OIST OKINAWA INSTITUTE OF SCIENCE AND TECHNOLOGY GRADUATE UNIVERSITY
沖縄科学技術大学院大学

May 21, 2024

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

From:

Hiroyuki Ikeda, Auditor

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Satoshi Kaneshima, Auditor

George Clark

George Clark, Auditor

FY 2023 Audit Report

This document is to report the results of our periodic independent audit, regarding the business and financial operation during the fiscal year of 2023, at the Okinawa Institute of Science and Technology School Corporation. The audit was conducted in accordance with Section 1, Article 15 of the Okinawa Institute of Science and Technology School Corporation Bylaws.

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, 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 Standards. The Financial Closing Report was prepared according to the budget classification and properly reflected the status of closing.

Please find attached FY2023 Audit Results and Auditors' Opinion.

separate volume

Audit Results and Auditors’ Opinion for FY2023

May 2024

Auditors, Okinawa Institute of Science and
Technology Graduate University School Corporation

Audit Results and Auditors' Opinion for FY2023

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Abbreviation Index		
Abbreviation	Official Division Name (English)	Official Division Name (Japanese)
BFM	Buildings and Facilities Management Division	施設管理ディビジョン
CPR	Communication and Public Relations Division	広報ディビジョン
DOR	Office of the Dean of Research	研究担当ディーンオフィス
FAO	Office of Dean of Faculty Affairs	教員担当学監オフィス
FM	Division for Financial Management	財務ディビジョン
GC	General Counsel Office	統括弁護士オフィス
GS	Office of the Dean of the Graduate School	研究科長オフィス
HR	Human Resource Division	人事ディビジョン
IT	IT Division	IT ディビジョン
OI	Office of Technology Development and Innovation	技術開発イノベーションオフィス
PRO	Office of the Provost	プロボストオフィス
SGO	Office of the Secretary General	事務局長オフィス
STR	Office of the Vice President for Strategy Implementation	副学長(戦略実行担当)オフィス
UCS	University Community Services	大学コミュニティーサービス

FY2023 Audit Results and Auditors' Opinion

I Introduction

Audit is stipulated as one of the duties of Auditors in Article 37 of the Private School Act (Act No. 270 of 1949). By the provisions of Section 1, Article 15, and Section 1, Article 34, of the Okinawa Institute of Science and Technology School Corporation Bylaws, it is to contribute to the proper and efficient operation of the university's business and to form the Auditors' opinions regarding financial results.

II Audit Plan for FY2023

Specific policies and procedures for the Auditors' Audit are outlined in the "09. Auditors' Audit" of "OIST s Policies, Rules and Procedures" (hereinafter referred to as "PRP").

Based on this, the plan for the Auditors' Audit for FY2023, including audit items and audit implementation dates, was established, and the President was notified on November 24, 2023, as the "Notice of Auditors' Audit for FY2023", and the Auditors' Audit was implemented based on the plan.

An outline of the audit is as follows.

1 Audit Items

Of the matters listed in PRP-9.4.1 (Scope of Audit), the Auditors shall audit, among others, the matters listed in (1) through (5) in the Business Plan ((1) Education and Research, (2) Governance and Administrative Transparency and Efficiency, (3) Finance, (4) Contribution to Self-Sustainable Development of Okinawa, and (5) University Campus and Community Development; Safety and Environment Protection), and the matters listed in 3 of the Guidelines for Auditors' Audit, Okinawa Institute of Science and Technology (approved by the Auditors in September 2017), and other matters that the Auditors deemed necessary to audit to achieve sound and stable management of the School Corporation. The classified items are as follows.

(i) Operational efficiency, progress management, and organizational management

(ii) Finance (budget execution management, grant management, etc.)

(iii) Efforts to obtain external fundings

(iv) Creation of a good working environment (working hour management, anti-harassment measures, health and safety management)

(v) Training and improvement of staff management skills

(vi) Information security and personal information protection

(vii) Disaster prevention and Business Continuity Plan (BCP)

(viii) Contribution to the promotion of Okinawa

(ix) Outreach activities to junior high and high school students, and others in Okinawa and beyond

(x) Others

2 Audit Methods

The audit was conducted using the written and on-site audit methods specified in PRP-9.4.2 (Types and Methods of Audits). For the on-site audit, the Auditors requested the submission of documents and received explanations from the people in charge of each division. In this fiscal year, the on-site audit was conducted with the participation of the international auditor, taking into the account the reduction in restrictions related to the Corona pandemic. In addition, the Auditors actively exchanged opinions with each division and collected information by circulating important kessai (decision-making) documents on other occasions. The Auditors confirmed the financial statements and financial reports by consulting with the audit firm in a timely manner, and by receiving the necessary explanations from the Division for Financial Management. As for the Accounting Audit by the audit firm, the Auditors exchanged opinions on the audit plan, on matters to be considered regarding the settlement of accounts for the current fiscal year, and on other matters. They ensured close collaboration with the audit firm by requesting explanations and reports on the audit status and matters related to the performance of the audit firm's duties.

III Audit Results

1 Operational Efficiency, Progress Management, and Organizational Management

In order to carry out an increasing number of tasks with a limited number of personnel, it is even more necessary to improve the efficiency of operations, progress management, organizational management, and inter-organizational coordination. In addition, taking advantage of information technology advances, including digital transformation (DX), is also a critical issue. Based on this recognition, the Auditors reviewed the efforts being made in each division. Furthermore, the Auditors asked for examples of what has worked and not worked, and for recommendations regarding the university's structure and regulations that should be reviewed.

(1) Improving operational efficiency

The Auditors confirmed that the importance of improving operational efficiency is well recognized in each division and that efforts are being made.

Many respondents (IT, UCS, GS, FAO, FM, PRO, and DOR) explained that they are taking basic initiatives, such as reviewing operations and work processes, and standardizing them, and that these initiatives are proving effective. Some of the points that require attention include the need to recognize that although efficiency gains will be achieved in the long run, the time required and the temporary burden on staff will be substantial when introducing new tools and processes (UCS, GS, DOR), and the need to review operations in light of OIST's expanding size (PRO).

Information technology is also considered an essential item and is widely used in various forms, including software, tools, etc., (FAO, FM, UCS, CPR, HR, SGO, OI), which is worked on automation by RPA (FM, UCS), response to inquiries by ServiceNow (HR, FAO), and web-based information provision, including the use of video (HR, CPR). It was pointed out that these efforts require continuous efforts by managers, communication through meetings and Teams, and education and training.

(2) Progress Management

Regarding progress management, it was widely explained that the use of meetings and other efforts by managers to monitor progress are essential. In order to strengthen these efforts, communication via Teams and e-mail (UCS, GC), visualization of schedules using progress charts and other tools (IT, FM), use of shared files (FAO), centralization of management data (BFM), and creation of manuals (FM) are being undertaken. On the human resources side, it was pointed out that it is necessary to ensure a backup system (PRO) and improve staff retention (GS). In addition, CPR is considering outsourcing if the budget allows because it is difficult to manage the schedule due to the fact that work is performed on a request basis. Some commented that it is necessary to review the allocation of personnel and task priorities in response to changes within the institution and adjust organizational structure and work allocation accordingly.

(3) Use of IT tools

Each division is actively utilizing IT tools. The IT Division, which is in a position to oversee the entire process, stressed the importance of documenting efficiency improvements rather than making them dependent on individual employees. They also suggested optimizing operational management as a whole rather than on an individual basis. Each division expressed the opinion that it is necessary to consider improving operations and efficiency before introducing IT tools (PRO, FM). If IT tools are to be introduced, they suggested that consideration should be given to related divisions (CPR, GS, DOR). The necessity of discussing which division should take the leadership to promote cross-divisional projects was also mentioned (DOR). It was also noted that some tasks are currently not sufficiently performed by the system (HR, GS), perhaps due to lack of discussion for the above. To offset system deficiencies, there were some examples where business processes were adapted to the tool and customized as much as possible (FAO), and multiple software programs were used (OI). Some commented that training and transition time are needed to utilize the introduced IT, given the individual differences in IT literacy among the staff members (GS, UCS), and that they would like to obtain the cooperation of the IT Division to fully understand the introduced IT tools, but it is difficult due to the shortage of workforce in the IT Division (UCS). As a future initiative, introduction of an AI-based automated voice reception system is being considered (CPR).

(4) Organizational Management

Many tasks are handled by temporary staff and outsourcing, as well as various types of employees. In this situation, the Auditors interviewed division leaders about difficulties they were experiencing related to organizational management. They discussed ensuring communication through meetings (IT, BFM), use of temporary staff and outsourcing based on the nature and content of the work (OI), preparation of procedure manuals, clarification of schedules, and segregation of work (SGO). Some said that lack of time to train and manage external staff was an issue (PRO). Regarding securing human resources, there were widespread complaints that recruitment is becoming more difficult due to a shortage of qualified workers, inadequate salary levels, and the range of skills required of applicants, additionally it was mentioned that the retention rate after hiring is also unsatisfactory.

(5) Systems and Regulations that Need to Be Reviewed

As for the systems and regulations that each division thinks need to be reviewed, many requested the organization and clarification of work assignments, and some said that a systematic review and revision of rules, including PRP and document management, is necessary (FM, STR). It was also pointed out that reducing the approval process by transferring authority would be effective (HR). Also mentioned separately, there were many comments requesting improvements in travel expenses request and settlement, as well as in budgeting procedures. Other individual requests included simplification of the outsourcing process (DOR), effective ways to proceed with event logistics (PRO), beneficial representative meetings for administrative staff (UCS), the establishment of an advisor to advise on the use of existing IT tools in the field (SGO), and centralized cost-bearing for temporary replacements for employees on maternity or paternity leave. (CPR).

(6) Interdivisional Coordination

Since interdivisional coordination is essential for organizational management, the Auditors collected examples from the divisions of "successful" and "room for improvement" coordination cases with other divisions.

The successful cases were: J-PEAKS (Program for Forming Japan's Peak Research Universities) application (DOR), rationalization of the number of software contracts (IT), revision of the "Guidelines Concerning Appropriate Use of Research Funds" (FM), filming for the TV show “Waratte Koraete” and cost reduction by in-house production of a video series (CPR), Vice President approval process reduction (HR), improved ambulance arrangements (BFM), reorganization of Basic Lab Support Section through staffing adjustments (PRO), Resource Center, seminars for new students, work experience, summer school (UCS), SEED short-term educational program(GS), Strategy Working Groups for Alumni and Collaboration Incentives, and the application for a research specialty graduate grant (STR) were mentioned.

The cases where there was room for improvement and difficulties encountered during the process stages were the Recreation Services (UCS), the new student information system (GS), the DEI strategy preparation (STR), and COI-NEXT (DOR).

When asked how to proceed with interdivisional coordination and which methods were appropriate for which projects, many respondents said that it was essential to determine the level of coordination depending on the nature and stage of the project. Additional topics mentioned include: clarification of what to do if coordination does not go well (FM), sharing objectives and plans in advance, ensuring understanding and cooperation of all parties involved (BFM), clarifying requests to other divisions (UCS), utilizing meetings and teams/groups in Microsoft Teams (FAO, UCS), establishing roles and responsibilities, decision making through transparent discussions, decisions by higher-ups when necessary (STR), clarification of ownership among divisions (OI), and executive-level coordination for projects that are new to OIST (PRO, GS).

2 Finance (Budget Execution Management, Grant Management, etc.)

(1) Budget Execution Management and Grant Management

FM and each division were interviewed about the status and prospects of FY2023 budget execution and management, as well as any difficulties encountered, and the status was confirmed. In January and May 2024, the Auditors also heard explanations from the external auditors, Ernst & Young ShinNihon LLC (hereafter referred to as "E&Y").

The budget for FY2023 was 21.9 billion yen (initial budget: 19.6 billion yen, supplementary budget: 2.3 billion yen), and the amount of subsidies for operation expenses returned to the government against the initial budget was 0. There are no particular problems with execution, and financial indicators are sound at this point. Furthermore, FM has submitted a budget forecast to the BOG with certain assumptions (e.g., inflation rate of 2%, 5%, etc.), which has been discussed in BOG.

The budget and the costs required for operations are appropriately managed on a monthly basis, and the Budget Section staff monitors the status of execution through the HEART system. They also handle it by checking each division's execution status in August-September and December-January with each division. In addition, monthly reports are distributed to Executive Committee members.

Regarding budget execution management for facilities and equipment, the Auditors interviewed BFM and FM to confirm that information sharing and consensus building between the Construction Execution Management Division and the Budget Execution Management Division were conducted promptly and appropriately and confirmed no problems.

As a point of difficulty in each division, the budget under their jurisdiction has become even tighter due to price and labor cost hikes and exchange rate fluctuations (BFM, FAO). Some innovations include cost reduction through centralized procurement of PCs (IT).

As for requests for budget execution procedures, there were many requests for further digitization, and there was a suggestion that streamlining could be achieved by transferring operations to the most appropriate divisions. Some divisions are using Power Bi to share the status of budget execution (UCS).

[Auditor's Opinion]

Based on the above, the Auditors found no problems in the management of budget execution and subsidies and confirmed that they were conducted in accordance with the procedures. The Auditors also confirmed the appropriateness of the financial statements. The final report from E&Y is scheduled to be submitted on June 13, 2024. As of May 2024, the Auditors have received an explanation of the following directions, which we consider essential reference information for our judgment as Auditors.

(Reference) E&Y Final Report (tentative)

E&Y did not find any violations of laws and regulations, incorporation violations, or fraudulent or deceptive acts.

E&Y verifies that the OIST business report accurately reflects the university's operational status.

E&Y confirms that the OIST financial statements are consistent with the accounting records and that the assets of the university along with its profit and loss are appropriately presented per OIST standards.

(2) Delay in Personal Reimbursement of Travel Expenses and Honorariums

The Auditors heard from FM about the subsequent status of the delay in the individual settlement of travel and honorarium expenses, which was addressed in the FY2022 Auditors' Audit. The Auditors confirmed that FM has taken measures such as holding travel expense consultation meetings for administrative staff in the units/divisions to which the travelers belong and increased the number of temporary staff by one, and that, although some improvements have been made, about half of the travel expenses in the second half of FY2023 have exceeded the usual four-week processing period. FM recognized that was caused by many cases where resubmission was requested due to incomplete documents and explained that in addition to increasing the number of staff, efforts were being made to simplify and streamline the travel request process.

[Auditors' Opinion]

The delay in the individual settlement of travel and honorarium continues to be a concern. During this year's Auditors' Audit, many divisions commented that the process of travel expenses was complicated. On the other hand, because it was confirmed that FM is aware of the issue and continues taking concrete measures to solve it, the Auditors will continue to monitor the situation closely.

(3) Status of Efforts to Ensure the Appropriateness of Bidding Contracts

① Procurement

OIST's procurement policy is based on competition, and vendors must be selected through a comparison of quotations process when the procurement amount is not less than 1.5 million yen and less than 3 million yen, and a competitive bidding process when the procurement amount is not less than 3 million yen (5 million yen for some units and sections). In cases where procurement in which a vendor is selected based on a review of proposals and other factors, regardless of the procurement amount, may be suitable, contract negotiations may be conducted after various open call procedures are completed.

② Status of Single Bidding

In order to conduct competitive bidding properly, it is essential to ensure competitiveness, and efforts should be made to avoid single bidding.

Looking at the percentage of single bidding in recent years, the rate for construction (31.3% (FY2022), 42.1% (FY2021), 25.0% (FY2020)) and for goods and services (58.3% (FY2022), 64.3% (FY2021), 66.7% (FY2020)), the percentage for goods and services is shown to be higher.

In addition to confirming the status from FM, divisions in charge of procurement confirmed the status of two large amount procurement goods and services for which single bidding continued multiple times: "Laboratory Animal Care and Management Services (PRO)" and "Facilities and Maintenance Services (BFM)". As a result, although there are factors such as the fact that there are many purchases of cutting-edge equipment for which the number of possible bidders may be limited and the geographical conditions of Okinawa, it was confirmed that FM has made it known that it does not impose overly exclusive conditions, and that it has made efforts such as extending the public notice period and actively reaching out to vendors who have not obtained reference quotations, and that it has also made efforts to investigate the measures of other organizations to prevent single bidding. In the divisions that were the subject of our audit, the Auditors also found that "they are implementing a division of the contract, and further hearing the reasons for non-participating vendors and finding new vendors" (PRO) and that "they placed bulk orders due to the circumstances, seeking the participation of many vendors, and consulting with the relevant sections" (BFM).

③ Status of Small Purchase Orders

The Auditors confirmed that regular monitoring is conducted via Internal Audits.

[Auditors' Opinion]

Efforts to ensure the appropriateness of bidding contracts are steadily being made, and the status of small orders is routinely monitored by Internal Audits. The need to ensure competitiveness in bidding and to take measures against single bidding is also recognized, and efforts are being made. However, as OIST's finances become tighter, it is becoming increasingly important to increase the level of competition and improve procurement through measures to prevent single bidding. Therefore, FM and divisions in charge of procurement need to be more proactive in examining bidding requirements, procurement units, procurement schedules, and quality (service level) to be ensured and in disseminating information about procurement projects, including obtaining opinions from suppliers. Furthermore, it is essential that OIST sends a solid message to the tenderers by showing its proactive stance. The efforts of other organizations can also be helpful; one example is the government's efforts (see note below).

(Note) "Results of Inspection of Efforts to Improve Procurement in FY2022" (Particularly 3 (1) and Attachment 4) (Administrative Reform Promotion Council)(Japanese only)
https://www.gyoukaku.go.jp/chotatsu/R04kaizen/R04_honbun.pdf

(4) ERP (current HEART) Replacement

Since the maintenance of the Enterprise Resources Planning (ERP - HEART) system, which is the core business system, will reach end-of-life in FY2027, the IT Division and others are planning to replace the system. Since this project requires a large budget, the Auditors asked IT and related divisions about the study's status. The work process is a five-year plan, and in FY2023, IT has been studying the outline of the project with the help of outside consultants and has started to hear opinions from each of the especially related divisions. In FY2024, the definition of requirements and candidate solutions will be discussed and decided.

Because IT explained that they are currently calculating the required budget and would coordinate with FM after the calculation, the Auditors asked IT whether or not the explanation needed to be provided ahead of schedule. In response, IT said that the ERP project will require a large budget, that they were well aware of the need for coordination regarding financial resources, and that they were currently conducting a wide-ranging study, including the scope of the project itself and the selection of possible systems, and that they believed they could respond flexibly when coordinating with FM in the future.

Concerning functionality, IT explained that they are aware of the need to appropriately meet the requirements of each division in a form that can be handled using IT functions and continue to communicate with each division for this purpose carefully. In addition, according to IT, there is room for improvement in the communication process during the construction of the current ERP, and they will review this and move forward. According to IT, one challenging area was human resources, which has many unique requirements besides financial management. In this regard, HR stated that they would like to exchange opinions to help with construction of the new ERP.

[Auditors' Opinion]

While the ERP study is proceeding systematically with outside consultants and the exchange of opinions with major divisions has started, it was confirmed that coordination with FM regarding securing financial resources, etc., has yet to begin. However, it was explained that this is due to the policy of securing flexible options after broad consideration and negotiating the budget amount, etc., on that basis. Therefore, as soon as a clear idea of the direction of the plan is considered, IT is expected to promptly communicate with FM and begin coordination of specific details to secure the budget necessary to build the system. In doing so, it is essential to take a meticulous approach, taking into account that updating the system will require a large budget and multi-year expenditures, and that the understanding of the relevant organizations is necessary. In terms of functionality, based on the experience gained during the construction of the current ERP, close communication with the divisions concerned will be pursued, which is also commendable. It is also encouraging that HR and IT are aware of the difficulties in handling HR-related operations and will actively cooperate. The Auditors will continue to monitor this matter closely.

(5) Budgeting

Regarding the budgeting process, there were widespread opinions from each division that there were not sufficient opportunities for explanation and discussion of the details of requests after submission of budget requests, that the process by which budget amounts are determined is not easy to understand, and that the timing of notification of budget amounts is too late.

[Auditors' Opinion]

Budgeting is conducted under an institutional framework such as the Strategic Resource Allocation Committee (SRAC). The Auditors hope that efforts will be made to improve communication further to build trust with each division. In particular, the Auditors would like to request that notification of budget amounts be made as early as possible, as this information is necessary for the proper execution of the budget.

3 Efforts to Obtain External Fundings

For OIST to remain a world-class educational and research institution, securing research funding from external sources is essential. The FY2023 Business Plan sets a target of obtaining external funding of 1.8 billion yen (10.6% of the ordinary expenses of the subsidy budget). However, as of the end of February 2024, the amount has already reached approximately 5.2 billion yen (30.8%). Major items include the Ministry of Economy, Trade and Industry (METI) facility development grant for the third incubator (1 billion yen) and the Regional and Specialist Research Universities grant for facilities (approximately 2 billion yen). Based on this favorable situation, the FY2024 Business Plan sets the target for obtaining external funds at approximately 2.4 billion yen (13.7% of the ordinary expenses of the subsidy budget). It also sets a new target of applying for at least one external fund for facility development (including the use of PPP/PFI projects) and takes other proactive measures.

In light of this situation, the Auditors confirmed the current status and prospects for obtaining external funds with the DOR. According to the DOR, the fact that OIST was selected by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) for J-PEAKS (5.5 billion yen over five years) was an epoch-making achievement. The number of applications and adoption rates for KAKENHI have recently increased, indicating that all PIs, including early career researchers, are becoming more proactive in seeking external funds. Although only a small number of PIs used to apply for KAKENHI, the DOR said that the increase in the number of applications and adoptions may be the result of their efforts to support early career researchers through seminars and clinics on the grant. The next step is improving the adoption rate and applying for high-level grants. On the other hand, obtaining international grants is a tough challenge, and as for J-PEAKS, a solid management support is essential to make effective use of it and to endure its continuation in the future, which is still a concern at this point.

External funds are classified as direct expenses or overhead expenses. Overhead expenses are used to cover expenses necessary for the management of the research institute in conducting research. (Agreement on Liaison Conference of Relevant Ministries and Agencies on Competitive Research Funding, Revised May 31, 2023, https://www.mext.go.jp/a_menu/shinkou/torikumi/1337573.htm). Direct expenses are used for things that are directly necessary for the research. Still by "Expenditure of Personnel Expenses of Principal Investigators (PIs) from Direct Expenses of Competitive Research Funds" (Agreement on Liaison Conference of Relevant Ministries and Agencies on Competitive Research Funding, October 9, 2020, https://www.mext.go.jp/a_menu/shinkou/torikumi/1385716_00002.htm), under certain conditions, with the PIs' approval, PIs' personnel expenses can be paid out of their direct expenses, and research institutions may use the financial resources previously spent on PIs' personnel expenses at their discretion for efforts that contribute to improving their PIs' research performance and the research capabilities of the institutions.

Many issues must be considered before this system can be introduced at individual educational and research institutions. For example, "List of the Status of Application of Competitive Research Funds from MEXT" (as of April 1, 2023) (https://www.mext.go.jp/content/20211207-mxt_kibanken01- 1385716_02.pdf) shows that the application requirements differ for each research fund.

[Auditors' Opinion]

Regarding the acquisition of external funding, it is highly commendable that OIST achieved results that far exceeded the targets of the FY2023 Business Plan and raised the target amount for FY2024. The acquisition of J-PEAKS (approximately 5.5 billion yen over five years) is an achievement that will have a significant impact on the future of OIST.

Therefore, to maximize the impact, it is necessary to take all possible measures, not only in the research activities but also in the project management support, which will be critical to meet cost, schedule, and milestone requirements.

Regarding the use of external funds, both overhead and direct expenses, the Auditors expect OIST to consider effective measures for their utilization based on the rules presented by the relevant ministries and agencies, and reference the examples of other universities.

Under the new system, and based on the university's decision, OIST can spend direct funds on PIs' personnel expenses under specific conditions. Still, when utilizing this system, the Auditors expect careful consideration to be given to the interactions between the system, PI contracts, and operating subsidies in light of the applicable conditions.

[Auditor Clark's Supplementary Opinion]

"Review PI support (direct charging) on grants and contracts as a possible option in the future as long as high trust funding budget and PI/faculty recruitment are not adversely impacted."

4 Creation of a Good Working Environment (working hour management, anti-harassment measures, health and safety management)

Appropriate working hour management and a good working environment are essential to conducting business efficiently. From this perspective, the Auditors interviewed HR, FAO, and each division to confirm the status of working hour management, anti-harassment measures, health and safety management, etc., while considering the changes in labor legislation that have occurred in recent years.

(1) Working Hour Management

The employer is responsible for managing working hours strictly according to labor laws and regulations and to ensure employees' health. OIST has established a system of reporting and approval of timesheets using the HEART system. Additionally, a system of consultations with industrial physicians for employees who work more than 45 hours of overtime, which exceeds the standards of the Industrial Safety and Health Act (Law No. 57, 1972), is in place.

This year's Audit by the Auditors confirmed the appropriateness of the working hour management, paying attention to (1) the timeliness of working hour management and (2) the recording of working hours of management supervisors and employees subject to the discretionary labor system for specialized work as required by recent legal amendments.

First, HR explained the status of overtime work based on the data presented and confirmed that working hours are managed based on the system described above and that no particular problems were observed. HR contacts each division when a certain amount of overtime work has occurred. The number and rate of consultations with industrial physicians were confirmed to align with previous years.

It was explained that managers and supervisors manage the working hours of subordinate staff appropriately. However, as mentioned by some division members, management using HEART timesheets is based on accurate employee reporting. To ensure the appropriateness of the system, such as the prevention of unpaid overtime, managers and supervisors need to monitor the work status of their subordinate employees proactively. In this regard, there were examples of managers using Outlook calendars and Microsoft Teams (PRO) and clearly stating in e-mails that employees are not expected to reply to e-mails after hours (STR). The "King of Time" system was utilized at UCS since many staff members do not use computers. The divisions explained that they had not confirmed any problems with the prompt filing of timesheets. However, according to HR, there was a case in which an employee who did not submit his/her timesheet for a long time was ordered to offer a written apology. HR would consider acting against the supervisor who overlooked the issue if a similar case occurs.

As for managers and supervisors, as well as those who apply for discretionary work system for specialized work, the divisions explained that, with some exceptions, their working hours are correctly recorded, just like those of general staff. On the other hand, HR's explanation, based on the records in the HEART system, show that most of these working hours were left at the default setting. Because the recording of working hours for these persons was newly required by the recent revision of the Industrial Safety and Health Act from the perspective of ensuring their health, managers and supervisors and those who apply for discretionary work system for specialized work may not always be aware of the need for their own records. In addition, as a general rule, they are not eligible for overtime allowances and may not have significant incentive for reporting. It should also be noted that it is unlikely that the actual working hours of employees covered by the discretionary labor system for specialized work will remain the same as initially set in the HEART system due to the nature of their work.

[Auditors' Opinion]

Thus, managers and supervisors must manage the working hours of their employees not only by relying on their employees' reports but also by actively monitoring their work status, which needs to be disseminated by each division and HR. At the same time, since there are limits to what each division can ascertain, it would be appropriate for HR to contact the relevant section in cases where daily working hours remain at the default settings in the HEART system or where reporting and approvals have not been submitted for a long time, for example.

Given the above circumstances regarding the recording of working hours by managers and supervisors and those who apply the discretionary labor system for specialized work, HR, FAO, and the divisions need to more actively promote awareness of the need for accurate reporting than they do for general employees, and communicate that those who work more than the standard set by OIST (45 hours of overtime per month) are encouraged to consult with an occupational physician.

The Auditors highly appreciate that HR is fully aware of the importance of this matter and is proactive in its efforts. In particular, the Auditors expect HR to proceed with recording the working hours of managers and supervisors and those who apply the discretionary labor system for specialized work, referring to examples of other organizations, as some difficulties are expected. If possible, the default settings of the HEART system could be reviewed to see if there is any room for improvement.

(2) Childcare and Nursing Care Leave

Regarding childcare and nursing care leave, it was confirmed that efforts are being made in HR and in each division to ensure an environment where those who need it can take it, including identifying those who need it. Specifically, efforts were made to create an atmosphere of encouraging employees to speak up (SGO, BFM, FAO), to identify needs through interviews (FM, IT), and to ensure that managers and supervisors fully understand the system (UCS). Efforts were also made to hire replacement temporary staff at an early stage (GS).

(3) Paid Leave

Regarding paid leave, the take-up rate was 88% in FY2023. In addition, the Auditors confirmed that efforts are being made in each division to ensure an environment where leave can be taken. Specifically, the Auditors observed efforts to encourage employees to take leave at meetings, etc. (SGO, CPR, BFM, STR), share summer vacation and other schedules (HR, FM, CPR, PRO, FAO), and ensure backup systems (FM, GS). On the other hand, some explained that there are cases where managers work overtime to cover for their employees (CPR), which requires attention.

(4) Anti-harassment Measures

The university has established a basic policy to promote a mutually respectful workplace. It has found reporting channels, including an external hotline, and a mandatory online employee training. The training participation rate is relatively high, as reported at executive meetings, and other measures have been taken. In each division, training is actively encouraged at meetings, etc. In addition, post-training follow-up is provided and information on accidents at other institutions is shared (PRO), the importance of anti-harassment measures is emphasized at meetings, and a "Respectful Workplace Policy" presentation is given as part of such efforts (UCS). It has been made clear that the reporting channels and managers shall respond proactively (IT, GS, FAO, STR, FM).

The Executive Director for C-Hub, FAO is working with the relevant committees to review OIST's current process for harassment.

In addition, a code of conduct for faculty-student relationships, including those that do not result in harassment, is under review by GS, GC, HR, and other relevant divisions.

Furthermore, regarding the Respectful Workplace and Anti-Harassment hotline, an issue was raised: only male mediator is available for Japanese speakers, which will be discussed in HR.

[Auditors' Opinion]

The Auditors confirmed that the participation rate for the mandatory online training is high and that some divisions are taking proactive steps to address the issue. In addition, the Executive Director for C-HUB is working with the relevant committees to review the current process regarding harassment, and a code of conduct regarding faculty-student relationships is being considered, which is a positive response and will continue to be a focus of the Auditors' attention.

(5) Safety and Health Committee

The Safety and Health Committee is established under the Industrial Safety and

Health Act to prevent occupational accidents through the concerted efforts of labor and management, which stipulates that the committee should hold at least one meeting every month and disseminate a summary of its proceedings to workers. The Auditors confirmed that the committee meets monthly and that a summary of the proceedings is posted on the university website and otherwise communicated to employees. The Auditors also confirmed that the results of deliberations are effectively utilized by the divisions concerned, given the nature of the university, which handles hazardous materials and chemical drugs and needs to ensure the safety of students and employees.

As mentioned, following the revision of the Industrial Health and Safety Act, it has become necessary to record working hours from the viewpoint of staff health management, including managers and supervisors, as well as those who apply the discretionary labor system for specialized work. In response, since the December 2023 committee meeting, the monthly report from HR has included the number of workers with long working hours (45 hours or more of overtime per month) and the number of employees on mental health leave, and information is being exchanged.

It was noted that it would be beneficial to have health and safety on the agenda of the Executive Committee and BOG meetings regularly, to have the director in charge attend the BOG meeting once a year, and to make the minutes of the Safety and Health Committee meetings readily available to Executive Committee members rather than having to search for them in TIDA.

[Auditors' Opinion]

It is highly commendable that the Safety and Health Committee meets in a timely and appropriate manner, that the results are utilized, and that following the revision of labor laws and regulations, the number of employees working long hours (45 hours or more overtime per month) and the number of employees on mental health leave each month are included in the committee's agenda for information exchange. The committee's activities are expected to ensure health management. On the other hand, when interviewing each division, there were some differences in the use of the committee depending on the degree of possibility of occupational accidents. To ensure the health of all employees, the committee findings and reports should be incorporated in all divisions.

5 Training and Improvement of Staff Management Skills

Training plays a significant role in improving staff abilities, including management skills, to perform an increasing number of tasks with a limited number of employees. OIST offers a wide range of online training courses through eFront. In addition to training for new employees, important training courses such as information security, education about harassment, and personal information protection are mandatory for all employees. In addition, face-to-face training is provided for HEART and DMS operators, as well as for facilitation and conflict management. As a management support tool, materials used in an FY2020 management training have been made available via eFront. Although it is not mandatory training, managers and above are encouraged to use this resource. In addition to the examples listed here, each division also offers its own internal and external training programs.

In light of this situation, the Auditors interviewed each division to confirm the status of training and other capacity-building efforts at the university.

HR regularly collects the participation rate of mandatory training programs from each division and reports the results at the Executive Meeting to encourage employees to participate in such programs. Each division also checks the participation status and encourages employees to take the training. To apply the training results to their work, employees widely report and share the training results through meetings and in other ways.

Regarding requests for training, many respondents requested enhanced training in management skills. They gave high marks to the conflict management and communication skills training (FM, IT, GS) currently offered by OIST, as well as to LinkedIn (UCS), which is offered on a contractual basis. Related external organizations also offered many valuable trainings and workshops, and many divisions expressed a willingness to take advantage of them, provided that budgets can be secured. In addition, initiatives such as study groups (SGO), active guidance by executives (BFM, STR), setting capacity building as a performance goal, and recommending that a certain percentage of work time be allocated to it (OIST Inovation) were also implemented. Many also called for the expansion of face-to-face training, with some calling for more management and leadership training in the form of face-to-face meetings (CPR).

HR is also considering making online training for managers and supervisors that it currently provides mandatory for new managers upon arrival or promotion. During the Auditor's Audit, HR explained that it would like to raise the level of training, focusing on management training.

[Auditors' Opinion]

HR has established mandatory training on matters that staff must acquire and reports on such training at executive meetings. Each division has also taken measures, such as encouraging staff to participate in training, thus ensuring a high participation rate. Many of the training programs requested for enhancement were related to management, but the Auditors confirmed that HR is already aware of this and is considering how to respond to it. It is commendable, and the Auditors hope that HR will actively consider this issue, including further utilization of face-to-face training. In addition, each division is making various efforts to apply the training results to their work, and there were also some voluntary study groups. The Auditors hope that each division will take these positive efforts as a reference.

6 Information Security and Personal Information Protection

(1) Ensuring Information Security

While it is essential to further utilize information technology for efficient business operations, it is also necessary to ensure information security. If this is inadequate, an information security incident could occur and be fatal to the organization. At OIST, CIO(Chief Information Officer) is playing a central role in this effort, which has been strengthened by the establishment of the Information Security Committee in July 2023.

In light of this situation, the Auditors checked the status of information security and personal information protection from CIO and each divisions.

To ensure information security, information security training is provided as one of the mandatory training programs, and the participation rate is high. In addition to the discussion in the Information Security Committee, a new Chief Information Security Officer (CISO) has been appointed, and measures such as improvement of the Security Information and Event Management (SIEM) and quarterly phishing simulation exercises are underway. At that time, a wide range of measures are being discussed, mainly by CIO, regarding new technologies such as Data Loss Prevention (DLP) and the improvement of staff's capabilities. Information security incidents are shared and screened by the IT team and handled by the Information Security team, and a new cyber incident response plan is currently being developed.

In each division, there are also efforts to ensure lock management (SGO, HR, FM), share information on information security such as examples from other organizations (PRO, UCS), clarify management manuals and cases that require security (HR), ensure access authority management (SGO), and store data not on individual computers but on a secure OneDrive or other storage device (OI).

In FY2023, the number of information security incidents was zero (-0-), and the number of near-misses was confirmed to be very small. CIO is aware of some misconfigurations and user errors, although they are not near-misses. GS is aware of another case in which a student was involved.

Individual research units separately manage some of the IT equipment at OIST. These devices are allowed to connect to the OIST network only after IT confirms that security measures have been taken (an isolated network environment is built if devices cannot have the necessary security measures). The Auditors confirmed that CIO is aware of the possible risks associated with using USB flash drives in this case and has already expressed its intention to introduce USB control management in the future at the Information Security Committee, regardless of some difficulties.

[Auditors' Opinion]

Information security training is provided as one of the mandatory training programs, and the participation rate is high. With the appointment of a new CISO, various plans are discussed at the Information Security Committee, and a new cyber incident response plan is being formulated to strengthen the response.

Furthermore, the Auditors confirmed that in CIO, a wide range of measures to implement new technologies and to improve staff capabilities are being considered and that various kinds of creative measures are being taken in each division. In addition, the number of information security incidents was zero (-0-) in FY2023, and the number of near-miss incidents was minimal.

One of the risks is using USB flash drives for devices individually managed in research units, and the Auditors confirmed that CIO is aware of this issue and has already begun to consider it. As described above, the Auditors have confirmed that efforts are being made to ensure information security, and we look forward to continued steady efforts in this area.

(2) Personal Information Protection

Regarding the protection of personal information, training on personal information protection is provided as one of the mandatory training courses, and the participation rate is generally high. In addition, the IT Division has taken steps to ensure encryption standards for storing and transferring confidential data.

In each division, the following measures are also taken: attending online seminars held by external organizations (FAO), using the cloud, double-checking before sending handouts containing personal information, checking names when handing them over (HR), limiting who handles personal information and the purposes for which it can be used (OI), promptly deleting personal information after use, complying with regulations (CPR), sharing other organizations' incidents (PRO), not storing personal information on individual computers, restricting server access (UCS), reconfirming "handling of personal information and personal information files" at the time of survey, and inspection of personal information file registry status (GS).

For incidents involving the leakage of personal information, there is a system where incidents are screened by the IT team and responded to by the Information Security Section. A cyber incident response plan is in place, including notification to the Rules and Compliance Section. OIST has revised its regulations on protecting personal information in response to the findings of Internal Audits and has been making other enhancements. The number of incidents in FY2023 was explained to the Auditors by each division. The number of incidents was zero from all divisions including the Rules and Compliance Section (SGO) and the IT Division. As for near-miss incidents, there was one case from a division, one campus-wide incident from the Rules and Compliance Section (SGO), and zero from IT (although possible security misconfigurations and user errors have been identified). Given that no incidents of personal information leakage were confirmed in FY2023, the Auditors inquired with the Rules and Compliance Section (SGO) about the number of incidents since the opening of OIST. The Auditors were told that no incidents had been confirmed to have occurred.

[Auditors' Opinion]

Regarding protecting personal information, the Auditors confirmed that personal information protection training is actively conducted as one of the mandatory training programs and that measures are being taken throughout the university and each division.

On the other hand, considering that personal information leakage incidents include misdelivery, misdistribution, and e-mail misdelivery (including leakage due to misuse of CC, see note), it is possible that the staff is not aware of the definition of personal information leakage and that incidents of occurrence have not been reported. It is not easy to deny the possibility that cases have occurred.

Therefore, the Rules and Compliance Section (SGO) should again require all staff members to promptly report incidents as part of their efforts to protect personal information, informing them of what events constitute incidents and taking measures to prevent such incidents. Furthermore, in addition to incidents, near-misses should be collected and, together with incidents from external organizations, used to provide training to staff members. In this regard, during the Auditor's Audit, the Rules and Compliance Section (SGO) explained that they will start to understand the actual situation and collect near-miss cases in early FY2024, that they will soon conduct an awareness survey regarding personal information protection, and that they plan to review and update training materials based on the results. This measure is a practical initiative, and the Auditors look forward to its active promotion.

(Note) According to "Results of Accident Reports on Handling of Personal Information in FY2022" (Japan Information Processing Development Corporation, or JIPDEC, https://privacymark.jp/system/reference/pdf/2022JikoHoukoku_230802.pdf), 1,460 PrivacyMark granted companies reported 7,009 incidents in FY2022 (nearly 70% of them were misdelivery, misdistribution, and e-mail misdelivery).

7 Disaster Prevention and Business Continuity Plan (BCP)

With the recent increase in severe natural disasters, the importance of disaster prevention efforts is growing. At the same time, the role of the BCP has become even more critical since the BCP defines how and to what extent operations should be continued while ensuring the safety of employees and other personnel. It also describes how human and material resources should be secured in the event of a disaster or other emergencies. From this perspective, the Auditors interviewed SGO, BFM, and each division about the BCP and other aspects of OIST's disaster preparedness and confirmed the status.

At OIST, the Fire Prevention and Control Plan stipulates necessary items related to fire and disaster prevention management, including the implementation of drills, inspection, and maintenance of firefighting equipment, organization of an in-house firefighting team, emergency supplies, etc. In addition, in May 2018, the "Business Continuity Management and Safety Management System" (hereafter referred to as "BCP") was established. The BCP stipulates basic policies, damage assumptions, disaster response systems, business continuity plans for each phase, education and training, and confirmation and improvement of the BCP for each of seven areas, including "Earthquake," "Pandemic Influenza and New Infectious Diseases," "Fire," and others.

The Auditors confirmed that the BCP was last updated in January 2019, that the personnel in charge and those acting on their behalf in the event of a disaster were not sufficiently updated, and that although some of the drills were confirmed during regular fire drills, a significant portion specified in the BCP had not yet been implemented. In this regard, SGO has already recognized the importance of reviewing the BCP and has begun updating and informing the core member groups about disaster preparedness. BFM also explained that they are aware of the issues and will proceed with the update process in consultation with SGO, including the response to the Memorandum of Understanding with Onna Village regarding disasters.

Since it is required to organize emergency priority operations by division under the overall BCP, the Auditors confirmed the status of each division. The Auditors found that currently, the status of emergency priority operations and emergency contact system varies from division to division, but it is necessary for each division to organize and respond to this issue based on the university-wide policy.

Regarding the general disaster prevention system defined in the Fire Prevention and Control Plan, OIST's buildings are safe and well-equipped with fire and smoke prevention equipment such as sprinklers, shutters, etc. Regarding stockpiles, OIST has recently switched to emergency food and drinking water with a 10-year expiration date. On the other hand, according to the explanation, there is still room for improvement regarding emergency evacuation guidance, fire extinguishing, and other systems and training.

[Auditors' Opinion]

Given that five years have passed since the last update of the BCP, revision is an urgent issue. The SGO's policy of placing the highest priority on establishing a system in the event of a disaster and then sequentially updating the BCP according to priority is understandable. Given the discrepancy between the current situation and the contents of the BCP, it is necessary to revise the BCP as soon as possible. In doing so, it is appropriate to incorporate the latest disaster prevention knowledge by referring to the Cabinet Office Disaster Prevention Information (https://www.bousai.go.jp/kyoiku/kigyou/keizoku/sk.html), and the plans of other organizations (see note below), and to carefully examine damage assumptions, necessary and secure resources, and operations to be performed. It is also essential to closely coordinate with the Fire Prevention and Control Plan. Furthermore, the annual BCP comprehensive drills stipulated in the current BCP should be reviewed and implemented smoothly, leading to the timely revision of the BCP. In this regard, some divisions commented on the need to enhance the effectiveness of the BCP, drill, flow, and communication system and that it might be a good idea to make the Fire Prevention and Control Plan and the BCP an agenda item for the Executive Committee meeting.

Regarding the disaster prevention system in general, OIST needs to improve its system and training further and strengthen cooperation with related government agencies, etc., taking into account the characteristics of OIST, which has a high percentage of international members and where the protection of students is an important issue. One suggestion for consideration is to refer to the responses of institutions with large buildings, such as the Okinawa Prefectural Government.

(Note) Universities that publicize their BCP on the websites, etc. (Example)

- Waseda University
  (https://www.waseda.jp/top/about/work/organizations/general-affairs/safety/bcp)
- Osaka Kyoiku University
  (https://osaka-kyoiku.ac.jp/university/emergency/bcp.html)
- Niigata University
  (https://www.niigata-u.ac.jp/wp-content/uploads/2021/03/nu_bcp_202103.pdf)

8 Contribution to the Promotion of Okinawa

Article 1 of the Okinawa Institute of Science and Technology Graduate University School Corporation Act (Act No. 76 of 2009), the basis for the establishment of OIST, stipulates that the purpose of this Act is to contribute to the promotion and self-sustaining development of Okinawa and to the development of science and technology worldwide. Thus, the Auditors confirmed the PRO of the contribution to the promotion of Okinawa in FY2023.

In December 2023, OIST was selected by MEXT for J-PEAKS, and one of its focused areas is to contribute to Okinawa. The University of the Ryukyus is one of the key partner universities in this project, and the two universities will play a central role in strengthening industry-academia-government-finance collaboration and contributing to the development of Okinawa. The two institutions will actively use the new incubation facilities currently under construction and two open innovation facilities at OIST to implement various programs to solve regional issues. They will also collaborate on the shared use of facilities such as the Core Facilities. Procedures related to the Core Facilities are being reviewed to make it easier for other universities and companies in Okinawa to use OIST equipment.

On the other hand, in adopting this project, the panel members who reviewed the project commented, "It is necessary to take concrete measures to strengthen further the driving force for acquiring results by enhancing the comprehensive strength of the university as a whole so that strengthening basic research capabilities and industry-university collaboration are not carried out separately in individual research." Therefore, the university is considering how to respond to this as it moves forward with this project.

[Auditors' Opinion]

As one of the activities of J-PEAKS, OIST will work together with the University of Ryukyus to strengthen industry-academia-government-finance collaboration in various ways and contribute to the promotion of Okinawa. This is a significant initiative in line with the purpose of establishing this university.

The Auditors look forward to future efforts, along with the creation of a plan for use of OIST Core Facilities by other universities and companies in Okinawa.

9 Outreach Activities to Junior High and High School Students and Others in Okinawa and beyond

As a graduate university located in Okinawa, it is essential to conduct outreach activities to young people, especially junior high and high school students, both inside and outside Okinawa. GS and CPR are engaged in these efforts. GS targets junior high and high school students interested in science from the perspective of student recruitment activities, and CPR targets a wider range of audiences. The following is a summary of the confirmed activities.

In FY 2023, GS hosted six high schools from within and outside of the prefecture, offering a variety of science experiments, career talks, laboratory tours, etc., using English.

The OIST STEM Experience, Exploration, and Discovery (SEED) program started in September 2023. To date, this science program has been offered to six schools designated as Super Science High Schools (SSH). As inquiries about the program have been increasing, and the program evaluation by participating schools has been favorable, GS plans to expand the program and offer it to more high school students.

As initiatives for high school students in the prefecture, OIST researchers visited three schools. In addition, the SHIMA workshop, which educates students on the sustainability of island ecosystems and cultures in collaboration with islands in Japan and around the world, was held in August. High school students within the prefecture and students from

Musashi Academy in Tokyo participated, and the workshop was well received.

CPR works throughout the year to promote science to the local community through community partnerships.

The number of visitors to OIST during the first three quarters of FY2023 was 19,833, including 3,255 students (48 schools). This figure is a significant increase over the previous year (even taking into account the impact of the reduced restrictions of the COVID-19 pandemic), and OIST connected with more individuals through a wide range of programs and activities.

Examples of individual programs include:

1. Onna x OIST Children's School of Science for 128 participants
2. Summer Special Program "Kids Campus Tour" for 120 participants
3. Bottom-up Program for High School Students for 20 participants
4. Lecture by Nobel Laureate Prof. Svante Pääbo at OIST and Urasoe City, 1,350 participants
5. OIST Science Festival, 1,024 participants
6. Science Tech Festival in Miyako, 220 participants
7. Science Trip to Miyako, lecture at Miyako High School, 123 participants

In the fourth quarter, an internship program and an international symposium for the winners of SCORE! and Science Talk events in Naha City and Onna Village, will be held.

[Auditors' Opinion]

These outreach activities have continued since the opening of the university and are important and in line with the purpose for which it was established. They have been evaluated well by attendees and must continue to be enhanced. In May 2023, OIST introduced a new feature on the OIST website, the "Latest Outreach Updates." It includes a report on each of the outreach events conducted by the university, and page visitors can search past reports and view various types of outreach activities. It is highly commendable, making OIST's science and community outreach more visible to a broader audience and providing a valuable record.

10 Others

(1) Working From Home

When each division was asked to express their opinions freely, there were many opinions regarding working from home (WFH). Many of them requested the continuation or expansion of the program based on their experiences with commuting time, ease of work, and the fact that they could handle their work without problems by WFH. On the other hand, a few said that the program needs to be reviewed because of differences in job type and lack of clarity in evaluations. According to the explanation, HR received opinions from both sides. In any case, now that the COVID-19 pandemic is showing signs of slowing down, it is both possible and necessary to review the system, its operation, and eligibility, etc. HR would like to review the system as part of its review of employment regulations and other rules. As for the assignments and tasks appropriate for WFH, interviewing for administrative staff (HR and FAO), and financial operations (FM) were explicitly mentioned.

[Auditors' Opinion]

Now is a possible and appropriate time to review the WFH system, its operation, and its eligibility. It is a timely initiative for HR to proceed with the review as part of its review of employment regulations, etc., and the Auditors look forward to further active discussions on this issue.

(2) OIST Risk Dashboard May 2024

The OIST Risk Matrix was explained by SGO and confirmed as follows: The 9th OIST Risk Management Committee meeting was held in November 2023 to discuss the situation in the first half of FY2023. The Committee discussed the revision of the Risk Matrix and changes in risks, including the integration of HR-related and information leakage-related risks. The Committee plans to consider the situation in the second half of the year at the 10th Committee meeting scheduled for April 2024 (expected) in the same manner. The Auditors also confirmed that the risk registers are also discussed by the Committee as described by each division.

Depending on the nature of the risk listed in the Matrix, an assessment was made using one or more of the following: the Auditor's Audit, the Internal Audit, the External Accounting Auditor's Audit, or CIO/CISO efforts related to IT/cyber risks.

[Auditors' Opinion]

The Risk Management Committee has been meeting regularly since the COVID-19 pandemic started showing signs of slowing down. It has been reviewing the risk registers and revising the Risk Matrix accordingly. The Auditors consider it commendable that these materials, indispensable when discussing OIST risks at the BOC/BOG meetings and other forums, are being revised timely and appropriately, and they expect it to continue. Furthermore, the Auditors consider the revision of the contents in the Risk Matrix themselves should continue to be made in a timely manner and expect that the discussion will be broadened to include, for example, risks such as the implementation system and project management of J-PEAKS, the construction of large-scale systems such as the ERP system, and geopolitical risks such as the North Korean issue.

The Risk Dashboard as of May 2024, based on the results of the Auditors' Audit, is shown in the Appendix.

(3) Legal

The Auditors confirmed that all legal cases in FY2023, including lawsuits, were adequately managed and handled by the GC Office. Issues identified during handling cases were appropriately addressed by the GC, reported to the BOG, and discussed by the relevant divisions.

The Auditors followed up on the concerns regarding the conflict of interest raised by Auditor Geroge Clark last year and confirmed that the GC will continue to take action, such as discussing the issue with the parties concerned. The Auditors will continue to monitor the matter closely in light of its importance.

(4) Research Productivity Report

The Auditors interviewed PRO, FAO, and DOR regarding the preparation of the Research Productivity Report. As a result, it was found that OIST has contracted with a specialized vendor to integrate research data into a single database. However, every division is not expected to analyze and compile the results into the Research Productivity Report. The reason for this is due to the lack of personnel and the lack of clarity of the divisions in charge.

[Auditors' Opinion]

Presenting research productivity in the form of a report could be a valuable tool for decision-making at OIST and for external accountability. On the other hand, the divisions concerned have explained that it is difficult to take action now. The Auditors hope that OIST will confirm the necessity of the Research Productivity Report and, if necessary, promptly consider the contents that should be included and the system for preparing such a report.

IV. Conclusion

Since its opening, OIST has fulfilled its purpose of contributing to (1) the promotion and self-sustaining development of Okinawa and (2) the development of science and technology worldwide by steadily conducting world-class education and research in Okinawa.

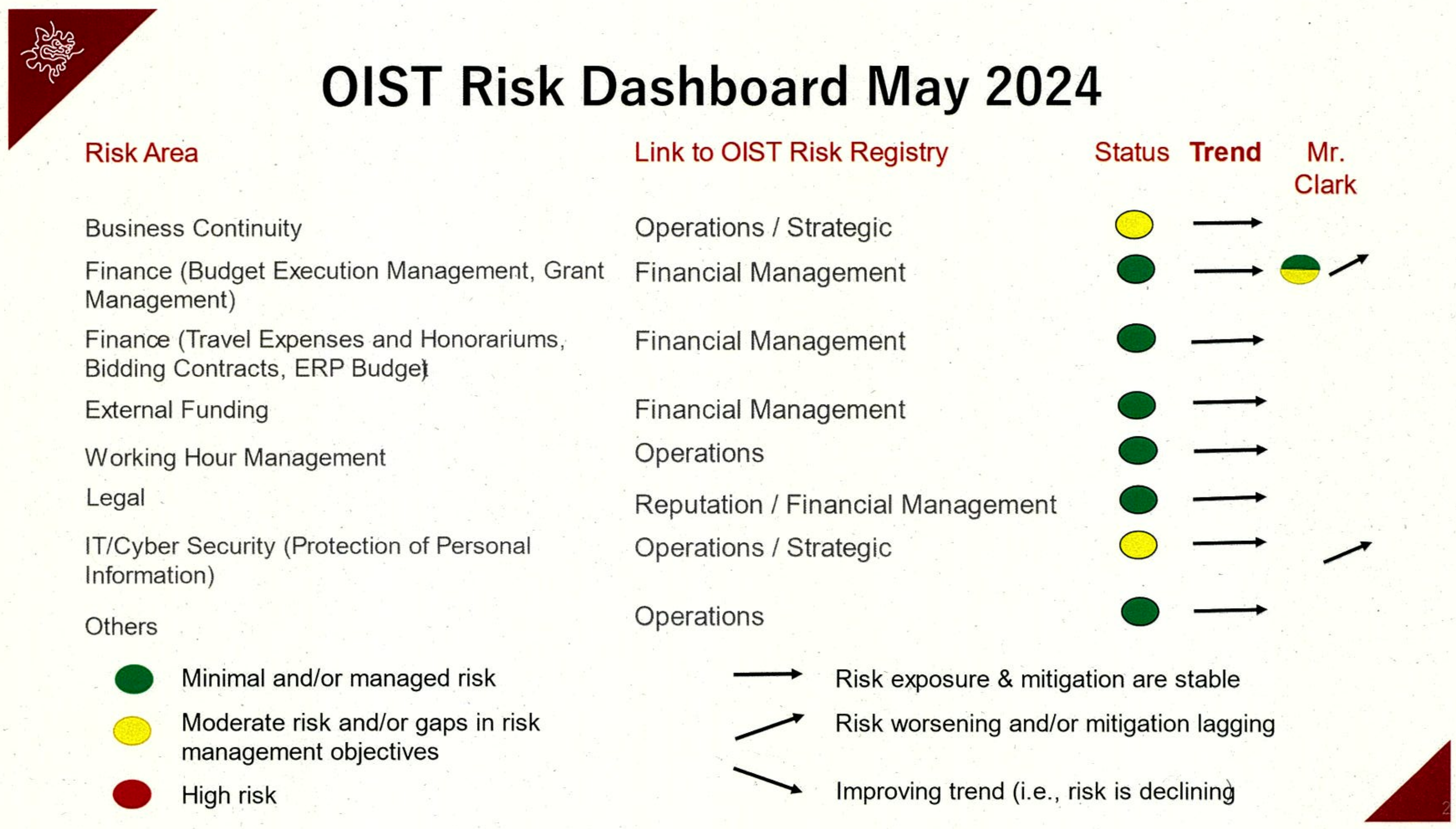
In FY2023, Dr. Karin Markides took office in June as the third President of OIST, and the creation of the OIST Strategic Plan 2024-2029 began. In December, OIST was selected by MEXT as a recipient of the J-PEAKS program.

In this year's audit, the Auditors paid particular attention to cooperation and active discussions with Internal Audits and Audits by the Accounting Auditors, and above all, to carefully exchange opinions and discussions with each division on the actual business processes. It should be noted that although the Auditors have included various opinions in this report, many divisions have already started to take action to improve or discuss improvement plans without waiting for the report to be completed. In addition, as in the previous year, the Auditors have described the innovations and efforts of each division at OIST in the report. The Auditors hope that these examples will also be of positive use.

It is most appropriate for OIST, which aims to conduct world-class education and research in the field of science, to take every opportunity to review and improve its operations rather than unconsciously accept the status quo. The Auditors hope that the Auditors' audit was an opportunity to do so.

The Japanese version of the Auditors' Audit Report is the original. If there is any discrepancy between the Japanese and English versions, the Japanese version shall prevail.

In preparing the English version, Mr. Rhett Register and Ms. Akiko Ringdahl from CPR provided substantial assistance. In addition, Ms. Akiko Ringdahl and Ms. Mari Takenouchi provided interpretation during interviews and other occasions during the audit, which enabled us to communicate adequately. The Auditors would like to mention them and express our deepest gratitude.



OIST Risk Dashboard May 2024

Risk Area	Link to OIST Risk Registry	Status	Trend	Mr. Clark
Business Continuity	Operations / Strategic	🟡	→	
Finance (Budget Execution Management, Grant Management)	Financial Management	🟢	→	🟢/🟡 ↗
Finance (Travel Expenses and Honorariums, Bidding Contracts, ERP Budget	Financial Management	🟢	→	
External Funding	Financial Management	🟢	→	
Working Hour Management	Operations	🟢	→	
Legal	Reputation / Financial Management	🟢	→	
IT/Cyber Security (Protection of Personal Information)	Operations / Strategic	🟡	→	↗
Others	Operations	🟢	→	

🟢	Minimal and/or managed risk	→	Risk exposure & mitigation are stable
🟡	Moderate risk and/or gaps in risk management objectives	↗	Risk worsening and/or mitigation lagging
🔴	High risk	↘	Improving trend (i.e., risk is declining