position, name, surname</b>	<b>Signature</b>	<b>Date</b>
	Member of the Board of Directors, President of CAEPCO, JSC E.A. Amirkhanov		01.10.11.
	Member of the Board of Directors of CAEPCO, JSC G.D. Artambaeva		01.10.11.
	Head of the Internal Audit Department Zh. Zh. Rakhimberlinova		02.10.11.







