

Internal Audit Organization and Operations

Internal Audit Organization

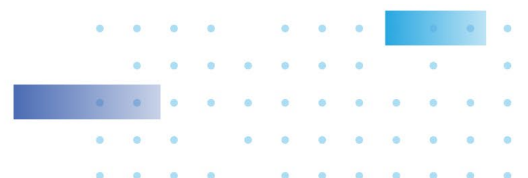
The internal audit of VIVOTEK is an independent unit directly under the board of directors. The Internal Audit Division is comprised of a Chief Audit Executive and a full-time internal auditor.

Internal Audit Operations

The internal audit unit assists the board of directors, audit Committee and managers in inspecting and reviewing defects in the internal control systems, as well as measuring operational effectiveness and efficiency. Its scope includes the overall operational activities of the company and its subsidiaries.

The internal audit unit formulates annual audit plans based on risk assessment results and executes the plans after obtaining board of directors approval. Additionally, project-based audits are conducted as needed.

The Chief Audit Executive presents critical issues from the performance reports at the board of directors and audit committee meetings quarterly. Based on the audit results, Internal Auditors



make timely recommendations for improvements to ensure the sustained operating effectiveness of the systems and to provide a basis for review and correction.

The internal audit unit reviews the self-inspection reports prepared by all departments and subsidiaries, then submits the self-assessment reports with the defect correction and internal control system irregularities reports to serve as the primary basis for the board of directors and general manager to evaluate the overall efficacy of all internal control systems and to produce Internal Control System Statements.

