

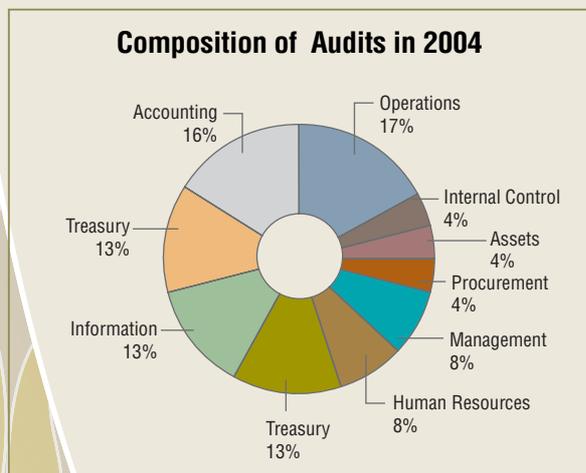
Auditing

Types of Audits

In 2004, the Board of Directors approved 19 scheduled audits and upper management called for five extraordinary audits. The audits focused on risk analysis and on the scope and frequency of evaluations. The reviews also determined whether the units being audited were properly carrying out the Fund's internal control procedures

The audits primarily looked at: (1) the degree to which the unit operates according to established TaiwanICDF procedures and regulations; (2) the reliability of the unit's financial and operational information and the accuracy of its preparation methodologies; (3) systems used to protect the Fund's assets and an examination into whether assets were being deposited safely with proper management and documentation; and (4) the degree to which operational project results were in line with project goals.

In terms of allocation, three audits were carried out regarding financial affairs, four in accounting, three in treasury, four in operations, two in human resources, three in information, one in procurement, two in management, one in assets and one in internal controls. The distribution of audits is displayed below.



Audit Suggestions

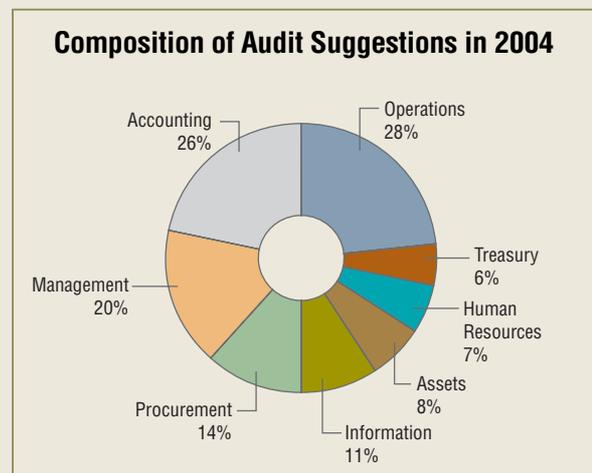
A total of 162 suggestions were made during the audits carried out in 2004. By category, 41 were in accounting, 16 in financial affairs, nine in treasury, 28 in operations, 14 in human resources, four in procurements, five in assets, 12 in information, and 33 in management. The composition of these recommendations is displayed at the bottom of the page.

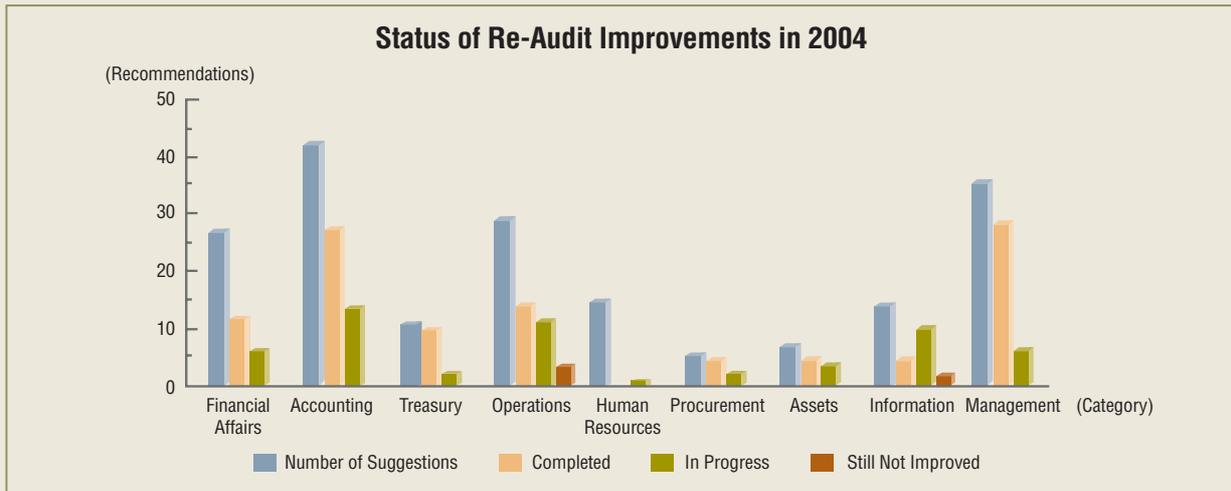
As for the types of suggestions, 26 were associated with amendment guidelines, 75 were in relation to abiding by various systems, 21 were linked to operational procedures, and 40 were connected to operational errors.

The audited units have taken actions to follow-up suggestions and completed 98 of the mentioned recommendations, while the other 61 are still under implementation. This data is displayed at the top of the next page.

Examination of Internal Control System

The TaiwanICDF initiated its internal control system in 2003, displaying the determination to strengthen internal governance and to make operations more systematic and transparent. As a non-profit





organization, the TaiwanICDF puts a high priority on good governance. The organization needs to continue to carry out examination work to ensure this effectiveness. It will make necessary adjustments in the system to meet changes in the climate both inside and outside the organization and to be in line with developmental and operational needs.

Of the 93 internal control items, 47 underwent self-examinations in 2004, with each unit or department determining items based on risk. The examinations sought to determine whether the internal control system was effective in its design and whether

it was followed in daily operations.

Based on the self-examination points and a further review by the Auditing Office, 13 internal control system items required adjustment and 23 items needed greater efforts to ensure compliance. Bodies responsible for designing the system have made the necessary amendments. The Auditing Office will carry out another review to determine whether units are now abiding by stated guidelines and controls. The chart below details adjustments made in the design and execution stages of the internal control system.

