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CONTROL

Internal audit

Mission and functions

Air Astana's Internal Audit Service (IAS) was created in December 2007 by a decision of the Board of Directors.

The IAS organises and carries out internal audits and reports directly to the Board of Directors. Supervision of the IAS is carried out by the Audit Committee in accordance with internal documents governing its activities.

The appointment and dismissal of the Head of the IAS falls within the remit of the General Meeting of Shareholders. The appointment and dismissal of IAS employees is within the remit of the Board of Directors.

The mission of the IAS is to provide assistance to the Board of Directors and the Company President in performing their duties to achieve the Company's strategic goals through the provision of independent and objective assurance and consulting activities designed to add value and improve the effectiveness of the following areas:

- » Risk management system;
- » Internal control system; and
- » Corporate governance system.

The IAS performs the following functions:

- » Evaluation of the adequacy and performance of internal controls in the Company's corporate governance and operational (production and financial) activities and its information systems with regard to:
 - achievement of the Company's strategic objectives, as well as the reliability and completeness of information on the Company's activities;
 - efficiency and effectiveness of the Company's activities and adopted programmes;
 - rationality and efficiency of use of the Company's resources and methods (means) of safeguarding the Company's assets;
 - compliance of established control systems with the requirements of legislation, normative documents, internal documents and resolutions of authorised bodies and Company bodies (compliance control);
 - » Evaluation of the Company's corporate governance system, including the implementation and compliance of accepted corporate governance principles with the Company's ethical standards and values;
 - » Evaluation of fraud risk and the effectiveness of fraud risk management within the Company;
 - » Evaluation of the implementation and efficiency of the Company's risk management methodologies and procedures;
 - » Audit of the Company's information systems;
 - » Verification of compliance with the legislation of the Republic of Kazakhstan, international agreements, the Company's internal documents and the implementation of instructions from authorised bodies, resolutions of Company bodies and the evaluation of systems developed to follow these requirements;
 - » Provision of consulting services to the Board of Directors, the executive body and the Company's structural bodies regarding improvement of internal control, risk management, corporate governance and the organisation of the internal audit function;
 - » Conducting unplanned audits;
 - » Monitoring the implementation of the external auditor's recommendations;
 - » Follow-up oversight over the implementation of IAS recommendations; and
 - » Other functions assigned to the IAS within the limits of its remit.
- Based on its evaluations and audits, the IAS issues recommendations (including those directed at the improvement of internal control systems, risk management systems, processes and principles of operations) and comments on any issues within its remit.

Audit process

The IAS operates in accordance with the Audit Plan approved by the Board of Directors. Its activities include assessments of the performance of the internal control system, risk management and corporate governance.

During its work, the IAS is guided by regulations on the IAS and methodological guidelines for the organisation of internal audits, as well as International Standards for the Professional Practice of Internal Auditing.

The IAS processes requests from various Company departments and publishes information on the Company's intranet. Requests can include the provision of consultations or advice on issues related to internal control systems, risk management, accounting, etc.

Compliance with standards¹

IAS activities conform with International Standards for the Professional Practice of Internal Auditing, which were confirmed by KPMG Tax and Advisory LLP, a qualified independent external consultant in April 2016.

External assessments of IAS activities are performed in two areas of the standards (quality standards and performance standards) and best international practice.

According to the most recent report, IAS activities fully comply with 48 international professional standards for internal audit.

In the framework of the most recent assessment, the maturity level of IAS activities in regard of international practice was characterised as "progressive", the highest level of maturity according to KPMG's methodology.

Valentina Khegay

Head of the Internal Audit Service

Valentina began working for Air Astana in 2006, having already gained considerable experience in the field of audit, finance and accounting. She started her audit activities in 1996. Prior to that, she worked as a chief accountant, a financial director and an external auditor for local and international companies. She has a PhD in Economics, is a Certified Internal Auditor (CIA and DipPIA from the ICFM), a licensed auditor of the Republic of Kazakhstan and a professional accountant. Valentina was appointed as the Head of the Internal Audit Service by a resolution of the General Meeting of Shareholders on 7 December 2007.

External audit

The external auditor adheres to the International Standards on Auditing and the International Financial Reporting Standards for rendering audit services.

The current practice of selecting an external auditor for Air Astana implies a set of procedures for selecting an auditor that precede the signing of an agreement for rendering audit services, in accordance with Air Astana Procurement Regulations approved by the Board of Directors. This procedure was developed in accordance with the laws of the Republic of Kazakhstan, as well as the Company's Charter, Procurement Regulations and other internal documents.

The auditor is selected for a period not exceeding three years. The auditor must develop a succession plan for achieving this result and submit the plan to the Audit Committee for consideration no later than one year before a new external auditor is selected.

Air Astana's external auditor for the period of 2017-2019 is KPMG Audit LLP, an independent audit organisation.

Ethical standards

Every year, all Company employees must take and pass a mandatory online course to confirm their knowledge of our Code of Business Ethics. We have begun updating the Code to comply with our HEART values. The amended Code will serve as a general guide for employees in situations that may arise in their day-to-day activities.

Management of conflicts of interest

With respect to conflicts of interest, we are guided by our Charter, Corporate Governance Code and Code of Business Ethics.

Every year, all directors must submit a letter confirming that they do not have any conflicts of interest. In case of a potential conflict of interests, the Directors involved must inform the Board and management immediately. No conflict of interest was registered in 2017.

Compliance policy

In 2017, we started designing a new compliance function. So far, drafts of the following policies have been developed: Anti-corruption Policy, Conflicts of Interest Policy and a Whistleblowing Policy, which are planned to be approved and implemented in 2018. In addition to existing reporting channels arranged for employees, we are planning to establish an independent third-party operator to provide a telephone, e-mail and web-based reporting capability that would ensure the anonymity of whistleblowers.

¹ International Standards for the Professional Practice of Internal Auditing.