

Yuan Ze University Internal Control System Implementation Guidelines

Approved by the 6th meeting of the 8th Board of Trustees on January 10, 2011
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Chapter I. General Provisions

- Article 1** To ensure the operational effectiveness and efficiency of Yuan Ze University (hereinafter referred to as "the University"), the reliability, timeliness, and transparency of reporting, and compliance with relevant laws and regulations, the University establishes this Internal Control System (hereinafter referred to as "the System") based on Article 51, Paragraph 1 of the Private School Act and the Implementation Measures for Internal Control Systems of School Legal Entities and Their Private Schools, and formulates these Guidelines.
- Article 2** The System comprises five components: control environment, risk assessment, control activities, information and communication, and monitoring activities. Its implementation scope includes key aspects such as personnel, finance, and operations, which shall involve the formulation of management rules, operational procedures, and internal control points:
1. **Control Environment:** The foundation for designing and implementing the System, including organizational culture, integrity and ethical values, organizational structure, delegation of authority, human resource policies, performance evaluation, and rewards and punishments.
 2. **Risk Assessment:** Management identifies objectives, links them to organizational levels, evaluates their appropriateness, considers environmental changes, and manages risks through policies and procedures, including identification, analysis, and evaluation.
 3. **Control Activities:** Based on risk assessment results, appropriate actions, policies, and procedures are adopted to manage risks within acceptable levels.
 4. **Information and Communication:** Internal and external information relevant to planning, execution, and monitoring is collected, generated, and utilized to support the continuous operation of the control system, ensuring effective communication.
 5. **Monitoring Activities:** The University carries out monitoring to ensure the System's effectiveness, timeliness, and accuracy through:
 - (1) Routine supervision by management based on their responsibilities.
 - (2) Self-assessment by units according to their assigned responsibilities.
 - (3) Internal auditors will conduct audit assessments to evaluate the implementation status and provide suggestions for improvement. Identified deficiencies must be reported to the appropriate management level, the Board of Trustees, and supervisors.
- Article 3** The University's organizational structure and managerial roles must be established according to relevant regulations, specifying the setup, titles, scope of authority, appointment, dismissal, and termination of managers at all levels.
- Article 4** To ensure the effective implementation of the Internal Control System, the University establishes an Internal Control Committee responsible for overseeing the design and execution of the System. The implementation of the System is overseen by the Secretariat Office, which handles its development, maintenance, and coordination of related matters.

Chapter II. Internal Control System

Article 5 The University shall establish management regulations, design operational procedures, and define internal control points for personnel matters, including the following items:

1. Recruitment, salary determination, compensation, benefits, insurance, retirement, severance, and survivor benefits.
2. Attendance, leave, training, further education, research, evaluation, and rewards and penalties.

Article 6 The University shall establish management regulations, design operational procedures, and define internal control points for financial matters, including the following items:

1. Decision-making, transactions, safekeeping, and recording of investments in securities and other investments.
2. Disposal, burdening, acquisition, or leasing of real estate, the acquisition of movable property, and establishing and managing affiliated organizations or related businesses.
3. Fundraising, donation acceptance, borrowing, and capital leasing decisions, execution, and records.
4. Management and recording of liabilities and contingent matters.
5. Management and execution of grants and subsidies.
6. Audit, management, execution, and recording of other significant financial income and expenditures.
7. Preparing and managing budgets and final accounts, including financial and non-financial disclosures.
8. Management of official seals and property.
9. Other major financial matters.

Article 7 The University shall establish management regulations, design operational procedures, and define internal control points for operational matters, including the following:

1. Educational administration services.
2. Student affairs.
3. General affairs.
4. Research and development.
5. Industry-academic cooperation.
6. International and cross-strait exchanges and cooperation.
7. Library and information services.
8. Continuing education.
9. Alumni services.
10. University administration.
11. Campus and environmental safety and health.
12. Other operational matters.

The University establishes cyclical control procedures for operational activities, which include admissions, student lifecycle management, teaching operations, student guidance, personnel management, financial revenue, procurement and payment, asset management, financing, investment, information management, campus safety, and more. Adjustments may be made based on actual needs.

Article 8 The University shall establish management regulations, design operational procedures, and define internal control points for related party transactions, including transactions with individuals or entities such as:

1. Trustees, supervisors, or the President.
2. Spouses of trustees, supervisors, or the President.

3. Relatives of trustees, supervisors, or the President within the second degree of kinship.
4. Legal entities chaired by trustees or supervisors.
5. Legal entities with over 50% of their board are composed of members who overlap with the University's board.

Chapter III. Audit of the Internal Control System

Article 9 The University conducts internal audits to evaluate the effectiveness of the System, assess operational efficiency, and provide timely improvement suggestions to ensure its sustained and effective implementation.

Article 10 The University shall establish internal audit procedures and appoint audit personnel to perform audits in compliance with regulations. The audit scope includes personnel, financial, and operational matters to ensure policy adherence and effectiveness. The duties are as follows:

1. Post-audit of personnel, financial, and operational activities.
2. Post-audit of the school's cash handling processes.
3. Inventory verification of the school's cash, bank deposits, and securities.
4. Audit and recommendations to improve financial efficiency and reduce unnecessary expenditures for the school.
5. Audit of specific projects within the school.

Article 11 Audit personnel develop audit plans based on risk assessment results, subject to approval by the President. Modifications to the plan require the same approval process.

Article 12 Audit findings, deficiencies, and irregularities identified during audits shall be documented in the annual audit report and supported by relevant documentation.

Audit reports, follow-up reports, and related data must be retained for at least five years.

Article 13 The deficiencies mentioned in the article 12 shall include the following:

1. Deficiencies are identified during inspections conducted by government agencies.
2. Certified public accountants identify deficiencies during financial audits or special audits.
3. Other deficiencies.

Article 14 Auditors shall regularly submit audit reports and follow-up reports to the President for review, with copies submitted to supervisors for reference. However, if any major violations or incidents posing a significant risk of damage to the school corporation or the University are discovered, an audit report shall be prepared immediately and submitted to the President for review. Upon receiving the report, the President shall promptly assess the necessary improvements and submit the report to the Board of Trustees, with copies provided to supervisors for reference.

In cases of major violations or significant risks to the school corporation or the University, supervisors must report the incident in writing to the school corporation and the Ministry of Education within ten days of receiving the report.

Article 15 When performing audit operations, auditors may request the relevant units or personnel of the University to provide the necessary account books, vouchers, documents, and other materials required for the audit.

Chapter IV. Supplementary Provisions

Article 16 The University's affiliated institutions and related businesses shall establish internal control systems following these Guidelines, subject to periodic review and revision.

Article 17 These Guidelines, and any amendments thereto, shall be implemented upon approval by the University Affairs Meeting and the Board of Trustees.

In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.