



OIST

OKINAWA INSTITUTE  
OF SCIENCE AND TECHNOLOGY  
GRADUATE UNIVERSITY

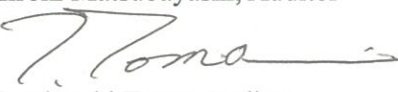
沖縄科学技術大学院大学

May 24, 2017

To: Board of Governors and Board of Councilors,  
Okinawa Institute of Science and Technology School Corporation

From:

  
Hiroki Matsubayashi, Auditor

  
Tsugiyoshi Toma, Auditor

### FY2016 Audit Report

This document is to report the results of our periodical independent audit, regarding the business and financial operation during the fiscal year of 2016, at the Okinawa Institute of Science and Technology School Corporation. The audit was conducted in accordance with Section 3, Article 15 of the Okinawa Institute of Science and Technology School Corporation Bylaw.

#### 1. Methods of Audit

- (1) For the operational audit, we attended the Board of Governors and Board of Councilors meetings, and conducted interviews with the President and other executive members regarding the School Corporation's business execution. We also reviewed important kessai (decision-making) documents and examined the adequacy of the business, in cooperation with the Internal Audit Section.
- (2) For the audit of financial status, we confirmed the accuracy of the statements with the accounting firm, Ernst & Young Shin Nihon LLC.

#### 2. Conclusion

- (1) We did not find any significant violation of laws and regulations, or bylaws, nor any act of misconduct or fraud pertaining to the School Corporation's business administration and its assets.
- (2) We verify that the business report accurately reflects the condition of the School Corporation's business operation.
- (3) We also verify that the financial statements match the contents of the accounting records, and that the School Corporation's status of assets, gain and loss, are properly shown in compliance with laws and the Okinawa Institute of Science and Technology Accounting Standard. The Financial Closing Report was prepared according to the budget classification and properly reflected the status of closing.

Please find attached the FY2016 Auditors' Audit results with our written opinions, which we recognize as necessary for improvement, for the further advancement of the University.

May 24, 2017

## **FY2016 Auditors' Audit Report**

### **1. Basic Principles of the Audit**

OIST Graduate University has been in operation for more than five years now, during which a series of internal and auditors' audits have been undertaken. The findings of these audits show that the basic administration of the University has become increasingly stable, as its fundamental functions have been put in place and are operating effectively. However, some challenges remain to be addressed, to effectively accommodate future expansion of the University, such as how to determine the way in which OIST operates, and to achieve effective operational processes.

In light of these challenges, we focused our FY2016 audit on such issues as to whether OIST has made sufficient efforts to create an environment that encourages all employees to be proud, diligent, and enthusiastic in their work, and that this is conducive to realizing their work-life balance. The audit also put its emphasis on some other elements, such as whether OIST has successfully leveraged its experience and accumulated knowledge, gained through five years of work to get the University underway.

### **2. Compiling the Audit Report**

As mentioned in "1. Basic Principles of the Audit," the University has been operating over five years now and is continuing to grow. It is a good time for certain workflows, which have been established through a process of trial and error, to be reviewed.

In general, any organization would face some difficulties if it persists in its conventional methods of operations, despite the change in the surrounding environment. If left unaddressed, such a situation may lead to major problems or the lack of rationality in the operation of the organization. An imperative task in this regard is making ceaseless efforts to review the organizational management and its underpinning system in line with the changes in the surrounding environment, and the actual state of operations.

While undergoing a rapid development, OIST has been able to find and establish its system and operational methods within a rather short period

of its inauguration. To keep the system and operational methods sustainable, appropriate checks and reviews must be conducted in a prompt and adaptive manner.

In general, an organizational management often becomes less synchronized when a gap in information sharing and awareness widens between top management and their staff working on site. This is because the work carried out by the staff, plays a substantial role in running the organization. Thus a separation between the staff and executives/top management, who make important decisions for the organization, leads to a situation, in which the “mechanism” and “system,” the two main pillars of business, would crumble. On the basis of this observation, we listened carefully to staff opinions, during the audit interviews and considered what measures should be taken to have these opinions reflected in, or connected with the mechanism and system of the organization.

In this report, we have actively presented our recommendations in the areas that seemed to require improvement. We have also introduced some of the measures being implemented on site that can be emulated by the entire organization. Through these activities, we aim to contribute to the promotion of closer cooperation among different sections, and the creation of an open and transparent organizational climate. Finally, this report goes beyond our insights to be shared internally. It has been prepared with the aim to widely disseminate OIST’s initiatives to other schools and organizations.

### **3. Common Items**

#### **(1) Current status of working hour management and operational efficiency**

Working hour management helps to achieve a social mission of an organization, to contribute to the realization of a prosperous lifestyle and the provision of a comfortable workplace, by accomplishing each employee’s work-life balance. The work hour management is also an important task to improve the operational efficiency of individual employees, and also as a group. Properly managing and acknowledging the status of overtime work, also plays an important role in forming the basic ground for operational

reform, which would reexamine the organization itself, and further improve operational efficiency.

**(a) Administrative Compliance (AC) Division**

The overtime of each staff member is properly managed at AC Division, and there were no cases that forced long hours of overtime work. Meanwhile, the managers had assumed quite heavy responsibilities such that the Vice President worked 100 hours of overtime per month. The issue mainly stems from the need to support other divisions that are short of staff and that are tasked with liaising and coordinating with relevant agencies in Japan, handling whistle-blower complaints, and following a rigorous top-down communication style with some divisions.

To address these issues, the following measures may be considered: 1) immediate recruitment of vacant positions in the other divisions, 2) recruitment of staff with thorough knowledge of relevant regulations and institutions in Japan, and 3) outsourcing of consulting business. If it is difficult to find appropriate personnel with knowledge of relevant Japanese regulations and institutions, alternative measures should be considered, including a personnel exchange program with the related ministries/agencies. In case it requires some time to solve these issues, other remedies should be considered, such as creating a new position, in which the personnel will be responsible for handling general affairs tasks, so that excess burden imposed on the Vice President of AC could be reduced.

In hiring for positions that call for individuals with experience of having worked at relevant institutions and adequate knowledge of Japanese laws and regulations, it is often found difficult to identify a suitable candidate. This is because too much emphasis has been placed upon the English proficiency level of the candidate while other qualifications must be given priority. The relevance of this issue is not limited to the AC Division alone. Almost every division has

experienced similar situations.

Potential candidates, whose job would mainly involve negotiation with Japanese institutions, should not be evaluated based on their English language levels but their ability to negotiate skillfully in Japanese. Failing to acknowledge this point might end up missing out on the opportunity to hire competent personnel, which must be avoided in future hiring activities.

On the other hand, it is essential to establish rational workflows and make them into systematic rules, when corresponding or cooperating among different divisions. Considering the necessity of a quick response to Government officials' requests, and the increasing workload with future expansion of the organization, it is not efficient to provide all the incoming details to each division through the Vice Presidents. The process needs to be streamlined, leaving it mostly to corresponding staff members to deal with simple data and routine information correspondence, and to report to the Vice President after such correspondence, when deemed necessary.

**(b) Financial Management (FM) Division**

The Budget Section acquires, executes and allocates the budget. The lack of two senior positions, who play the key role of connecting staff and management, have been making the two managers hold an excess workload, with 60-80 hours of overtime per month.

The administrative workload is also large in the Travel team, where currently there is no supervisor and one staff member is on sick leave. A large burden is imposed on the Section, and the administrative work tends to be delayed.

Under these circumstances, the overtime work of the Vice President has become common practice, due to the need for careful overall supervision, along with the vacancy of the position of executive assistant.

Contrary to this, no major issue has been found among

general staff members.

**(c) Human Resources/Gender Equality (HRGE) Division**

In the HRGE Division, individual interviews are carried out, to make the necessary adjustment for each staff member, when an uneven amount of excess overtime is distributed within a team. When a large number of temporary tasks are required, it has been addressed by seeking other sections' support, and currently, no major issue has been found. Preparation has been underway to introduce the new HEART system in April 2017, which incorporates the HR and accounting systems, enabling the further improvement of business efficiency.

In general, when there is a vacancy that cannot be filled immediately, the tasks must be covered within the division for the time being. To cope with this issue, it is a good practice to train the existing staff in advance of any potential needs, by rotating jobs among the highly-related sections, while recognizing the skills and proficiency of individual staff. This is effective for staff to develop skills, broaden their views on related fields, and in some cases, to prevent any misconduct. We believe that the trial of job rotations among the Procurement and Accounting Sections in the FM Division, and among salary and social welfare teams at HRGE Division is something worth promoting further.

**(d) Faculty Affairs Office (FAO)**

FAO has developed a flexible co-supporting system within the division, by sharing work status at all-hands meetings on Mondays, and relocating staff to teams with a heavy workload, for a certain period of time.

In addition, the operation was drastically improved when an Office Assistant was hired to handle various tasks, and provide proper support within the office during busy periods.

From the perspective of operational efficiency, a discussion has been in progress to introduce an automated

system in the faculty hiring process, with an automatic conversion function of CV data into an Excel spreadsheet. This may be effective for streamlining the operation, as well as for cost reduction. However, it must be carried out with the greatest caution to ensure protection of personal information.

Dean of Faculty Affairs explained that his own overtime has been reduced, since he does not work at weekends any longer, however 12 hours work per day is still a heavy burden.

(e) Technology Development Innovation Center (TDIC)

TDIC has set goals and tasks at three different levels; the entire center, each section and individual staff members. In addition, TDIC organized an at-a-glance table, with figures using FTE (Full Time Equivalent) ratio, to list up all the goals, tasks and task volumes of the center/sections/staff members. The table enables the managers to oversee the entire operations of the TDIC, helps them to find redundancy or omission of tasks, and also enables them to systematically allocate the staff's work time. The table has also helped carry out constant reviews and adjustments, based on feedback during the implementation process. These unique and effective efforts have been carried out for enabling a vigorous operation and work time management. The visualization of TDIC operations, each section and staff members, along with the detailed tasks and time allocation, made it easier to manage goals and track records efficiently. We would recommend that this method is worth a trial throughout OIST, to manage work time, operational streamlining and appointment and development of human resources.

In combination with this central measure, overtime work is appropriately managed, at section level through regular managers' meetings, and at staff level through one-to-one meetings.

**(f) Office of the Dean of Research (DoR Office)**

Excessive overtime was concentrated among staff in the Imaging and Instrument Analysis Section. To solve this issue, the Division underwent a reorganization and hired two section managers and two staff members.

**(g) Office of the Dean of the Graduate School (DGS)**

As the number of student increases, overtime work has been concentrated among members of the Student Support Section, many of whom handle travel expenses and scholarships. To alleviate the issue, such measures as developing staff members' job skills for better efficiency, creating a system for task-sharing within the division, and making some of the administrative work available online, have been implemented. While monitoring the effect of these ongoing efforts, it is also necessary to consider how to secure the appropriate number of staff required for proper workload management.

The Student Support Section also provides consulting support via phone, for students outside the regular hours of school operation. Overtime working hours of its staff are counted when physical movement is required, such as coming to work and going out to visit relevant institutions. However, hours worked for tasks that do not require physical movement are not counted. These tasks include taking calls from students, providing consultation, investigating, coordinating and giving responses regarding consultation contents. Moreover, it has been revealed that these tasks create a lot of stress for staff.

We were informed that transferring these tasks to different sections has been under discussion. However, until the decision is made, it is also necessary to implement specific measures to improve the way of counting overtime hours, and to reduce both physical and psychological stress, for example, by allocating more staff to assist the current responsible members (several staff in one shift).



**(h) Building and Facilities Management (BFM) Division**

Within the BFM Division, a close cooperation among its members is maintained through regular all-hands meetings on Wednesdays, and managers' meetings on Thursdays, during which information and opinions regarding workload, overtime situation, and necessary measures, are shared.

Individual meetings have been held for staff with excessive overtime, to understand the situations and the reasons, and then necessary measures were taken, such as adding more staff. As a result, although some fluctuations by types of business still exists, overtime is under control, and no one has reported any illness since then. As far as the Vice President is concerned, the workload had been increasing, with an extra three hours every day, and five to six hours at weekends. However, hiring of two staff members at Campus Building Section in January, and an executive assistant in February 2017, have reduced the burden on the Vice President.

In relation to hiring of handicapped staff, there are challenges facing some sections, of how to maintain a good level of manpower, particularly in cases where they take a sudden leave of absence that can last for several months. To address this issue, a flexible system should be introduced for the sections with handicapped staff that ensures a normal operation, by adding a certain number of staff for backup support, to accommodate such cases of unexpected, relatively long absence.

**(i) Communication and Public Relations (CPR) Division**

CPR Division holds a divisional meeting at the beginning of every fiscal year, to share common awareness toward the division's goal, targets, objectives, and strategies. Based on these shared ideas, individual sections within the division, set their own goals and present them to the whole division. In weekly meetings (Mondays at 9am), staff share

information on work status and challenges of their own. Information regarding the BOG and executive meetings are also shared. Efforts by the entire division to effectively perform its business, can also be seen in the example of promoting task-sharing among sections, to reduce the burden of any particular group, where work gets concentrated temporarily. To increase mutual confidence, face-to-face communication is strongly encouraged, rather than email exchange. In efforts to reduce overtime, the Vice President is setting an example of leaving the office on time, which encourages others to leave the office at a reasonable time as well. In addition, we acknowledge that various initiatives are taken into consideration, to create an open environment in the workplace, such as holding welcome luncheons, birthday celebrations, farewell parties, actively acknowledging people's job performances, and greeting each other every morning. We acknowledge the efforts of the division to ensure the open environment and enhanced work processes that lead to higher business performance.

Excluding a temporary surge in overtime during big events and other busy periods, we acknowledge that working hour management has been steadily performed, in conjunction with efforts made for increasing efficiency, smoothing and caring for the work environment, as explained above. One issue should be mentioned, which we will describe in "13. Conferences and Workshops".

Although the practice of requesting for overtime approval by the supervisor beforehand is more permeated than before, still in some cases approval for overtime work was given retrospectively, especially during busy times of the year. Thus, it is necessary to stress the need for ensuring that the supervisor directs or approves overtime in advance, to further reduce unnecessary overtime and enhance efficiency.

## **(2) Skill enhancement and motivation of staff**

To achieve a smooth and dynamic operation of the University, it

is important that the organization provides an environment that enables administrative staff to maintain high motivation and to improve their own skills.

**(a) AC Division**

AC Division has worked as a whole, to enhance the ability of staff, by having them actively participate in trainings.

**(b) FM Division, HRGE Division**

While the FM Division and the HRGE Division have been promoting skill development in each section, putting more effort into providing further support in this regard, as a whole division remains as a future task.

**(c) FAO, TDIC, DoR Office**

Positive efforts have been made by FAO, TDIC and DoR Office regarding skill development schemes for individual staff members, by encouraging them to participate in seminars and trainings inside/outside of OIST, in addition to hosting their own seminars.

**(d) DGS Office**

DGS Office encourages its staff to receive trainings and make presentations to the whole division after the training, to enhance their presentation skills, as well as to share the outcome of the trainings. It is worth mentioning that preparing for a presentation is an effective way to help the trainees ensure the knowledge they have learned during the training.

Suggestions for improvement are given by staff through retreats, regular and individual meetings, and are actively incorporated into manuals and workflow processes. This exemplifies enthusiasm and should be emulated by the entire University.

**(e) BFM Division**

Based on the broad range of interests that staff discuss during individual meetings, the BFM Division attempts to provide opportunities of skills enhancement, even beyond their current job descriptions. This approach is effective in enhancing staff's skills and motivation at OIST, where the area of their responsibilities are fixed.

The OJT, with outsourced consultants, are aggressively performed to enhance professional skills, aiming for a business execution style, without outsourcing in the future.

**(f) CPR Division**

The CPR Division has been active in encouraging its staff to participate in seminars and trainings outside of OIST, by which they can broaden their views and knowledge of how the mission of public relations is developed and implemented, with creative input in a different environment from OIST.

**(3) Mid-level staff**

Mid-level staff are the core of operational practices that bridge the gap between general staff and top management. For a smooth operation in each division, it is important to maintain or enhance capabilities of those mid-level staff.

**(a) AC Division**

AC Division does not have enough mid-level staff who are capable of handling each agenda, from coordination to proposal. Accordingly, extra workload has been imposed on existing managers including the VP.

**(b) FM Division**

As mentioned earlier, two posts are currently vacant in the Budget Section, resulting in excess workload on the managers. In contrast, there is no supervisor in the Travel team, resulting in increased workload on general staff and the VP.

**(c) HRGE Division**

There have been no supervisors in the current Training Section, in which more reinforcement of training measures is required, and accordingly, the HRGD Division has been facing some difficult challenges to deal with.

**(d) FAO and TDIC**

FAO and TDIC have shown an improvement since FY2015, by increasing the number of staff members and extensive cooperation for leveling of the workload among the teams. As a result, no major issue is found at present.

**(e) DoR Office**

DoR Office focuses on training the existing mid-level staff to enhance their skills and knowledge.

**(f) DGS Office**

DGS Office does not have enough assistant managers to handle the increasing workload that resulted from the increasing number of students. DGS Office uses its maximum effort to improve efficiency of operations, within the current manpower, such as sharing workload among the sections, the introduction of a grouping system by work categories, and assigning the group leaders.

**(g) BFM Division**

BFM Division has been increasing the number of staff members as required. If the expansion of the University is as anticipated in the Master Plan, the Campus Building Section will need to hire a decent number of staff; however, we did not hear any issue regarding the lack of mid-level staff at this point.

**(h) CPR Division**

VPCPR mentions a lack of management quality rather than quantity of mid-level staff.

Regarding the quality issue mentioned above, leadership skills are required for managers to properly supervise his/her section, (i.e., listen to subordinates, convey information and instruction, provide necessary guidance), manage workload/work hours, employees' evaluation, budget and its execution, and HR issues, etc. In this regard, mandatory trainings for newly appointed section managers to be equipped with such skills, should be introduced at the early stage.

(4) Fixed-term appointment of administrative staff

It is no exaggeration to say that the success of the University depends on steady engagement of outstanding administrative staff, who serve a vital role in maintaining a smooth operation. An opinion suggests that hiring of administrative staff with a fixed-term appointment serves as a proficiency check, in terms of expertise, English communication skills and adaptability after the appointment. On the other hand, many views suggest that a fixed-term appointment has become an obstacle, in acquiring a number of outstanding candidates, concerning job security. The number of potential applicants is already limited at initial stage, as OIST seeks for a workforce with both specialty and English skills.

Some divisions are chronically short of mid-level staff members, while others are not. In any case, measures such as quickly hiring more staff, or sharing workload among existing staff members, has limitations. We understand that the fixed-term appointment of administrative staff can be effective in avoiding some potential employment risks. However, the practice of lifetime employment is central to the current Japanese employment system, under which employees feel confident with job security, and are provided with opportunities to improve their abilities and enhance their status throughout their mid to long-term careers, and are expected to contribute to the organization. If OIST persists in the fixed-term employment system that differs from Japanese employment standards, specifically if it includes a description of the fixed-term appointment in its recruitment advertisement, this would work

against the University's efforts to widely attract outstanding candidates, and foster them after they are hired. The degree of how much OIST lags behind this competitiveness in obtaining skilled human resources will be considerable. In view of future expansion of the University, we believe that the time has come to reassess the recruiting method of administrative staff, for example, to basically hire on a lifetime employment basis, with a probation period.

Needless to say, the skills and proficiency of candidates should be examined from diversified standpoints, such as using of SPI, essay writing, group discussion, along with improved interview and background investigation, even if OIST maintains the current recruitment method. An application for a fixed-term appointment should not be a reason for an easy selection process.

**(5) Personal information management at each division**

Proper management of retained personal information is a highly required social responsibility in any organization. OIST advocates itself as one of the world's top-class research institutes, and we must understand that there would be a tremendous reputational risk in the event of any disclosure of inappropriate handling of personal information.

**(a) AC Division**

Only the VP and a limited number of managers, who have separate offices that can be locked, handle the personal information regarding whistleblowers. We recognize that the personal information has been properly secured.

**(b) HRGE Division**

At HRGE Division, paper documents are secured in locked cabinets and drawers in the storage room, with controlled access. Digital documents are password-protected, and access is limited, only to those who need such information to carry out their work. Regarding the handling of My Number, paper documents are secured in a safe, and any access to the corresponding digital documents is limited to only two

**HRGE employees, who are assigned to enter the data into the system.**

**(c) FAO**

**FAO pays extra special caution regarding the storage of personal information, as it contains highly confidential information. Paper documents are secured in a locked cabinet, to which only certain staff have access. Likewise, digital documents are password-protected to limit the access. Dean of Faculty Affairs also makes sure to lock the office whenever it becomes temporarily vacant.**

**(d) TDIC**

**TDIC handles highly sensitive personal information, including business partners and patent-related. Accordingly, TDIC ensures mutual understanding on confidentiality of information, when corresponding with those outside of TDIC (electronic data is always password-protected), and a confidentiality obligation is specified in contracts, with institutions outside of OIST.**

**Paper documents and electronic storage devices are double locked in a cabinet inside a locked room, and the access is controlled by the section manager. Likewise, the electronic data is password-protected and access is controlled by the section manager.**

**(e) DoR Office**

**Although DoR Office retains minimal paper-based personal information, it is all stored in a locked cabinet, and access to electronic data is controlled by passwords.**

**(f) DGS Office**

**DGS Office is active in sending responsible staff to trainings inside/outside of OIST, as the office retains a large volume of highly sensitive personal information about students. Paper documents are locked in cabinets, and**



electronic data is password-protected with limited access. Data is encrypted when forwarding information to vendors, and the use of encryption and its implementation, are reaffirmed in section meetings.

However, we suggest that the timing of conducting the periodical section training be changed from mid-November to the beginning of the fiscal year, since personal information protection is an important risk management procedure required in daily business.

**(g) BFM Division**

BFM Division retains the personal information of vendors, regarding bid tendering. Paper documents are stored in a leased warehouse (although, they will be securely stored in the Engineering Support Building upon its completion), and electronic data is password-protected.

**(h) CPR Division**

Conference Workshop Section handles a large volume of participants' personal information. For its part, the Community Relations Section temporarily keeps information of event participants and uses only those that had voluntarily been provided by some of the participants, for the purpose of follow-up services, such as sending out OIST newsletters.

While the proper handling of personal information should be managed by each section manager, it should also be ensured by the VP through regular checks, supervision, and guidance as necessary. This will help realize a robust management of handling personal information for the division as a whole. The CPR Division must deal with this issue decisively.

**4. AC Division**

**(1) System organization for enhancement of internal rules**

Internal rules are at the heart of governance, and continuous

quality improvement, is essential for the advancement and stable operation of the University.

The task of processing a large volume of administrative work, regarding proposals and evaluation of internal rules, had been handled by just two staff members. The situation has been far from fully-staffed, but to address this issue, an additional position has recently been approved, and now the hiring process is underway.

(2) Widespread dissemination of personal information protection rules

Personal information protection rules must be thoroughly understood by all relevant staff, as soon as they start working at OIST. With this in mind, the Rules and Procedures Section established Guidelines for Personal Information Protection (approved by VPAC on November 30, 2011), which is further circulated through monthly orientations for new employees.

Along with implementation of the My Number system, trainings are thoroughly conducted for relevant staff.

(3) Procedures in case of personal information leakage

To ensure strong protection of personal information, proper handling in daily business is necessary. In the unfortunate event that a leakage occurs, a swift reporting and organizational action is required, to minimize the damage.

The Rules and Procedures Section has established a procedure, which provides a mailing list on the OIST website, to transmit emails simultaneously to General Manager for Personal Information Protection, Chief Information Officer, and Chief Information Security Manager, in the event of a leakage.

IT Sections, in cooperation with the Rules and Procedures Section, plan to conduct a hands-on training session to examine whether the planned scheme fully serves its purpose.

## 5. HRGE Division

(1) Reduction of Overtime

According to the data collected by HRGE Division, one staff

member from the IT Section had exceeded 120 hours of overtime in the three-month period from April to June 2016, due to temporary system maintenance and covering for a vacant position. There were no other staff who had exceeded 100 hours of overtime.

The HRGE Division contacts managers when staff members in their sections work more than 45 hours of overtime per month. When the amount of overtime hours reaches 80 hours per month, the staff member is requested to consult with the occupational health physician. At managers' meetings, the HRGE Division also emphasizes that overtime is not permitted without approval from supervisors. Starting from April 2017, a yearly account of overtime will be calculated and displayed on the working hour management system of each staff member, as well as alerting to his/her supervisors.

While checking the conclusive hours, is an important element of work hour management, the true purpose is to ensure that employees perform their tasks efficiently, which will lead to a good work/life balance, and an enhanced business efficiency of the overall organization.

Therefore, making sure that a request for overtime comes from supervisors in advance, and their careful judgement of its urgency, are the key factors in controlling unnecessary overtime, enhancing abilities of staff, and optimizing the way in which business is performed. To ensure the implementation of these measures, raising managers' awareness is essential, by taking concrete measures, such as incorporating proficiency of overtime control into the managers' performance evaluation.

At present, the overtime hours worked without prior approval, or a careful examination of its necessity by a supervisor, can be seen. The HRGE Division is making efforts to increase awareness of this issue, to managers and staff, and ensure the implementation of these efforts by each section. We will provide strong support to help them achieve their goal.

**(2) Reflection of salary increase to performance evaluation**

To ensure fairness among divisions, a comprehensive assessment

is conducted, based on performance evaluation provided at each division, and properly reflected on salary increase.

The key function of performance evaluation is the use of the PDCA cycle, in which goal-setting, achievements, evaluation, objective-setting and skill development to achieve those objectives, are explored. Sufficient communication between the evaluator (manager) and the evaluated person (staff) to gain common awareness and build trust for each other, is essential. Through this PDCA cycle, the organization and individual staff will continue to grow and this is important. Considering this, it is commendable that HR has taken the initiative to provide the opportunity for the evaluator and evaluated to have a quarterly meeting.

From now on, we hope each division and section will take further steps to increase opportunities, to have more frequent discussions/communication among staff, supervisors and subordinates, consequently extending a positive atmosphere in the University.

#### **6. FM Division**

The building and maintenance of OIST facilities are funded by Japan's national tax called "Okinawa-Promotion Budget". Needless to say, OIST holds a great accountability for its appropriate usage, especially now, for the soon-to-begin construction of Laboratory 4, which will require a huge amount of financial support, so great care must be given to a proper execution of the budget.

To achieve this, it is essential for the FM Division and the BFM Division to maintain close coordination by sharing information and comparing notes. We were informed that a spreadsheet has been created with the aim to effectively manage the estimated total cost, categorized by each construction item, which allows both parties to frequently monitor the amount of execution. In addition, a new employee with extensive experience in the execution of government subsidies, has been hired. To guarantee the effectiveness of these measures, the President, VPFM, VPBFM and Auditors will be required to work more closely and carefully monitor the progress while continuing to implement further measures, such as providing a better structure with an increased number of staff, if

necessary.

## **7. BFM Division**

### **(1) Management of budget execution for Laboratory 4 building**

BFM division has played a major role in OIST that has been unceasingly expanding since its establishment. The facility maintenance of the university is funded by Japanese government tax money, and therefore, OIST holds a great accountability on proper budget execution under organizational and time constraints.

Regarding the budget execution for construction of Laboratory 4, which is also mentioned in “6. FM division” of this report, we recognized that several measures have been taken, such as visualizing budget execution, establishing a system in which the FM and BFM divisions interact more regularly and also on an as-needed basis, and hiring a new employee with extensive knowledge and experience in the budget execution. To ensure the effectiveness of these measures, as well as working more closely with us, it will be vital for the VPFM and VPBFM to exercise supervision by frequently sharing information and awareness with each other and making a proper report to the President on how the budget execution has been handled.

### **(2) Security and disaster prevention**

Security and safety are the very basic of all the OIST operations, and ensuring the campus safety and disaster prevention system is the utmost priority while the expansion of the university has been underway.

Since OIST has staff members, researchers and students from various countries, English and interpretation skills are the key factors for prompt and precise correspondence for the helpline system in case of an emergency. BFM division suggested a proposal to hire proper staff internally because outsourcing of the emergency communication had not functioned well in the past. However, no concrete progress has been made regarding this issue.

In general, hiring of permanent staff for ad hoc “emergency

situations only” is not an efficient style of employment, and this is especially true in case of hiring several members as a team. Accordingly, we would suggest the followings for consideration: 1) Establish a new emergency response team composed of OIST staff members, for whom some type of allowance should be guaranteed, taking turns to assist the helpline system while maintaining the current outsourcing style, or 2) Establish a new division that consolidates campus security and safety regarding health, research facilities and chemical control, and obtain necessary number of staff and take shift to provide an internal helpline service.

In any case, disasters, incidents and accidents could occur anytime as long as the university is operating. Countermeasures should be promptly established through appropriate discussions such as in executive meetings, to achieve implementation in a timely manner.

## **8 . Safety and Health**

Safety and Health is one of the biggest themes for risk management that could have significant effects on individual lives and physical well-being, as well as the University’s research environment. Each student and researcher who conducts research activities, as well as managers and university executives must take special caution to ensure the absolute safety. To that end, all members must complete required safety training respectively, at the earliest time of the year, and be sure to implement what they have learned through those training programs in day to day practice.

However, since the number of targeted members has not been identified at Occupational Health and Safety (OHS) Section at the stage of planning, participant rates for each training program has not been captured clearly. The reminder emails are sent to all staff as an announcement, but the actual participation cannot be ensured but solely relying on each individual.

Under these circumstances, OHS Section has been making proposals to incorporate the record of training participation into performance evaluation, or coordinate with IT section recording participation history. However, at this stage, no improvement has been made.

OIST, as an entire university body, should make its efforts to enhance

awareness of managers to improve the practices towards safety and health. We suggest the followings to ensure training participation: 1) Coordinate with HR division to identify and share information of targeted members for each training course, 2) Incorporate participation rates of subordinates to each manager's performance evaluation, and 3) Provide the direct instruction from OHS Section to each manager to take responsibility on his/her subordinates' participation.

9. **Risk management for Information System**

In any organization, Information System (IS) is the most vital and indispensable infrastructure in daily operations, and accordingly, a very fundamental subject for risk management. It is not an exaggeration to say that IS plays the role of foundation that supports the societal lifeline for an organization, and any instability of IS may directly lead to inadequate management of confidential information including personal information.

To protect the university during emergencies, such as earthquake, fire, and lightning strike, the backup measures of data as well as the network system have been adequately established and reinforced, though some challenges remain. On the other hand, these efforts can only be effective if they are properly followed in an actual emergency situation. In this regard, a robust Business Continuity Plan (BCP) is indispensable in establishing a comprehensive emergency response.

Great disasters could occur anytime, resulting in a halt of university operations. Actions should be taken immediately to establish a comprehensive BCP for the entire OIST, defining operational priorities under various emergency situations. To this end, the following steps shall be required; 1) each division selects a representative, 2) establish a panel with the President as the Chair in order to discuss, adjust, and finalize the procedures, including categorization of emergencies, actions based on simulations, and decision making processes, and 3) perform periodical drills based on the BCP. In coordination with these processes, IT section should assign responsible staff members for decision-making, define decision making in absence, and specify those who will come to the workplace and/or deal with an emergency situation. The necessary IS operation procedure should be compiled in a manual before conducting a BCP exercise.

#### **1 0 . Measures to increase Japanese and female students**

DGS Office has taken following measures to increase the number of Japanese students: 1) visits of domestic universities through OIST café and science café with related demonstration 2) Science Challenge with introduction of educational programs 3) participation in career fairs for master's degree students, and 4) publicity through the use of SNS. For increasing the number of female students, the following has been conducted: 1) career events for women in science, 2) OIST café for women in science.

We believe enhancing these measures will help acquiring outstanding human resources in Okinawa as well as Japan. At the same time, it is important to exchange opinions and share information with CPR division regarding the PR strategies.

We expect further development of new approaches that would dramatically improve the recognition of OIST's research activities and excellent faculty throughout Japan. To this end, we suggest the ideas such as public announcement before and after each event, follow-up with event participants through reciprocal SNS communication and dissemination, recruitment of new staff members with distinct ideas regarding the extensive use of new media, and incorporation of external experts' ideas.

#### **1 1 . Enhancement of educational function**

Maximizing functions of both education and research in a synergistic manner and maintain a steady growth in the future is a common challenge and an eternal theme, not only for OIST, but for all higher education research institutes. OIST Graduate University has marked the fifth anniversary of its foundation and will soon produce its first graduates. Their performances and contributions to the society will become one of the major elements of how the world will evaluate OIST. As OIST reaches this new phase, now is the time for the university to assess its education and research activities.

Maintaining a high level of education is a fundamental driving force for attracting many students from Japan and around the world. We understand that a discussion on how to achieve this goal will take place, but no concrete



plan for such discussion has been made so far.

One possible way to get this started is to ask graduating students about what kind of education they have expected of OIST and its faculty to provide in the doctoral program. If there is a gap between their expectations and what they actually received, then the university should examine what is the cause based on their answers, and consider specific measures to narrow that gap. As the proverb goes, “strike while the iron is hot,” we hope to see some swift action to find ways to discuss this matter.

#### **1 2. Research funding management**

Assuring proper execution of research funds is a natural demand for OIST, whose operation is funded by tax payers’ money.

On the basis of this concept, OIST has established internal rules on execution of research funds, and thoroughly implemented measures to increase people’s knowledge and moral responsibility through training given by DoR Office. In addition, enriching moral training programs, which cover both faculty and researchers, and raising awareness of compliance will be another measures to be carried out. It has also been decided that the PDCA cycle will be introduced to first estimate the frequency of equipment usage before purchasing them, and then assess the actual records after a year of the purchase.

On top of that, to surely prevent misuse of research funds, it is also effective that managers pay attention to individual researchers and maintain good communication with them on a daily basis. To do so, it is necessary to steadily implement measures across the whole university, such as providing training sessions for managers and checking their contributions to this matter through performance evaluation, which lead to increased supervisors’ awareness of their managerial responsibilities.

#### **1 3. Research workshops and conferences**

Research workshops and conferences organized by the Conference and Workshop Section (CWS) in CPR have contributed to increased recognition of OIST in the international world of research. They have also promoted collaboration and information sharing among researchers from different countries.

It is desirable that OIST continues to hold these events in a long term, to

**maintain its research and their outcomes at the world's top level and to serve as a center to disseminate advanced science and technology research to the world. To achieve this goal, the budgetary and administrative capabilities must be reasonable and sustainable.**

**We have examined how the past workshops and conferences were operated, and found that the traveling and accommodation fees, as well as administrative support were provided to all participants, including those who did not have any particular roles, for example lectures or panelists, in the events. In FY2015, as much as nearly seventeen million yen were spent on accommodating general participants. This also led to the situation where the CWS staff were compelled to work overtime of more than sixty hours per month at the busiest time, to handle travel and accommodation arrangements, and other administrative duties.**

**It should be assured that people participate in workshops because of good reputation and quality of contents, speakers, and panel members. When these workshops provide excellent contents and produce good results, their recognition will increase and spread to potential participants. Then further efforts can be made to enhance and expand those workshops. This process will repeat itself all over again, creating a virtuous cycle. Hosting complimentary workshops and conferences might have been effective in enhancing the quality and size of these workshops and conferences, and boosting OIST's visibility in the world. However, the school has now operated for five years, with a continuous increase in the number of faculty, and also considering the fact that the university is funded by tax payers' money, the continuation of the current method is obviously irrational and unsustainable.**

**Moreover, it can be said that providing extra funding and administrative support to general participants is impeding further enhancement of the quality of lecturers and curriculums and restricting the number of other potential participants.**

**Therefore, as is with most domestic and international workshops and conferences held by other organizations, OIST should limit offering travel expenses and other requested support only to those who play certain roles at events (travel arrangements may be made by participants themselves except for lodging). As for general participants, they should pay participation fees, by which necessary expenses to host an event, such as**

administrative work and renting venues, will be recovered. Information can also be narrowed down to the ones that are truly necessary and beneficial for participants, and the means of providing them should be via email or through the web.

#### **1 4 . Researchers**

Encouraging the mobility of researchers realizes a flexible and competitive research environment. A practice of fixed-term employment helps bring human resources in for certain research projects, and can serve as stepping stones for young researchers to obtain experience for their career paths. For these reasons, there is high expectation that fixed-term employment will be a great way to invigorate research activities.

The 5<sup>th</sup> Science and Technology Basic Plan adopted by the Cabinet Office on the 22<sup>nd</sup> of January 2016 states, “Increased human resources mobility enhances the talent and skills of individuals, and assimilation of diverse knowledge inspires the creation of new ideas and promotes social implementation of research results. Therefore, we aim to establish a structure that allows for the mobility of human resources in fields of science, technology and innovation, so that people of all generations can play their roles befitting their positions.”

OIST has been able to steadily produce outcomes, partly because of its support for creating an open research environment with outstanding researchers from 20 countries, hired as faculty with a fixed-term appointment. At the same time, hiring under lifetime (tenured) and fixed-term contracts with renewal employment has been practiced to achieve a stable operation that underpins the university’s strong education and research activities. We acknowledge that a balance between mobility and stability is well maintained, contributing to the creation of good research results and development of OIST.

#### **1 5 . Closing remarks**

OIST is still a new organization and in the course of evolution. In this audit, we noticed each executive deals with difficulties and concerns over the issues in their responsible areas, with great awareness and willingness to make change for improvement. We believe such attitude can encourage actions to actively seek ways to identify and solve the current and potential

problems, which will generate a driving force for the continued growth of the university.

Having said this, however, the complexity of governing an organization lies in the fallacy of composition. Although each division brings their best solutions for themselves, it may not be the best solution for the entire organization, or sometimes it can even worsen the problem. Such paradox becomes more apparent as the organization expands. There are two major causes for this; “the calamity of the vertical structure” and the “loss of appropriate timing”.

Internal sections within an organization are no more than a simple division of work in order to clarify their responsibilities. As an organization expands, the number of sections involved in the problem-solving process increases. When each section becomes defensive and persistently dwells upon its own territory and customs, it is inevitable that the problem-solving process becomes more difficult, resulting in a delay in making necessary organizational decisions.

At the same time, the more sections involved in one issue, the longer it takes to share information, communicate and reach consensus. It is easy to imagine that there will be delays in problem-solving. Difficult issues that an organization faces today tend to require timeliness and swiftness as its priority becomes higher. It cannot be denied that today, more and more organizations have failed to respond to critical situations quickly enough, so that they experienced more of a threat than a growth as a result.

Having discussions pro forma will never provide a solution. Whether the organization can continue to grow depends on how it responds to the aforementioned issues. In doing so, it is very important for the management to properly exercise their leadership when necessary, and to specify who will play a central role in solving problems. The success of the organization also depends on whether the responsible management can work across their boundaries with a strong, shared commitment to the benefits for the entire organization by placing priorities and building cooperative and harmonious relationship among different sections involved in problem solving.

We wish further growth and prosperity of OIST, and emphasize the points mentioned above as a closing of this audit report.

This Audit Report is a translation of the Japanese original. In the event of any discrepancy between this translated document and the Japanese original, the latter shall prevail. Tina Mularski, Risa Sato and Mari Takenouchi of the CPR division supported with their expertise in editing the English translation. We also commend Risa Sato who enabled us to fully communicate our intent during the audit interviews. We are grateful to them for their support.