

# **Rules of Internal Control Risk Assessment, Supervision and Administration at I-Shou University**

Ratified and promulgated by the President on October 2, 2014

Adopted on November 19, 2014 by the Board of Trustees

Amendments to Articles 1~6 ratified and promulgated by the President on November 16, 2017

Adopted on December 26, 2017 by the Board of Trustees

Article 1 The Rules of Internal Control Risk Assessment, Supervision and Administration at I-Shou University (hereinafter referred to as “the Rules”) are established pursuant to the Implementation Regulations Governing Internal Control System of School Foundations and Affiliated Private Schools and Paragraph 2 of Article 14 in the Regulations for Internal Control System at I-Shou University.

Article 2 To promote integrated risk management, minimize the possibility of risks, and achieve the goals of education, the internal control system, internal control risk assessment, and the supervision and administration procedure at I-Shou University (hereinafter referred to as “the University”) are subject to the Rules, unless stipulated otherwise.

Article 3 Principles of risk assessment, supervision, and administration:  
The mechanism for risk assessment, supervision, and administration shall be incorporated into the stages of administration operation and plans of all units. The PDCA Cycle (Plan→Do→Check→Action) shall be adopted.

1. Administrative heads of all units shall give their attention and support, provide necessary resources, and assign responsibilities clearly.
2. Full participation of all units is required, and all personnel shall continuously enhance their professional competencies.
3. The cost-benefit analysis shall be taken into account to choose the most economical and effective methods for improvement.
4. Much attention shall be paid to both internal and external communication, and relevant information shall be provided to faculty and staff members as well as interested parties in a timely fashion.
5. The mechanism shall be incorporated into daily routines and decision-making.
6. The mechanism and relevant measures shall be reviewed and adjusted on a regular basis.

To facilitate the continuous and effective operation of internal control, all units shall carry out the risk assessment and supervision, check the establishment and execution of

internal control, and give advice on identified defects and proposed improvements.

Article 4 The division of duties and powers for risk assessment, supervision, and administration:  
The University takes three steps of internal control to implement a self-monitoring mechanism in order to make sure that internal control is effective, timely, and accurate.

1. Routine supervision: Administrative heads of all units shall continuously and routinely supervise affairs under the charge of subordinates.
2. Self-assessment: All units shall assess the effectiveness of the five constituent elements of internal control based on their duties. In accordance with the internal control self-assessment of the University, all units shall undertake a self-assessment to assess the design of the internal control system and the effectiveness of its implementation and document the result in writing.
3. Audit assessment: Auditors shall assist in assessing the implementation of internal control and provide improvements in an objective and impartial manner. Auditors shall report to the competent administrative heads, the President, the Board of Trustees, and the supervisors when finding any defects in the internal control system.

The University may include a self-assessment in an annual audit plan to assess the effectiveness of internal control. The Office of Auditing shall include important reference materials on the self-assessments and written reports of all units when compiling an overall assessment report. The report shall be submitted to the President and the supervisors of the Board of Trustees for review before being submitted to the Board of Trustees for approval at the end of the year.

Article 5 The procedure for risk assessment, supervision, and administration:  
All units shall make a comprehensive risk assessment through the process of risk identification, risk analysis, and risk evaluation, and they shall continue risk assessment and review any changes in the organization's risk profile for the purpose of supervision and management.

1. All units shall carry out risk identification and revise the registered identified risks in a timely fashion in terms of affairs within their jurisdictions.
2. All units shall carry out a risk analysis in accordance with the "Standards for the Assessment of Possibilities and the Degree of Impacts of Internal Control Risks" to draw up assessment indicators for the possibilities and degree of impacts of risks in terms of affairs within their jurisdictions for the purpose of risk analysis.
3. All units shall carry out a risk evaluation in terms of affairs within their jurisdictions, and establish standards and levels of risks based on risk tolerance.

Risk tolerance shall be subject to the “Identification Standards of Internal Control Risks at I-Shou University.”

4. The internal control system, including operating procedures for personnel, finance and operation, common items for risk assessment, and supervision and administration of auditing, may be handled in accordance with the common control operations stipulated by the unit-in-charge. As for other affairs not belonging to common operations, control activities, risk assessment, and supervision and administration shall be designed by taking the five elements of internal control into consideration pursuant to Article 51 of the Private School Law, the Implementation Regulations Governing Internal Control System of School Foundations and Affiliated Private Schools, and the Regulations for Internal Control System at I-Shou University.
5. Routine supervision may include the compliance with the laws and regulations of the competent authorities, appropriate regulations and rules shall be established, and the review and management mechanism shall be updated and implemented.
6. Continuous review and follow-up of the internal control system are required. Administrative heads of all units shall implement a self-monitoring mechanism on daily supervision and evaluate the effectiveness of the internal control system in a timely fashion. Under any special circumstances, administrative heads of all units may immediately handle and report the situation to the President through the Office of Auditing.

Article 6 The Rules become effective on the third day of promulgation after being adopted by the University Administration Council, ratified by the President, and approved by the Board of Trustees.

*Note: In the event of any disputes or misunderstanding as to the interpretation of the language or terms of these Rules, the Chinese language version shall prevail.*