Internal Auditing Organization and Operation

Reports to the Board of Directors

Staffing:
1 Chief Audit Executive & 11 Internal Auditors--the majority are located in China.

Executing:
1. Internal auditors execute routine or project-based audits in accordance with the 10 loops of corporate internal control as well as tasks assigned by superiors to ensure optimal implementation of the internal control system.

   The scope of internal auditing within an organization is broad and may involve issues such as the efficacy of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations.

2. Internal auditors reveal all findings in auditing reports from the perspective of actual, circumstances, submit the reports to relevant superintendents & supervisors, and follow through with continued corrective action and improvements.

   The Chief Audit Executive (CAE) typically reports the most critical issues to the Board quarterly, along with management's progress towards resolving them. Critical issues typically have a reasonable likelihood of causing substantial financial or reputation damage to the company. For particularly complex issues, the responsible manager may participate in the discussion. Such reporting is critical to ensure the function is respected, that the proper "tone at the top" exists in the organization, and to expedite resolution of such issues. It is a matter of considerable judgment to select appropriate issues for the Board's attention and to describe them in the proper context.

3. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.