

APPROVED

**By decision of the Board of
Directors NJSC “Abylkas Saginov
Karaganda Technical University”
(Minutes No. 7 dated 30/09/2021)**

PROVISION

**On the procedure for appointment, remuneration, and conditions of payment and
bonuses for employees of the Internal Audit Service of the Non-Profit Joint Stock
Company "Abylkas Saginov Karaganda Technical University"**

1. General Provisions and Abbreviations

1.1 These Regulations on the procedure for appointment, remuneration, and conditions of payment and bonuses for employees of the Internal Audit Service of the Non-Profit Joint Stock Company "Abylkas Saginov Karaganda Technical University" (hereinafter referred to as the "University" or "Company") have been developed in accordance with the Law of the Republic of Kazakhstan "On Joint-Stock Companies," the Corporate Governance Code of the University, the Charter of the Company, the Collective Agreement between the University and the University's labor union for the years 2023–2026, and other regulatory legal acts of the Republic of Kazakhstan *(this paragraph was supplemented by the decision of the Board of Directors of the Company dated December 27, 2023)*.

Company- Non-Profit Joint Stock Company "Abylkas Saginov Karaganda Technical University".

Service- Internal Audit Service.

KPI- Key Performance Indicator.

(this paragraph was supplemented by the decision of the Board of Directors of the Company dated November 12, 2024).

2. Procedure for Appointment of Internal Audit Service Employees

2.1 Determining the quantitative composition, the term of office of the Internal Audit Service of the Company (hereinafter referred to as the Service), appointment of the head and members of the Service, as well as early termination of their powers are performed by the Board of Directors of the Company.

2.2 Labor contracts with the Service employees based on the decision of the Board of Directors, are concluded by the Chairman of the Management Board, Rector of the Company in accordance with the labor legislation of the Republic of Kazakhstan.

2.3 The duties, rights, responsibility and work procedure of the head and employees of the Service are determined by the Provision on the Internal Audit Service, the labor contract, job descriptions, and other internal documents of the Company.

3. Qualification Requirements for Employees of the Internal Audit Service

3.1 The head of the Service must meet the following qualification requirements:

1) to have higher professional education in the following areas: economics and finance, and/or accounting and audit, and/or financial management, and/or finance and credit, preferably with additional education in the field of information technology and/or technical field, and/or jurisprudence;

2) work experience in the field of audit, and/or accounting, and/or finance (at least three years);

3) work experience in a managerial position at least two years;

4) knowledge of the regulatory legal acts of the Republic of Kazakhstan including those on the issues of auditing, accounting and taxation;

5) Have knowledge of international financial reporting standards and international professional standards of internal auditing developed by the Institute of Internal Auditors (The Institute of Internal Auditors Inc), and International Standards on Auditing (ISA) *(this paragraph was amended by the decision of the Board of Directors of the Company dated November 12, 2024)*;

6) it is preferable to have additional special training, namely, the presence of a qualification certificate "auditor" obtained in accordance with the Law of the Republic of Kazakhstan "On Auditing Activity", and/or a certificate in the field of internal audit CIA (Certified Internal Auditor), and/or a certificate of jury ACCA accountant (Association of Certified Chartered Accountants), and/or DipIFR (Diploma in International Financial Reporting), and/or CIPA (Certified International Professional

Accountant), and/or DipPIA (Diplomain Professional Internal Auditor) *(this paragraph was amended by the decision of the Board of Directors of the Company dated November 12, 2024);*

7) it is preferable to be proficient in the state and foreign languages.

3.2 An employee of the Service must meet the following qualification requirements:

1) to have higher professional education in the following areas: economics and finance, and / or accounting and audit, and/or financial management, and/or finance and credit, preferably with additional education in the field of information technology and/or technical field, and/or jurisprudence;

2) work experience in the field of audit, and/or accounting, and/or finance (at least two years);

3) knowledge of the regulatory legal acts of the Republic of Kazakhstan including those on the issues of auditing, accounting and taxation;

4) Have knowledge of international financial reporting standards and international professional standards of internal auditing developed by the Institute of Internal Auditors (The Institute of Internal Auditors Inc), and International Standards on Auditing (ISA) *(this paragraph was amended by the decision of the Board of Directors of the Company dated November 12, 2024);*

5) Possess a certificate and/or qualification in the field of internal auditing, and/or accounting and financial management *(this paragraph was amended by the decision of the Board of Directors of the Company dated November 12, 2024);*

6) knowledge of the state and foreign languages is preferable.

4. Amount and conditions of remuneration and bonuses to the Internal Audit Service employees

4.1 The amount of the official salary of the employees of the Service is determined by the Board of Directors of the Company and can be changed by the Board of Directors of the Company decision.

4.1-1 When providing annual paid leave, employees of the Service are paid a recovery allowance in the amount of one month's official salary *(this paragraph was supplemented by a decision of the Board of Directors of the Company dated December 27, 2023).*

4.1-2 Other social benefits and entitlements to employees of the Service are paid in accordance with the Collective Agreement of the Company *(this paragraph was supplemented by a decision of the Board of Directors of the Company dated December 27, 2023).*

4.2 Incentive payments for state and national holidays are made based on the decision of the Board of Directors during the year. The total annual amount of this bonus for one employee shall not exceed 10 (ten) times the minimum wage established by the legislation of the Republic of Kazakhstan on the republican budget for the relevant financial year *(this paragraph was amended by the decision of the Board of Directors of the Company dated November 12, 2024);*

4.3 To motivate employees of the Service to improve production efficiency and work quality, an annual bonus is paid based on the results of the year.

The amount of the annual reward/bonus is determined by the Company's Board of Directors based on the approved KPI indicators of the Service and its Head.

Key performance indicators (KPIs) are the foundational elements in evaluating the performance of the Service and its Head. KPIs represent metrics that measure the degree of goal achievement.

The main characteristics of the KPIs for the Service and its Head include:

-KPI measurement unit – expressed in percentages or numerical values;

-KPI actual value – the actual achievement value for a specific period.

The main participants in the process of evaluating the performance of the Service and its Head are:

- The Audit Committee;

-The Board of Directors.

(this paragraph was amended by the decision of the Board of Directors of the Company dated November 12, 2024).

4.4. Development and Approval of KPIs

The Head of the Service develops a comprehensive list of KPIs for performance evaluation in accordance with the Regulations on the Internal Audit Service of NPJSC “Abylkas Saginov Karaganda Technical University.”

The Head of the Service submits the following documents for consideration by the Audit Committee and the Board of Directors:

- A list of KPIs;
- Methods for calculating each KPI.

The Head of the Service submits the KPI list (with threshold values and overall threshold value) for approval by the Board of Directors after the indicators are agreed upon by the Audit Committee.

KPI updates are conducted as needed (e.g., in case of changes to the IAS Regulations, development strategies, Board of Directors’ assignments, etc.).

1. Performance Evaluation of the Service

The performance evaluation of the Service, its Head, and employees is conducted annually.

The Head of the Service submits to the Audit Committee the performance evaluation of the Service and its Head for the reporting period, along with proposals for incentives within the approved budget.

During the meeting, the Head of the Service must provide documents confirming the degree of KPI achievement for the Service and its Head. After reviewing the performance results and coordinating the report with the Audit Committee, the Head of the Service submits it to the Board of Directors for approval.

The Board of Directors, after reviewing and approving the performance results of the Service, decides on the incentives for the Service and its Head.

2. Calculation of Key Performance Indicators for the Internal Audit Service and its Head

The evaluation of the Service’s and its Head’s performance is based on the following key performance indicators:

Table 1

List of KPIs for the Service and its Head

No.	Key Performance Indicator Name
R1	Degree of completion of the risk-oriented Annual Audit Plan
R2	Share of reports submitted on time to the audit object, Board of Directors, and Audit Committee
R3	Implementation of the assurance and quality improvement program for the Internal Audit Service
R4	Share of recommendations implemented by audit objects
R5	Number of comments from the Audit Committee and Board of Directors on the quarterly and annual reports of the Service

Head of the Service – responsible for the entire list of KPIs.

Service Employee – responsible for R2, R3, R4.

(this paragraph was amended by the decision of the Board of Directors of the Company dated November 12, 2024).

4.5 Calculation of the Degree of Completion of the Risk-Oriented Annual Audit Plan

Collection and Analysis of Information

To calculate the degree of completion of the risk-oriented Annual Audit Plan, the Head of the Service requires the following information:

The risk-oriented Annual Audit Plan, which must include the deadlines for completing the tasks;
 Special requests for a specific period (requests from the Board of Directors, Audit Committee that require urgent implementation) that were not included in the Annual Audit Plan (if any);
 Audit reports on the results of each audit task for a specific period.

Calculation of the Degree of Completion of the Risk-Oriented Annual Audit Plan

The formula for calculating the degree of completion of the risk-oriented Annual Audit Plan is:

$$y = \frac{a}{b + c} * 100\%,$$

Where:

y – the degree of completion of the risk-oriented Annual Audit Plan, %;

a – the number of completed audit tasks during the period (including special tasks from the Board of Directors, Audit Committee);

b – the number of audit tasks scheduled to be completed in the reporting period according to the approved risk-oriented Annual Plan;

c – the number of special tasks received from the Board of Directors, Audit Committee outside of the approved Annual Audit Plan, which must be completed within the reporting period. If there are no special requests during the period, the value of variable c will be 0.

(this paragraph was amended by the decision of the Board of Directors of the Company dated November 12, 2024).

4.6 Calculation of the Share of Timely Submitted Reports to the Audit Object and the Audit Committee.

Collection and Analysis of Information:

o calculate the share of timely submitted reports to the audit object and the Audit Committee for a specific period, the Head of the Service must use the following information:

Provisions on the Service (and/or other documents regulating the activities of the Service);

Reports of the Service (audit and other reports, if available) for the reporting period;

Quarterly reports on the activities of the Service;

Annual report on the activities of the Service;

Outgoing letters from the Head of the Service to the audit object, Board of Directors, Audit Committee, and Chairman of the Management Board (hereinafter referred to as the stakeholders);

Notification letter about an unscheduled audit from the initiator of the special request;

Notification letter about the extension of the deadline for an ongoing audit task;

Notification letter about the increase in the scope of work and shift in the completion dates of the audit task.

The information is then accumulated in tabular form

Table 2
Recipients of Audit Reports

	Board of Directors	Audit Committee	Chairman of the Management Board	Audit Object
Audit plan task reports	+	+	+	+
Consulting reports (if any)	+	+	+	-
Quarterly report	+	+	+	-
Annual report	+	+	+	-

+ report is submitted

- report is not submitted

After collecting the above information, the Head of the Service analyzes the timeliness of the submitted reports to the stakeholders by comparing the report submission date defined in the Service's regulations (or other governing documents) with the actual dates reflected in the outgoing documents. It is important to consider that if any report is not submitted to one of the parties (Audit Committee, Chairman of the Management Board, or audit object) or confirmation (in the form of an outgoing letter to the audit object) is not provided, the report is considered as "submitted late."

For reference: The Head of the Service must also consider any exceptional cases that may affect the reporting deadlines, such as an increase in the volume of work within an audit task, an unscheduled special request, or a reduction in the audit team.

Calculation of Timely Submitted Reports to the Audit Object and the Audit Committee

The formula for calculating the KPI is:

$$y = \frac{a}{b} * 100\%, \quad (2),$$

Where:

y – percentage of timely submitted reports to the audit object, Audit Committee, and Chairman of the Management Board;

a – number of timely submitted reports out of the total number of reports submitted to the audit object, Audit Committee, and Chairman of the Management Board;

b – total number of reports submitted to the audit object, Audit Committee, and Chairman of the Management Board.

(this paragraph was amended by the decision of the Board of Directors of the Company dated November 12, 2024).

4.7 Implementation of the Assurance and Quality Improvement Program for the Internal Audit Service (Current Monitoring, Self-Assessment, External Assessment).

(this paragraph was amended by the decision of the Board of Directors of the Company dated November 12, 2024).

4.8. Calculation of the Share of Recommendations Implemented by Audit Objects

Collection and Analysis of Information

To calculate the percentage of recommendations implemented by audit objects during a specific period, the Head of the Service must gather the following information:

Report on the monitoring carried out, indicating the current status of the implementation of accepted recommendations;

After collecting the information, the Head of the Service compiles a full list of implemented recommendations for the reporting period.

No.	Content of Recommendation according to the Audit Report	Actions for Implementing Recommendations	Established Deadline for Elimination/Implementation	Responsible Person (Audit Object)	Status of Implementation

Calculation of the Share of Recommendations Implemented by Audit Objects

The formula for calculating the share of recommendations implemented by audit objects is:

$$y = \frac{a \pm c}{b} * 100\%, \quad (4),$$

Where:

y – percentage of recommendations accepted by audit objects;
a – number of recommendations accepted by audit objects;
b – total number of recommendations for the reporting period;
c – variable determining the number of recommendations in case of exceptional circumstances.

4.9 Number of Comments from the Audit Committee and Board of Directors of the Subsidiary to the Quarterly and Annual Reports of the Internal Audit Service.

To calculate the number of comments from the Audit Committee and Board of Directors on the quarterly and annual reports of the Service, the following information is used:

- 1) Minutes of the Board of Directors;
- 2) Minutes of the Audit Committee;
- 3) Number of comments on the quarterly reports of the Service from the Audit Committee and the Board of Directors;
- 4) Number of comments on the annual report of the Service from the Audit Committee and the Board of Directors.

After collecting the information, the Head of the Service analyzes the minutes of the Audit Committee and the Board of Directors for the given period and counts the number of comments. The formula for the calculation is:

$$y = A+B+C+D \quad (5),$$

Where:

y – total number of comments from the Audit Committee and Board of Directors on the quarterly and annual reports of the Service for the specified period;
A – number of comments from the Audit Committee on the Service’s quarterly activity report for quarter n;
B – number of comments from the Audit Committee on the annual activity report of the Internal Audit Service;
C – number of comments from the Board of Directors on the Service’s quarterly activity report for quarter n;
D – number of comments from the Board of Directors on the annual activity report of the Service.

If there are no comments from the Audit Committee or the Board of Directors, this KPI is considered “achieved” (*if there are fewer than six comments per year, the indicator is considered “achieved”*)

Assessment of the Internal Audit Service’s Performance is determined by the following formula:

Final KPI Calculation Algorithm:

$$Y_{\text{final}} = \sum(Y_1 + Y_2 + Y_n) / n \quad (6)$$

Table 3
KPI Scoring Scale for the Service and its Head

Final KPI Percentage	Final KPI Rating	Description of KPI Compliance Level
90-100%	Full completion of assigned functions (planned indicators) in a timely and complete manner	Evaluated (planned indicators) are fully achieved
70 – 89%	The main functions are largely performed	Evaluated (planned indicators) are largely achieved
60-69%	Assigned functions (planned indicators) are partially not met	Evaluated indicators are partially not met
50-59%	The main functions (planned indicators) are largely unmet	Key indicators are unmet
0-49%	The level of completion of planned indicators (functional duties) requires significant development	Planned indicators are not qualitatively fulfilled

(this paragraph was amended by the decision of the Board of Directors of the Company dated November 12, 2024).

5. Final provisions

5.1. Amendments and additions to this Provision can be made by the decision of the Board of Directors of the Company including those at the initiative of the Sole Shareholder of the Company.

A M E N D M E N T S H E E T

1. Amendments No. 1:

- approved by the decision of the Board of Directors of Abylkas Saginov Karaganda Technical University NJSC (Minutes No. 3 dated April 27, 2022).

2. Amendment No. 2:

- Approved by the decision of the Board of Directors of NPJSC “Abylkas Saginov Karaganda Technical University” (Minutes No. 9 dated December 27, 2023).

3. Amendment No. 3:

- Approved by the decision of the Board of Directors of NPJSC “Abylkas Saginov Karaganda Technical University” (Minutes No. 9 dated November 12, 2024).