

Appendix  
to Order of IDGC of Centre  
dated 08.10.2014 # 303-TSA

**THE REGULATIONS**  
**ON THE INTERNAL AUDIT AND**  
**CONTROL DEPARTMENT**

**PSP TSA/18/04-2014**

Head of the Internal Audit and  
Control Department

\_\_\_\_\_ / S.V. Shpakova/

Moscow

**Data on the document**

Implemented	By Order of General Director of IDGC of Centre # 303-TSA dated 08.10.2014
Recurring examination	Updating is conducted by Head of the Internal Audit and Control Department at least 1 time a year; Coordinated by the Audit Committee of the Board of Directors of IDGC of Centre
Modification	By results of application of requirements or at change of normative documents on which basis the provision is developed
Developed by	Head of the Internal Audit and Control Department, S.V. Shpakova
Justification of a new version of the document	Typified requirements to the provision about internal audit and control structural unit of SAC of JSC division «Russian Grids» (letter dated 11.08.2014 # VN/91/166); Minutes of the Audit Committee of the Board of Directors of IDGC of Centre dated 24.09.2014 # 11/14); Order dated 03.09.2014 # 256-TSA «About implementing the organizational structure of the executive office of IDGC of Centre»

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## 1. General provisions

1.1. The Internal Audit and Control Department of IDGC of Centre is a structural subdivision of the executive office of IDGC of Centre.

Full name – Internal Audit and Control Department.

Abbreviated name – Internal Audit and Control Department.

Location of the Internal Audit and Control Department – Moscow.

1.2. For provision of independence of internal audit its functional and administrative subordination are differentiated:

1.2.1. Administrative subordination – directly to General Director of the Company;

1.2.2. Functional subordination – to the Audit Committee of the Board of Directors of the Company which provides including:

- preliminary approval by the Audit Committee of the Board of Directors of the Company of nominees of Head of the Internal Audit and Control Department/Acting Head of the Internal Audit and Control Department, and also essential contract provisions with him or her, appointment and termination of appointment from the post of Head of the Internal Audit and Control Department/Acting Head of the Internal Audit and Control Department;

- preliminary coordination by the Audit Committee of the Board of Directors of the Company of the Regulations on the Internal Audit and Control Department (hereinafter the Regulations on the Internal Audit and Control Department);

- preliminary coordination by the Audit Committee of the Board of Directors of the Company of questions on the approval or modification of the organizational structure, the job pattern and budget of the Internal Audit and Control Department;

- approval by the Audit Committee of the Board of Directors of the Company of work plans of the Internal Audit and Control Department, reports on execution of work plans by the Internal Audit and Control Department;

- receipt of information on results of activity of internal audit, including results of separate checks, essential lacks of an internal control and risk management system (hereinafter the Internal Control and Risk Management System), the internal audit activities report for the period, etc.

1.3. The Internal Audit and Control Department performs the activity on the basis of the annual (semi-annual) work plans regulating activity in a matrix management system of the Company.

1.4. The purpose of the Internal Audit and Control Department is provision to the Board of Directors / to the Audit Committee of the Board of Directors and executive bodies of the Company independent and objective guarantees that the Company and SAC have adequate internal control, risk management and corporate management systems, giving consultations, and also methodological and organizational support of preventive and current control implementation in the Company and SAC providing for the following:

- efficiency, profitability and productivity of the activity;
- observance of requirements of the legislation, and also decisions of executive bodies and organizational-administrative documents of the Company;
- prevention of wrongful acts of employees of the Company and the third parties concerning assets of the Company;

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– reliability, completeness and timeliness of preparation of all kinds of reporting.

1.5. Head of the Internal Audit and Control Department manages the Internal Audit and Control Department.

1.6. Requirements to qualification to Head of the Internal Audit and Control Department:

– availability of the higher economic (financial), legal or other specialized education received in Russian establishments of higher education, having the state accreditation, and also conventional foreign organisations of higher education;

– availability of a length of service for at least 5 (five) years in the field of internal audit, internal control or risk management or with economic or legal specialization in financial and economic and-or legal structural subdivisions, or auditing organisations, in bodies of the state or municipal financial control, and at least 3 (three) years in an executive position;

– availability of necessary skills and knowledge, including of control and risk management procedures, in volume, sufficient for accomplishment of tasks in view;

– availability of a certificate of the auditor (issued by the Ministry of Finance of Russia till January, 1st, 2011 or given out in the order established by parts 1-8 of clause 11 and part 4 of clause 23 of Federal Act from 30.12.2008 № 307-FZ «About the auditor's activity», from January, 1st, 2011), or a certificate of the professional accountant (issued by the Institute of professional accountants and auditors of Russia), or a CIA certificate of the International institute of internal auditors, or qualification of the internal auditor (confirmed with the International federation of accountants - IFAC) is preferable.

1.7. Requirements to qualification of employees of the Internal Audit and Control Department:

*special professional knowledge and skills:*

– knowledge of basis of accounting and tax accounting, regulations, their regulating;

– knowledge of legislative and regulatory legal acts, administering and methodical materials on the organisation of work;

– possession of organizational skills;

– knowledge of principles and techniques of carrying out of internal audit and control;

– knowledge of the procedure to develop regulating documents, the basic documents in the field of the Quality Management System;

– knowledge of established reporting of financial activity of the Company, the procedure and terms of its drawing up;

– possession of skills of work in the DocFlow System «Synergy Center»;

– knowledge of methodology of process and project management;

– professional oral and written communications;

– ability competently to state the information at an oral dialogue;

– possession of skills of writing analytical, methodical documents;

*general professional knowledge and skills:*

– ability to analyze the acquired information including to produce an estimation of its completeness and reliability at collection and consolidation of data;

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- understanding of the purposes of activity of structural subdivisions of the Company, organizational structure, specificity of work on a supervised line of business of activity in branches;
- knowledge of modern computer and telecommunication means, possibilities of their application for accomplishment of assigned functions;
- knowledge of basis of the labour law;
- knowledge of rules and norms of labour protection, safety arrangements, production sanitary and fire protection;
- knowledge of main principles of work of a power supply system.

## **2. The list of documents**

In its activity the Internal Audit and Control Department is guided by the following documents:

### **2.1. Documents of an external origin:**

- The legislation of the Russian Federation (within the limits of lines of business of the Company);
- Federal standards of the auditor's activity, Federal rules (standards) of the auditor's activity;
- International Standards of audit;
- International Standards of internal audit;
- The modern concepts of the internal control developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 1992, 2004, 2013; COSO ERM 2004);
- Orders, instructions, letters of JSC «Russian Grids».

### **2.2. Internal documents of the Company:**

- The Articles of Association of the Company;
- resolutions of the Shareholders' general meeting and the Board of Directors of the Company, decisions of the Audit Committee of the Board of Directors of the Company;
- the Policy in the field of quality;
- this Regulation on the division;
- the Policy of internal audit;
- the Policy of internal control;
- the Risk management policy;
- internal normative documents and technological documents of the Company, areas of responsibility of the Internal Audit and Control Department, specified in the scope of the given documents, and stored in the Library of Internal Normative Documents.

The statement from the file register of the Internal Audit and Control Department, the approved organizational and executive documentation of the Company is given in Appendix # 1 to the Regulations on the Internal Audit and Control Department.

## **3. The primary goals and functions**

3.1. The organisation and realisation of the subsequent control of activity of the Company and SAC:

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- estimation of reliability and efficiency of functioning of an internal control and risk management system, revealing of lacks of an internal control system of the Company;
  - planning, organisation and carrying out of internal audits of structural subdivisions of the executive office (hereinafter the Executive Office), branches of the Company, business processes, projects and lines of business;
  - planning, organisation and carrying out of audit of execution by the Company and SAC of orders of state structures of the Russian Federation concerning functioning and development of the electric grid complex;
  - realisation of expert-analytical events as instructed by General Director of the Company;
  - participation in special (office) investigations on facts of abusings (swindle), damnification, no-purpose, inefficient resource utilisation;
  - preparation of reports and conclusions about results of carrying out of internal audit;
  - development of recommendations about increase of efficiency and productivity of activity of the Company and SAC, enhancement of corporate management, efficiency of internal control and risk management processes by results of internal audits and estimations;
  - realisation of the post-control and the control of realisation of correcting events following the results of internal audit performance;
  - informing executive bodies about results of audit and a condition of an internal control and risk management system, the basic tendencies and changes in the activity, representation offers on the activity efficiency increase.
- 3.2. The organisation of activity of audit commissions of SAC of the Company:
- development of a plan and programs of carrying out of audits of SAC and its dependent companies;
  - forming of a list of candidates for audit commissions of SAC and its dependent companies;
  - conducting clerical work of audit commissions of the Company, SAC and its dependent companies (including preparation of notifications, reports, etc.);
  - organizational provision of carrying out of audits according to provisions about audit commissions and regulations of auditing activity, including with participation of experts, employees of other structural subdivisions of the Company, if necessary;
  - participation in carrying out of audits of financial and economic activity (separate lines of business) as members of the Audit Commission or experts, if necessary;
  - preparation of conclusions (acts) and improvement notices and recommendations by results of activity audit of SAC and its dependent companies;
  - analysis of results of audits and informing executive bodies of the Company about the basic tendencies and changes in activity of the Company, SAC and its dependent companies, representation of offers on increase of efficiency of functioning of the electric grid complex of the Company;
  - realisation of the post-control and the control of elimination by divisions of the Executive Office, branches of the Company, SAC and its dependent companies of infringements and lacks revealed during audits, execution of recommendations and improvement notices of audit commissions.

3.3. The organisation of effective interaction and support of activity of the Audit Commission of the Company:

- organizational-documentary support of activity of the Audit Commission of the Company;
- organisation of development of correcting events for results of audits of the Company, directed on remedial action and realisation of the recommendations which have been given out by the Audit Commission of the Company, the control over their execution.

3.4. The organisation of interaction with the external auditor of the Company and SAC concerning the internal control and risk management system performance evaluation:

- interaction with the external auditor of the Company and SAC concerning the internal control and risk management system performance evaluation, including granting of the information on the internal control system condition in the Company, SAC and its dependent companies;
- coordination of conclusions of external auditors about the internal control and risk management system condition;
- quality evaluation of work of the external auditor, preparation of the conclusion by results of the given estimation and its communication to interested persons.

3.5. Realisation of interaction with the Audit Committee of the Board of Directors of the Company within the limits of functional subordination:

- interaction with the Audit Committee of the Board of Directors of the Company concerning the internal control and risk management, internal audit;
- preliminary analysis of materials, submitted for consideration of the Audit Committee of the Board of Directors of the Company, about completeness of disclosing and objectivity of the information stated.

3.6. Implementation in the Company, SAC and its dependent companies of uniform approaches to an internal control and risk management system creation:

- organisation in the Company, SAC and its dependent companies of a uniform internal control and risk management system;
- activity organisation on enhancement and development of a risk-focused internal control system, realisation of standardization of internal audit in the Company, organisation of unification of activity of audit commissions of SAC and its dependent companies.

3.7. Methodological and organizational support of implementation of preventive and current control in the Company and SAC:

- estimation of reliability and efficiency of functioning of an internal control, risk management and corporate management system, revealing of lacks of the internal control system of the Company;
- participation in working groups, commissions, collegial bodies, provision of carrying out of the analysis, issue of conclusions and preparation of expert opinions concerning performance of supplementary procedures of the current control in key and high risk business processes (taking into account necessity of observance of the balance of participation in the current control and observance of independence at carrying out of the subsequent control);
- coordination of activity of divisions of the Executive Office and branches of the Company on creation and effective functioning of the control environment of

business processes, development of recommendations for description and implementation of control procedures in business processes and fixing responsibility to office holders;

- organisation of constant monitoring and coordination of drafts of local regulations of the Company about conformity to requirements of the internal control, to availability, efficiency, sufficiency and correctness of formulations of control procedures, absence of duplicative or incompatible functions;
- organisation and coordination of activity of divisions of the Executive Office and branches of the Company on risk revealing, estimation and management;
- estimation of sufficiency and efficiency of events for risk management, the control over accomplishment of actions plans on risk management;
- issue of recommendations to owners of risks and to management of the Company concerning risk management, efficiency of implementable events;
- organisation of consideration and approval by executive bodies of the Company of events for risk management, risk-appetite and strategy of reaction to external threats;
- informing executive bodies of the Company about results of risk management, tendencies and the risk management system condition;
- preparation of expert opinions, conclusions and offers on materials submitted for consideration by the management and executive bodies of the Company and SAC concerning the organisation and functioning of the internal control and risk management system;
- development of recommendations about increase of efficiency and productivity of activity of the Company and SAC, enhancement of corporate management, efficiency of internal control and risk management processes.

3.8. Interaction with the state control-supervising bodies concerning the internal control:

- provision of interaction with the state control-supervising bodies at realisation of control events by them;
- preparation of analytical, information, reference and other materials concerning the organisation and functioning of the internal control and risk management system;
- coordination of information interaction between the state control-supervising bodies and structural subdivisions, organizational support of control events conducted by them;
- organisation of development of correcting events directed on remedial action and realisation of recommendations and improvement notices, given out by the state control-supervising bodies, the control over their execution;
- conducting recording of checks performed by external control facilities (supervision), and their results;
- organisation of provision of accomplishment of requirements of the state control boards to the internal control system.

4. The Internal Audit and Control Department – a functional division which carries out a role of a resource centre, provides accomplishment of target values of key performance indicators of BP/BS of the Company and realisation of functions within the limits of BP/BS of the Company (Appendix # 2 to the Regulations on the Internal Audit and Control Department).

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5. The Internal Audit and Control Department provides and participates in carrying out of events for mobilisation preparation, civil defence, prevention and liquidation of emergency situations according to requirements of the legislation, standard legal acts of the Russian Federation and the internal standard documentation of the Company.

#### **4. The management organisation**

4.1. The organizational structure of the Internal Audit and Control Department is specified in Appendix # 3 to the Regulations on the Internal Audit and Control Department.

4.2. Head of the Internal Audit and Control Department fulfils the following obligations:

- provides timely and qualitative accomplishment of functional obligations by employees, assigned to them, according to this regulation;
- creates optimum conditions for coordination of activity of employees with other divisions of the Company;
- performs planning of activity of the Internal Audit and Control Department;
- develops offers directed on enhancement of activity of the Internal Audit and Control Department;
- performs operative monitoring of strategic key performance indicators, indicators of productivity and the course of business processes in which employees of the Internal Audit and Control Department participate.
- administers development of internal standard and organizational-administrative documentation;
- provides rational use of material, technical and other resources of the Internal Audit and Control Department with a view of accomplishment of tasks by employees;
- administers training of employees, creates conditions for their advanced training;
- performs the control over observance by employees of the Internal Audit and Control Department of rules of the internal labour order, safety arrangements requirements;
- applies in relation to employees of the Internal Audit and Control Department material incentives of employees on the basis of qualitative and quantitative estimation of accomplishment of business processes.

4.3. In case of absence of the division manager (holiday, illness, other) his or her obligations are performed by another person appointed according to requirements of internal organizational and executive documentation. The given person acquires relative rights and bears responsibility for proper execution of the obligations assigned to him or her.

4.4. Employees of the Internal Audit and Control Department perform the job responsibilities according to the employment contract, job descriptions, this regulation and other documents of the Company.

4.5. Head of the Internal Audit and Control Department allocates work between employees of the division, establishes terms of its accomplishment, supervises quality of the performed work, carries out work on accomplishment of functions of the division, according to these Regulations on the Internal Audit and Control Department.

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## 5. Rights

At realisation of the activity the Internal Audit and Control Department, represented by Head of the Internal Audit and Control Department, has the right:

5.1. Direct and unobstructed informing General Director of the Company and the Audit Committee of the Board of Directors of the Company.

5.2. Taking into account the restrictions established by regulations of the Russian Federation, the Articles of Association and internal documents of the Company and SAC<sup>1</sup>:

- to enquire and in due time to receive in an oral or written form (on a paper or electronic carrier) any information according to tasks of checks, and also explanations on the revealed facts during the checks;
- to get access to all information systems, organizational, production, financial, economic documents for accomplishment of tasks of checks;
- to copy any documents, both in a paper and electronic form, concerning the check;
- to get access to all buildings, constructions, premises, offices, areas of production, economic and household purpose for accomplishment of tasks of checks;
- to perform photo and video shooting and to produce a sound recording during carrying out of the check after informing corresponding employees about it;
- to interview employees of the Company and SAC (in coordination with the head of a corresponding structural division) on questions connected with realisation of the check;
- to receive necessary assistance from the personnel of the Company and SAC where the check is conducted, to involve employees of structural subdivisions of the Company and SAC as experts;
- to enquire in the Company and SAC any information necessary for the control of the course of accomplishment of the work plan on elimination of remarks, made by results of audit inspections, and estimation of results of the work;
- to use expert and consulting services at internal audit carrying out.

5.3. To demand from the persons responsible for elimination of revealed lacks:

- timely development, approval and execution of actions plans on elimination of the revealed lacks;
- timely provision of status reports of accomplishment of events;
- submitting specifying or confirming information and documents under the status of accomplishment of actions plans.

## 6. Obligations

6.1. The Internal Audit and Control Department, represented by Head of the Internal Audit and Control Department, is assigned with execution of the following obligations:

- timely, qualitative and effective accomplishment of the functions specified by these Regulations on the Internal Audit and Control Department;

<sup>1</sup> In view of organizational and administrative documents for the protection of restricted information acting in the Company. For information constituting a state secret, the rights listed in this paragraph are implemented only if the employees of the Internal Audit and Control Department have access to the state secret.

- execution of orders, arrangements and instructions of General Director of the Company;
- timely and qualitative achievement of goals and key performance indicators of BP/BS;
- effective interaction with other divisions of the Company;
- observance of the current legislation of the Russian Federation and local regulations of the Company;
- non-admission of damaging material assets entrusted to the Internal Audit and Control Department;
- observance of the Rules of the internal labour order of the Company by employees of the Internal Audit and Control Department.

6.2. Head of the Internal Audit and Control Department, managing the Internal Audit and Control Department, is responsible for effective resources allocation, staffing and setting operative tasks to personnel, for proper provision and productivity of the functions of the division as a participant of processes, for observance by the personnel of fixed terms and execution quality of tasks/orders, for discipline in the workplace.

6.3. The Internal Audit and Control Department, represented by Head of the Internal Audit and Control Department, bears responsibility for proper execution of job responsibilities by employees.

## **7. Mutual relations and communications**

During the course of performance of the production functions the Internal Audit and Control Department supports direct communications with the Executive Office divisions, branches of the Company, with external organisations and provides forming of information flows of BP/BS (inputs and outputs specified by the Certificates of BP/BS and internal regulations).

## **8. Labour protection**

Within the labour protection in the Executive Office of IDGC of Centre the Internal Audit and Control Department carries out the following functions:

- provision and control of the schedule of work and rest of the subordinate personnel according to the legislation of the Russian Federation, the internal work order rules of the Company;
- control over passage by employees of the division of health and safety induction training, labour protection and fire safety, training to safe methods of accomplishment of works and first-aid treatment to a victim at a production site;
- non-admission to work of persons who have not passed when due hereunder training and instructing in safety, training (if necessary) and examination of requirements of labour protection;
- development (participation in development) of safety instructions, job descriptions with obligatory inclusion in job responsibilities of functions on labour protection, provision of personnel with instructions and control over their studying, application at work;
- control over availability of necessary reference documents, literature, circular letters, information materials, taking measures to make up a set;

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- suspension from work of persons who are in a condition of alcoholic or narcotic intoxication, the persons who have broken specifications on labour protection, operation, fire safety if these infringements result in threat of safety of people, integrity of the equipment, to a state of environment is created;
- control over timely passage by the subordinate personnel of preliminary and periodic medical checks. Suspension from work of persons who have not passed in due time obligatory medical checks, and also in case of medical contra-indications;
- control over the labour protection condition in the subordinate division. Notification to the superior and employees of the industrial inspection and safety Office of the Executive Office about each accident and signs of job-related illnesses;
- initiation of disciplinary actions and representation of materials for their taking to employees who break rules and norms of labour protection or not carrying out the functional obligations on labour protection;
- accomplishment of an improvement notice of office holders of bodies of the state and departmental supervision and control over observance of requirements of labour protection;
- provision of personnel (taking measures to provide), working with hazardous or dangerous working conditions, and also in special temperature conditions or on the sites connected with pollution, with certificated means of individual protection, which are washing off and neutralising means, according to the standards confirmed in the order, specified by resolutions of the Governmental of the Russian Federation and other regulations.

**The statement from the file register  
of the Internal Audit and Control Department**

The statement from the summary file register of the Company (regarding the documents forming as a result of activity of the Internal Audit and Control Department), constituted annually in the last quarter of a previous year each forthcoming year and approved when due hereunder according to the Instruction on clerical work of IDGC of Centre, is stored by the Internal Audit and Control Department in a separate file.

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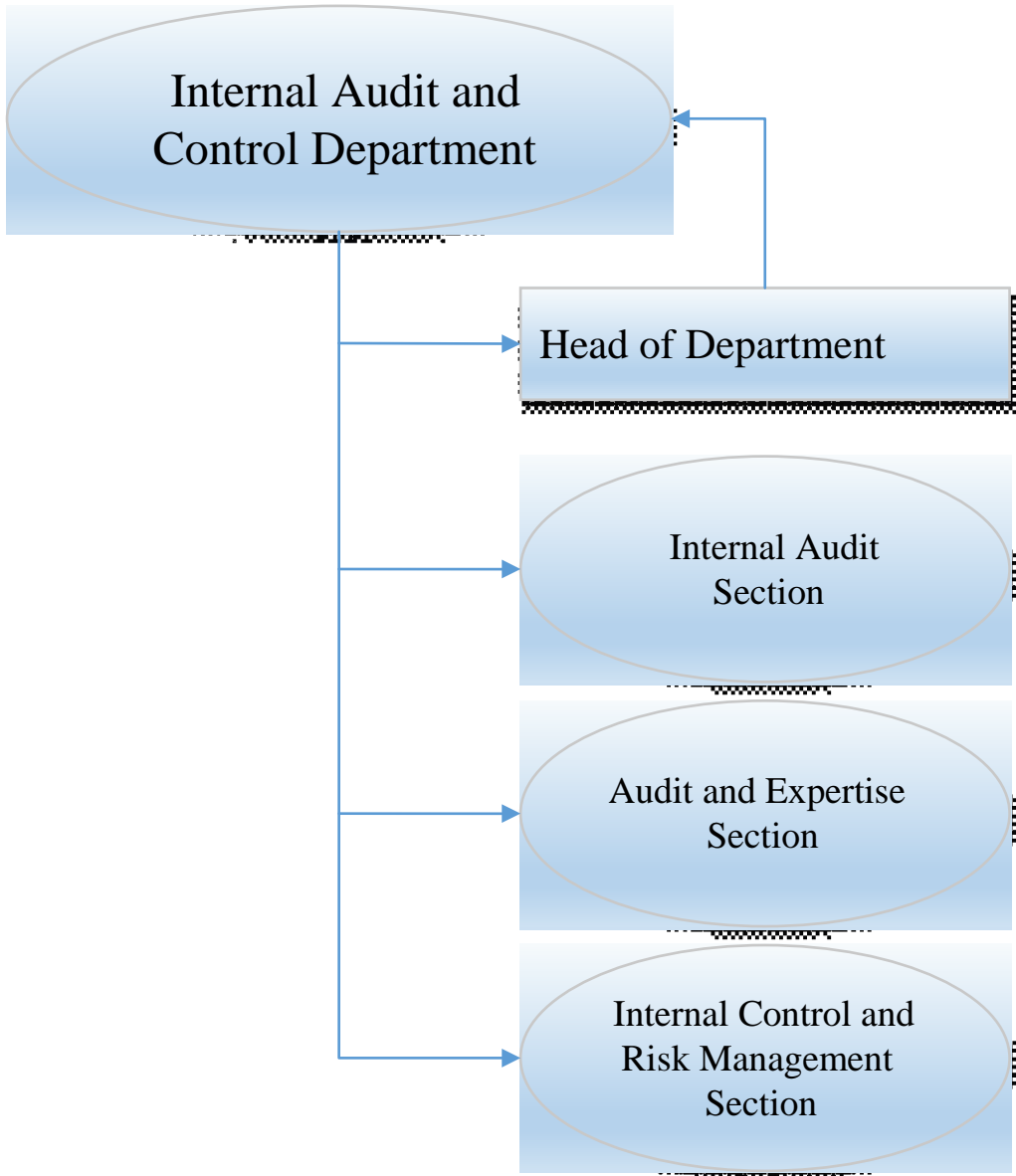
**The Functional matrix of IDGC of Centre for distribution of responsibility for the functions, which are carried out in the Business Process Management System by the Internal Audit and Control Department**

Item #	Top level business process
1	BP 1 Management of the company's policy in the stock market
2	BP 3 Management of mergers and acquisitions
3	BP 4 Management of cash flow
4	BP 6 Realization of grid connection services
5	BP 7 Realization of electric power transmission services
6	BP 14 Management of project activity
7	BP 16 Human resources management
8	BP 17 Development and social support of the personnel
9	BP 18 Management of labour protection

\*In conformity with Order from 18.03.2014 № 90-TSA «About updating the standard documentation of the matrix management system of IDGC of Centre»:

- BP 1 «Management of the company's policy in the stock market » was renamed to BP 1 «Corporate governance»;
- BP 3 «Management of mergers and acquisitions» was renamed to BP 3 «Property management»;
- BP 4 «Management of cash flow» was renamed to BP 4 «Management of business planning»;
- BP 16 «Human resources management» and BP 17 «Development and social support of the personnel» were merged into one BP 16 «Human resources management»;
- BP 18 «Management of labour protection» to BP «Management of production safety».

**The Organizational structure  
of the Internal Audit and Control Department**



**Acquaintance Sheet**

Post	Surname, initials	Acquaintance date	Signature

**The record of changes and additions**

Index number of the change/addition	Change/addition of a point	Contents of the change/addition	Reason (reference to organizational and executive documentation)	Date of entering the change/addition	Employee who has made the change/addition	
					surname, initials, post	signature
1	Sections 1-3	Entering of additional functions	Federal act from 27.07.2010 № 224-FZ, Order of the Company from 01.02.2012 №12-SH	03.02.2012	Molodtsova A.V., Chief specialist	
2	Entire document	Updating	Order from 22.10.2013 № 443-TSA			