

# CYCU Regulations Governing Internal Control Systems

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## Article 1. Principles

Section 1. This regulation has been formulated by CYCU in accordance with Paragraph 1 of Article 51 of the Private School Act and the Implementation Regulations for School Foundations and Internal Control Systems of Private Schools stipulated by the Ministry of Education.

Section 2. An internal control system (hereafter referred to as the system) shall be established by CYCU so as to provide self-supervision on the organization's personnel, finances, operations, and other matters as part of the management process conducted by CYCU and its affiliated members to achieve the following objectives:

1. Ensure the effectiveness and efficiency of operations, including the operation of schools and the protection of assets.
2. Reliability, timeliness, and transparency of reports, including internal and external financial and non-financial reports.
3. Compliance with relevant laws and regulations.

Section 3. The following elements shall be included in the system:

1. Environment control: The system is designed and implemented by CYCU on the basis of organizational culture, integrity, moral values, organizational structure, authority and responsibilities, human resources policies, performance measurement, rewards and punishments, etc.
2. Risk assessment: CYCU's management team shall first establish goals and link them to internal units at various levels. The team must consider the suitability of the goals, the implications of changes in the internal and external environment, and possible scams, in accordance with appropriate risk management policies and procedures, and perform risk identification, assessment, and evaluation. The evaluation results may assist CYCU to design, correct, and implement

necessary control operations in a timely manner.

3. Control work: CYCU adopts appropriate policies and procedures to control risk within an acceptable range in response to the results of the risk assessment. CYCU's control work involves supervision and management of all levels of the organization, all stages of the business process, and all technological systems.
4. Information and communication: The CYCU collects, generates, and utilizes external and internal information related to school affairs planning, execution, and supervision to support the continuous operation of other internal control components, to ensure effective communication of information, and to provide timely access to those who require information.
5. Supervision work: CYCU conducts the following supervision work to determine the effectiveness, timeliness, and accuracy of this system:
  - (1) Routine supervision: The supervisory level is responsible for conducting a regular and continuous oversight of authorized businesses at different levels based on their responsibilities.
  - (2) Self-assessment: According to the division of responsibilities, the relevant units shall assess the effectiveness of each component element.
  - (3) Audit evaluation: Internal auditors will provide objective and impartial assessment of internal control implementation and suggestions for improvement. Any deficiencies in the Internal Control Systems should be reported to the appropriate level of management, the board of directors, and supervisors as soon as they are discovered.

CYCU should consider all components of the preceding paragraph when designing, implementing, or self-evaluating this system.

The necessary items can be adjusted according to actual requirements.

## Article 2. Internal Control Systems

Section 4. CYCU shall establish an internal control committee and develop guidelines for internal control.

Section 5. CYCU shall formulate management regulations, operating procedures, and internal control points regarding faculty and staff personnel matters, including the following:

1. Employment, salary, compensation, benefits, insurance, retirement, severance, and pensions.
2. Attendance, leave, training, further study, research, assessment,

rewards, and punishments.

Section 6. CYCU shall formulate management regulations and design operating procedures and internal control points regarding financial matters, including the following:

1. Making investment decisions, buying and selling securities, and keeping records of those transactions.
2. The sale, encumbrance, purchase, or lease of real estate. Purchase of movable property, establishment of subsidiaries, and management of related businesses.
3. Decision-making, execution, and recording of fundraising, donation acceptance, and borrowing activities.
4. Decision-making, execution, and recording of capital leases.
5. The management and recording of commitments and contingencies in relation to liabilities.
6. Receipt and expenditure, management, execution, and recording of awards and subsidy funds.
7. Review, receipts, expenses, management, and recording of collections and other receipts and expenditures.
8. Managing budgets and final accounts and disclosing financial and non-financial information.
9. Seal usage management.
10. Property management.

Section 7. CYCU shall formulate management regulations and design operating procedures and internal control points regarding operational matters, including the following:

1. Teaching.
2. Students.
3. General affairs.
4. Research and development.
5. Industry-academia cooperation.
6. International exchanges and cooperation.
7. Information processing.
8. Promotion of education.
9. Alumni services.
10. Other operational matters.

Section 8. CYCU shall formulate management regulations and design operating procedures and internal control points regarding related party transactions. Related party transactions refer to the sale, lease, and borrowing of funds by

and between a college's legal entity or the college and the following natural or legal persons:

1. Director, supervisor, or principal.
2. Spouses of directors, supervisors, or principals.
3. Relatives within the second degree of a director, supervisor or principal.
4. A legal person whose director or supervisor serves as chairman of the board of directors.
5. Over half of the directors and supervisors are the same legal persons as those at CYCU.

Section 9. The following vertical and horizontal linkage cycle control operations shall be developed by CYCU in accordance with its functions, attributes, development goals, and characteristics:

1. Enrollment cycle: including policies and procedures for enrollment strategies, strategic alliances, admission channel analysis, examination services, and publicity.
2. Enrollment to graduation cycle: including policies and procedures for student registration and performance management, rewards and punishments, scholarships and bursaries, suspension of study, and graduation.
3. Teaching work cycle: including policies and procedures for course regulations, course scheduling, course opening, course selection, internships, credit exemption, etc.
4. Student counseling cycle: including policies and procedures for students' extracurricular activities, clubs, housing, life, academic studies, further education, employment, third-level counseling, and complaint handling.
5. Personnel management cycle: including policies and procedures for recruitment, registration, salary assessment, salary, benefits, insurance, retirement, severance and pension, job rotation, attendance, leave, training, further education, assessment, rewards and punishments, salary calculation, payment, and salary adjustment for faculty and staff.
6. Procurement and payment cycle: including policies and procedures for supplier management, purchase requisition, bidding, price comparison, ordering, advance payment, delivery, acceptance, payment, and property custody.
7. Real estate, buildings, and equipment cycle: including policies and

procedures for contracting, construction management, acquisition, property registration, inventory, use, maintenance and scrap disposal of real estate, buildings, and equipment.

8. Financing cycle: including policies and procedures for the authorization, execution, and recording of financing matters, such as borrowing, repayment, and leasing.
9. Investment cycle: including policies and procedures for the authorization, execution, and recording of investments in securities (stocks, funds, bonds, and other financial products), subsidiaries, derivatives, and other investment decisions.
10. Information management cycle: including policies and procedures for information acquisition, data input, data access, file management, personal data protection, information security, and information security inspection.

The CYCU may adjust the necessary cycle control operations on its own in response to actual operational requirements.

### Article 3. Internal Control Systems Audit

Section 10. CYCU shall conduct internal audits, assist the principal in determining the effectiveness of this system, measure school operations, and provide suggestions for improvement to ensure continuity and effective implementation of the system.

Section 11. The following elements should be included in CYCU's internal audit implementation measures:

1. Purpose of the internal audit implementation.
2. The positioning, composition, powers, and responsibilities of the internal audit.
3. Determination of audit items, time, procedures, and methods of execution.

Section 12. CYCU's auditors shall send copies of audit reports and follow-up reports to the principal and supervisor for review on a regular basis. A report shall be prepared immediately and submitted to the principal for review if a major violation of regulations has been discovered and there is a risk of major damage to CYCU. Upon receiving the report, the principal should evaluate it and forward it to the board of directors for their consideration, and send a copy to the supervisor for review. The supervisor shall report to the board of directors and to CYCU's competent authority within ten days of receiving the audit report if it reveals that CYCU has committed serious violations of its rules or that CYCU is at risk of major damage.

Article 4. Supplementary Regulations

Section 13. CYCU-affiliated institutions and related enterprises shall, unless otherwise specified, establish this system in accordance with these regulations.

Section 14. CYCU and its affiliated institutions shall review and amend this system on a regular basis.

Section 15. The Regulations shall be promulgated by the Board of Directors and enforced upon approval by the CYCU Administration Council.