

Decision 65-XIII-25R



Internal Control Policy

Asian Forest Cooperation Organization

Thirteenth Session of the Assembly
29-30 October 2025, Seoul, Republic of Korea

Agenda Item 15.3

DECISION 65-XIII-25R

Internal Control Policy

The Assembly of the Asian Forest Cooperation Organization (AFoCO),

Recognizing the fundamental importance of strong governance and organizational integrity as the foundation for achieving AFoCO's goals; and

Ensuring strict adherence to international best practices, specifically the requirements of the international fund and facilities, while effectively safeguarding organizational assets from loss, misuse, or mismanagement,

Decides to:

1. *Revise* the Internal Control Policy as contained in document **A-25-13-24** in accordance with the comments and recommendations from the Parties;
2. *Adopt* the revised Internal Control Policy as contained in document **A-25-13-24 Annex-1-Rev**; and
3. *Task* the Secretariat to facilitate the necessary follow-up actions, including amendment /update of related regulations and guidelines.

A-25-13-24 Annex-1-Rev (Agenda Item 15.3)

Internal Control Policy Framework

I Background

1. Internal controls play a vital role in the management of the Asian Forest Cooperation Organization (AFoCO), ensuring that the organization meets its strategic objectives in an effective, efficient, transparent, and accountable manner. AFoCO's Internal Regulations, as defined in Decision 7-I-18R, establish its financial and staff regulations. These existing regulations of AFoCO serve as the foundation of this Internal Policy Framework translating them into practice aligning structured policies and guidelines, risk management and oversight mechanisms. Additionally, this Internal Control Framework ensures that Staff Members, as well as individuals and entities engaged with AFoCO, where applicable, are responsible for each component of the internal control system.

2. The purpose of this framework is to establish a structured internal control system to be applied in the management and oversight of the organization's operations, in alignment with recognized standards for inter-governmental and international organizations. Furthermore, this policy does not seek to alter, but rather to integrate, harmonize and strengthen the following AFoCO internal policies/regulations.

- (a) Internal Regulations of AFoCO per Decision-7-I-18R;
- (b) Staff Regulations of AFoCO as outlined in Decision 33- XIII-25R;
- (c) Financial Regulations of AFoCO as outlined in Decision 64-XIII-25R;
- (d) Policy on Ethics and Conflicts of Interest for the Executive Director of the Secretariat per Decision-24-III-19R-3-1a;
- (e) Policy on Ethics and Conflicts of Interest for the Assembly of the Secretariat per Decision-25-III-19R-3-1b;
- (f) Policy on Information Disclosure per Decision-27-III-19R-1d;
- (g) Gender Policy per Decision-29-III-19R-1f;
- (h) Policy on Prohibited Acts per Decision-66-XIII-25R;
- (i) Comprehensive Procurement Policy per Decision-67-25R; and
- (j) Risk Management Policy per Decision-68-XIII-25R.

II Definitions

3. For this Policy, including the Annexes, the following terms shall be defined as below:

- (a) **AFoCO** – means the Asian Forest Cooperation Organization.
- (b) **Agreement** - means the Agreement on the Establishment of the Asian Forest Cooperation Organization ("AFoCO") that entered into force on 27 April 2018.

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- (c) **Assembly** - means the highest decision-making organ of the AFoCO comprising representatives appointed by the Parties of the AFoCO Agreement.
 - (d) **Control Activities** - the actions established by policies and procedures to help ensure that management's directives to mitigate risks during achievement of objectives are carried out. Control activities are performed at all levels of the entity and at various stages within processes and across the technology environment. This is one of the five components of the internal control system.
 - (e) **Deficiency (ies)** - is defined as a shortcoming in some aspect of the system of internal control that has the potential to adversely affect the ability of AFoCO to achieve its objectives.
 - (f) **Executive Director** - means the chief administrative officer of AFoCO.
 - (g) **Internal Control** – defines as a process, effected by the Assembly, Executive Director and Secretariat, or any other administrative and/or management unit of AFoCO, designed to provide reasonable assurance regarding the achievement of organizational objectives by way of: (i) effectiveness and efficiency of operations; (ii) reliability of financial reporting; and (iii) compliance with applicable laws and regulations.
 - (h) **Internal Control Framework** - a set of guidelines and procedures that help organizations achieve their goals. The AFoCO Internal Control Framework consolidates all guidelines and procedures aligned with its five components: Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring, aimed at achieving integrated and effective internal control.
 - (i) **Monitoring Activities** – ongoing or separate evaluations or a combination of the two used to ascertain whether each of the five components of internal control, including controls to affect the principles within each component, are present and functioning. Findings are evaluated and deficiencies are communicated to the relevant parties in a timely manner, with systemic issues reported to the Secretariat and the Assembly.
 - (j) **National Focal Point (NFP)** – is a designated position for a member country to oversee and coordinate the implementation of all AFoCO activities, as the official channel of communication.
 - (k) **Ombudsperson** – is a designated Staff Member, appointed by the Executive Director, to identify, examine, and resolve issues relating to human resources policies, conditions of work, and staff benefits.
 - (l) **Representative** - means a senior forestry official nominated by a Party to represent the Party in the Assembly.
 - (m) **Risk** – any factor that can keep an entity from meeting its strategic objectives.
 - (n) **Risk Appetite** – is the amount of risk, at a broad level, that an organization is willing to accept in pursuit of its strategic objectives.
 - (o) **Risk Assessment** – overall process of risk analysis and risk evaluation.
 - (p) **Risk Management Framework** – is a description of an organizational specific set of functional activities and associated definitions that define risk management in an organization and the relationship to the risk management organizational system. It defines the processes and the order and timing of processes that will be used to manage risks.

- (q) **Secretariat** - means the Secretariat established under Article 9 of the Agreement.
- (r) **Staff Member(s)** - means personnel of the Secretariat who serve under a letter of appointment and who have been appointed by the Executive Director of AFoCO.

III Objectives

4. The AFoCO describes its internal control as a process carried out by the Assembly, Executive Director, and the Secretariat. All AFoCO personnel, consultants, and committee members are subject to organization-wide conflict of interest standards, including disclosure and recusal requirements, in addition to specific provisions applicable to the Executive Director and the Assembly. Its purpose is to provide reasonable assurance that the organization achieves its goals in the following areas: (i) the effectiveness and efficiency of operations, (ii) the reliability of financial reporting, and (iii) compliance with relevant laws and regulations. In particular, it aims to:

- (a) Ensure the efficiency and effectiveness of AFoCO's management of operations in alignment with its Strategic Plan, including meeting programmatic and operational targets and safeguarding assets against loss.
- (b) To ensure accurate, timely, transparent, and reliable financial and non-financial reporting, both internally and externally. This includes complying with the requirements of regulators, established standards (such as GCF and IPSAS), AFoCO's Financial and Staff Regulations, AFoCO's organizational policies, and any operational procedures and guidelines issued by the Executive Director. AFoCO's organizational policy include procurement which shall be conducted to ensure transparency, fairness, effective competition, value for money, and integrity, with clear conflict of interest controls, complaint mechanisms, and debarment procedures, as further detailed in the Comprehensive Procurement Policy.
- (c) To ensure AFoCO's compliance with relevant laws and regulations, including the AFoCO Agreement, as well as decisions and directives issued by the Assembly.

IV Internal Control Framework and Principles

5. The AFoCO internal control framework (Figure 1) follows the international standard with five (5) components and corresponding principles aimed at achieving integrated and effective internal control where everyone in the organization is responsible, these are:

- (a) **Component 1: Control Environment** – This component establishes the foundation for all other internal control components within AFoCO and considered as the "tone at the top." It encompasses the standards, policies, guidelines, and structures that shape the ethical and control culture of the organization. The control environment reflects the commitment of AFoCO's leadership to integrity, ethical behavior, accountability, and internal control. By setting a clear and consistent tone at the top, AFoCO leadership influences staff conduct and reinforces the importance of internal control throughout the organization including internal and external stakeholders - Secretariat staff,

Fellowship Officers, consultants, volunteers and interns, contractors and suppliers, implementing partners, grantees, and cooperating organizations, and any person or entity engaged in business or collaboration with AFoCO.



The principles that support the Control Environment component include:

- (i) **Integrity and Ethical Values:** AFoCO demonstrates a commitment to integrity and ethical values by establishing ethical behavior standards and

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- encouraging staff to perform their duties with honesty and integrity as embodied in the following AFoCO regulations: Internal Regulations (Decision-7-I-18R); Policy on Ethics and Conflicts of Interest for the Executive Director of the Secretariat (Decision-24-III-19R-3-1a) and Policy on Ethics and Conflicts of Interest for the Assembly of the Secretariat (Decision-25-III-19R-3-1b).
- (ii) **Structure, Authorities, and Responsibilities:** AFoCO defines and communicates its organizational structure, outlining reporting relationships, authority delegation, and responsibilities. Policies are also in place to support AFoCO's strategic objectives.
 - (iii) **Human Resources Policies and Practices:** AFoCO has policies and procedures in place to attract, develop, and retain skilled individuals who contribute to its strategic goals, including performance management systems as per Annex 2 of Staff Regulations (Annex 2 of Decision-7-I-18R).
 - (iv) **Accountability:** AFoCO has established policies and guidelines to ensure individuals are accountable for their internal control duties while working toward organizational goals, including the delegation of authority.
- (b) **Component 2: Risk Assessment** – This refers to the process of identifying and evaluating risks that could impact the achievement of objectives, while considering established risk appetite. The principles that support the Risk Assessment component include:
- (i) **Specifying Objectives:** AFoCO defines its strategic goals and priorities, which provide the foundation for assessing risks and evaluating operational effectiveness as embodied in the AFoCO Agreement supported with policies on risk management and procurement.
 - (ii) **Risk Identification:** AFoCO identifies and evaluates potential risks that may affect its objectives, determining how to manage these risks (whether to accept, avoid, reduce, or share them).
 - (iii) **Risk Evaluation:** AFoCO assesses risks that could impede the achievement of its objectives, including the potential for fraud, misconduct, or violations of rules.
 - (iv) **Risk Monitoring:** AFoCO monitors and analyzes significant internal and external changes that could influence its risk landscape.
- (c) **Component 3: Control Activities** – These refer to the actions implemented through policies and guidelines to ensure that AFoCO's management directives for mitigating risks are effectively carried out. Control activities take place at various organizational levels and across different processes. They aim to balance flexibility with risk management by employing preventive and detective controls, as well as corrective measures to address identified issues. The principles supporting the Control Activities component include:
- (i) **Selection and Development of Control Activities:** Control activities that help manage risks within acceptable limits are selected and

- developed, taking into account the operational environment consistent with AFoCO Risk Management Policy.
- (ii) **General Control Activities Over Technology:** Control activities related to information technology are selected, developed, or assessed to support AFoCO's strategic objectives.
 - (iii) **Policies and Procedures:** Control activities involve establishing policies that set expectations and creating procedures to implement these policies. They are integrated into processes and daily operations, with provisions for compliance and consequences for non-compliance.
- (d) **Component 4: Information and Communication** – This involves identifying, capturing, or generating relevant and high-quality information from both internal and external sources to support the internal control system. It also includes communicating this information in a timely and clear way to enable management and staff to fulfill their responsibilities. The principles supporting the Information and Communication component are:
- (i) **Information and Reporting:** Relevant and reliable information is obtained or generated to support internal controls, decision-making, oversight, and monitoring activities as per AFoCO Internal Regulations (Decision-7-I-18R) including its Annexes and Policy on Information Disclosure (Decision-27-III-19R-3-1d).
 - (ii) **Internal Communication:** An efficient internal communication system ensures that staff have the information necessary to perform their duties and contribute to the internal control framework.
 - (iii) **External Communication:** An effective external communication system ensures that essential information from external sources is received, and that stakeholders, such as contributors, partners, and oversight bodies, are provided with relevant and high-quality information regarding the functioning of the internal control system as required.
- (e) **Component 5: Monitoring** – This involves assessing whether each of the five internal control components is properly implemented and operating effectively. Monitoring is carried out through continuous monitoring activities, independent reviews, or a combination of both. The principles supporting the Monitoring component include:
- (i) **Ongoing or Separate Monitoring:** Ongoing or independent reviews are chosen, developed, and conducted to evaluate whether the internal control components integrated into processes are functioning effectively as embodied in AFoCO Internal Regulations (Decision-7-I-18R) including its Annexes and Risk Management Policy.
 - (ii) **Reporting Internal Control Deficiencies:** Any deficiencies in the functioning of internal controls are systematically assessed and reported to the responsible parties for corrective action. Prompt corrective measures are taken to address the identified deficiencies.

V Internal Control Roles and Responsibilities

6. The Financial Regulations provide that the Executive Director may establish, if necessary, an internal oversight mechanism which covers internal audit, evaluation, investigation and other management support to strengthen the functioning of AFoCO. The Investigation Function reports functionally to the Risk Management and Internal Audit Committee and administratively to the Executive Director. The Staff Regulations provide an internal oversight functions through provision on Ombudsperson, disciplinary measures, dispute resolution, whistleblower policy, code of conduct for Staff Members and the code of conduct for the Executive Director. Assembly, Executive Director, Secretariat, and Staff Member each play specific roles and bear distinct responsibilities within the Internal Control Framework. Clearly defining these roles supports accountability in implementing internal controls. Their respective duties are outlined below:

- (a) The internal control framework applies to all members of AFoCO and is shaped by personnel across the organization, including the Executive Director, Vice Executive Director, and Staff Members. Accordingly, internal control responsibilities should be clearly incorporated in job descriptions and/or terms of reference as needed. AFoCO establishes an independent Investigation Function with authority to receive, assess, and investigate allegations of Prohibited Practices and other integrity violations, with protections for whistleblowers and witnesses.
- (b) **The Assembly**
 - (i) As part of its role in governance, risk management, and compliance oversight, the Assembly plays a key role in maintaining effective internal controls by setting the “tone at the top” and organization’s overall culture.
 - (ii) Supervising the internal control system.
 - (iii) Reviewing whether the internal control system is adequate and effective.
 - (iv) Staying informed about major control weaknesses or failures within AFoCO.
- (c) **The Executive Director**
 - (i) The Executive Director holds overall accountability for the internal control framework by establishing a strong control environment and ensuring control systems are appropriately designed to manage risks.
 - (ii) Providing the Assembly with assurance on the effectiveness and updates on AFoCO’s internal control systems.
 - (iii) Delegating authority and holding managers accountable for implementing and maintaining internal controls.
- (d) **The Secretariat**
 - (i) Under delegation from the Executive Director, the Secretariat is responsible for evaluating and maintaining effective internal controls through regular monitoring and assessments.
 - (ii) Tracking and addressing identified risks and weaknesses in controls within each team or division.

- (iii) Ensuring staff possess the necessary skills and knowledge to fulfill their responsibilities and understand their roles.
 - (iv) Promoting adherence to AFoCO's Internal Regulations (as per Decision 7-I-18R).
 - (v) Guiding and training staff on internal control procedures by issuing relevant instructions.
 - (e) **Staff Members** are directly responsible for implementing effective internal controls as part of daily duties. Their duties include:
 - (i) Staying alert to emerging risks related to AFoCO's activities.
 - (ii) Identifying and reporting any control deficiencies or gaps to management.
 - (iii) Contributing to the implementation of control activities within their teams or divisions.
 - (iv) Understanding workflows and following established control procedures in their assigned tasks.
 - (v) Keeping up to date with internal control practices as they relate to their work.
7. The AFoCO's Risk Management Policy sets out principles and procedures for oversight function to strengthen internal controls.
8. Risk Management and Internal Audit Committee shall function as independent mechanisms to support and strengthen the effectiveness of internal control.

VI Risk Management and Internal Audit

9. The Risk Management and Internal Audit Committee is formed as an internal oversight mechanism and shall exercise operational independence in the conduct of its duties under the authority of the Executive Director and the President of the Assembly. The members of the Committee and schedule of risk management and audit is conducted in accordance to the Risk Management Policy.
10. **Internal Audit Standards**
- (a) Internal auditing must follow the International Standards set by the Institute of Internal Auditors (IIA) or equivalent, regardless of the organization's size or structure. These standards guide audit practices, help improve performance, and support better governance and operations.
 - (b) Internal auditing provides independent, objective assessments to help AFoCO improve risk management, controls, and processes. Its main goals are to ensure:
 - (i) Efficient use of resources,
 - (ii) Reliable financial and operational data,
 - (iii) Protection of assets,
 - (iv) Compliance with rules and policies, and
 - (v) Achievement of the AFoCO's strategic goals.

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- (c) Key responsibilities include:
- (i) Creating a risk-based annual audit plan,
 - (ii) Evaluating internal controls and processes,
 - (iii) Coordinating with external auditors and other units, and
 - (iv) Reporting major issues and recommendations to management and the Board.
- (d) To fulfill its responsibilities, internal auditing shall have full and unrestricted access to AFoCO staff and all records and documents, both physical and electronic, subject to confidentiality obligations, with unrestricted access to all records, systems, and personnel. To ensure objectivity and maintain independence, the internal auditor will report directly to the Executive Director reports functionally to the Ethics and Audit Committee of the Assembly and administratively to the Executive Director and provide advisory support as needed.

VII Internal Control Implementation by Component

11. Control Environment

- (a) The internal control system of AFoCO, as outlined in the Internal Regulations per Decision-7-I-18R, reflects the organization's commitment to integrity, ethical values, and behavioral standards, which are communicated to both its staff and member countries. This serves as the foundation for AFoCO's control environment, providing structure and discipline. The Secretariat ensures that all Staff Members across the organization understand the strategic objectives, which are aligned with risk management, and that they recognize their shared responsibilities in achieving these objectives.
- (b) The expectations regarding integrity, ethical values, and behavioral standards are outlined in the Internal Regulations of AFoCO per Decision-7-I-18R, and further detailed in the Policy on Ethics and Conflicts of Interest for the Executive Director of the Secretariat (Decision-24-III-19R-3-1a) and the Policy on Ethics and Conflicts of Interest for the Assembly of the Secretariat (Decision-25-III-19R-3-1b). Any deviations from the Code of Conduct are identified, and corrective actions are taken by the Secretariat or the Assembly. AFoCO also acknowledges the importance of gender equality within its internal control system, supported by the Gender Policy (Decision-29-III-19R-1f).
- (c) The control environment is integrated with the structure, processes, and systems of AFoCO as an organization. AFoCO has established an organizational structure that serves as the foundation for planning, performance, control, and monitoring of its activities. This structure defines key responsibilities and reporting lines. The structure and accountability were designed with due consideration of AFoCO's size and activities. Responsibilities for internal controls are outlined from the responsibility of the Assembly, Executive Director and

the Secretariat and staff who serves as frontline managers who handle day-to-day activities.

- (d) AFoCO has established job descriptions that incorporate internal control responsibilities for each position. The Executive Director oversees the creation of staff regulation policy and guidelines, including those for hiring, orientation, performance evaluation, promotion, and compensation, as defined in the Staff Regulations (Decision-7-I-18R–Annex 2). These policies are essential for ensuring the necessary competencies. Staff practices emphasize integrity, ethical behavior, and competence, with training, certification, and ongoing education contributing to the development of competencies. The Secretariat ensures a documented succession plan is in place and is responsible for evaluating the competencies of senior staff, who in turn assess competencies across the Staff Members of the Secretariat (Staff Appraisal Regulations) and the organization as a whole. The Secretariat and management must demonstrate a commitment to developing and retaining competent employees.
- (e) The Assembly and the Secretariat, led by the Executive Director, define authority and the distribution of responsibilities to ensure the delegation of decision-making, encourage initiative in developing solutions to issues, and define the limits of their powers.

12. Risk Assessment

- (a) AFoCO acknowledges that risk assessment is a continuous process that helps identify and evaluate potential risks that could hinder the organization's ability to achieve its objectives. The key steps in risk assessment include identifying risks (such as financial, operational, and regulatory), assessing their potential impact and likelihood, and creating a risk response plan. This plan may involve risk avoidance, mitigation, or acceptance. By prioritizing high-risk areas, AFoCO ensures that resources are allocated effectively. The risk assessment process is supported by policies such as those found in AFoCO's financial and staff regulations, as well as the Risk Management Policy and Environmental and Social Safeguard Policy (Decision-28-III-19R-3-1e).
- (b) AFoCO carries out regular risk assessments and scenario planning as part of its risk management system, aligning these assessments with the goal of achieving strategic objectives. The Secretariat clearly communicates organizational objectives across the organization and develops a strategic plan to achieve them. This strategic plan is broken down into detailed plans at various management levels, including country-level plans. During the objective-setting process, all management levels are actively involved in providing feedback and establishing priorities.
- (c) AFoCO identifies and evaluates both internal and external risks. Internal risks typically originate from within AFoCO and can be mitigated through robust internal control systems. These include risks related to: governance, financial management, operational, human resources, compliance and IT/data management. In contrast, external risks arise from the broader environment and require adaptive strategies to

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- address it. These can be categorized as: political, legal/regulatory, environmental/climate, economic, reputational, stakeholder, and technological risks.
- (d) AFoCO's risk assessment involves the appropriate management levels and utilizes suitable methodologies to evaluate the significance of identified risks, as well as the decision-making process regarding risk treatments. This follows the risk management framework based on the "three lines of defense."
 - (e) The Secretariat continuously monitors the environment for changes that could significantly affect internal controls. These changes may arise from external factors such as regulatory, economic, environmental, political, and social developments, with potential impacts on internal controls being assessed. When new projects, acquisitions, or dispositions are introduced or changed, their associated risks and impacts on internal controls are evaluated.
13. **Control Activities**
- (a) These are the specific policies and guidelines implemented to reduce identified risks. AFoCO ensures that all financial transactions are authorized and processed by multiple individuals to prevent fraud (segregation of duties), as outlined in its Financial Regulations in Annex 1 of Decision-7-I-18R, including the first amendment under Decision 37-IV-20R. Additional activities include reconciliations, verifying compliance with internal policies, and monitoring the security of physical assets and IT systems, as detailed in Regulation 6 of AFoCO's Financial Regulations in Annex 1 of Decision-7-I-18R, including the first amendment under Decision 37-IV-20R. AFoCO regularly updates these control activities to address emerging risks and challenges.
 - (b) Control activities are embedded into policies and procedures that are integrated into AFoCO's operations and daily activities. AFoCO ensures that these policies and procedures are formalized to the extent possible and are appropriate for the size and complexity of its operations. Individual responsibilities for control activities are clearly defined and reflected in job descriptions. AFoCO has established control activities at all levels of the organization, across all functions, at various stages of processes, and within the IT environment based on identified risks. The organization ensures that control activities are carried out by qualified personnel in a timely manner. These activities apply not only to internal processes but also to support functions like IT and procurement services.
 - (c) The responsibilities for asset custody, accounting transactions, record-keeping, transaction authorization, and information technology are carried out by separate individuals, teams, or divisions. Any management override related to specific tolerance levels must be reported to the Executive Director and, if necessary, to the Assembly. If segregation of duties is not possible, alternative control activities are implemented.
 - (d) Transactions and activities are authorized according to the approved delegated financial authority. A verification system is in place to facilitate comparisons and ensure the completeness, accuracy, and validity of transactions. When discrepancies are found, corrective actions are promptly initiated and documented.

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- (e) Accurate and complete records are maintained in accordance with the rules and regulations set out in Regulations 6 and 7 of AFoCO's Financial Regulations in Annex 1 of Decision-7-I-18R, including the first amendment under Decision 37-IV-20R.
 - (f) Physical assets are secured and periodically checked against records. Controls over standing data are established. For digital assets, general computer controls are implemented to regulate access and maintain data integrity through regular backups. Information security management is in place to protect against internal and external threats from telecommunication networks and the internet.
 - (g) Independent periodic checks by Risk Management and Internal Audit Committee have been established to assess the performance of policies, procedures, and transactions.
 - (h) The Secretariat has established the following provisions through the Staff Regulations of AFoCO per Decision-36-IV-20R:
 - (i) The goals, objectives, and responsibilities of AFoCO's departments/divisions and staff at all management levels to ensure alignment and synergy.
 - (ii) Regular performance review Staff Members.
 - (iii) Oversight of the implementation of AFoCO's financial and operational plans.
 - (iv) Scheduled and unscheduled inspections and inventories of assets and liabilities.
 - (v) Authorization for the use of information.

14. **Information and Communication**

- (a) Effective internal controls rely on the timely, accurate, and relevant flow of information. AFoCO has established effective reporting mechanisms for both internal and external stakeholders, as outlined in the Financial and Staff Regulations of AFoCO, as well as in the Project Manual. The Secretariat ensures that employees are well-informed about control processes and policies and can effectively communicate risks and issues. Likewise, external stakeholders, including regulators and donors, are kept updated on the organization's performance and risk management efforts, which are regularly discussed during AFoCO Assembly meetings and similar activities. In addition to the Financial and Staff Regulations, AFoCO has also implemented a Policy on Information Disclosure per Decision-27-III-19R-1d.
- (b) Relevant information has been identified, captured, and communicated in a way and within a timeframe that allows staff to fulfill their responsibilities effectively.
- (c) AFoCO ensures that complete and accurate information are available on events and conditions that may impact its decision-making process. The Secretariat ensures that this information is provided in the appropriate level of detail for the Executive Director and the Assembly. Controls are developed and enforced to ensure that information supporting the control environment, risk assessment, and monitoring components of the internal control system is identified. As part of its information technology strategic plan, AFoCO has allocated resources to improve and develop existing and new information systems linked to strategic initiatives.

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- (d) AFoCO's information systems cover both internally generated data and external events, activities, and conditions essential for informed decision-making and external reporting.
 - (e) AFoCO has established efficient communication channels to ensure that the Assembly, Executive Director, senior management, and other staff involved in internal control functions understand their responsibilities and how their activities are interconnected. Information needed for Secretariat to carry out its internal control responsibilities should be made available regularly. Information must be provided in a timely manner to support effective monitoring of events, activities, and follow-up actions on changes and control issues. The Secretariat is responsible for ensuring that information is accessible, accurate, current, protected, retained, sufficient, valid, and verifiable.
 - (f) Effective information channels have been established to help all staff understand and carry out their control responsibilities. The Secretariat ensures that information is communicated effectively to all staff through various platforms, setting clear expectations for acceptable and unacceptable behavior. A system for staff to report significant information upward is also in place, including a whistleblower policy. Additionally, open communication channels exist between the Assembly, National Focal Points, and the Executive Director to achieve their respective internal control goals.
 - (g) Externally, AFoCO has set up appropriate communication channels to engage with other stakeholders. The Assembly has adopted a Policy on Information Disclosure per Decision-27-III-19R-3-1d to ensure clarity and compliance in communications with external parties. Mechanisms are in place to facilitate the communication of relevant feedback from external parties to the Assembly and Secretariat regarding internal control performance and issues.
15. **Monitoring**
- (a) AFoCO ensures the effectiveness of its internal control framework through regular monitoring. Ongoing monitoring is essential to detect weaknesses and inefficiencies in real-time. Internal audits assess the effectiveness of controls, while management reviews provide feedback for improvements. External audits offer an independent evaluation of the organization's compliance and financial status. Monitoring also involves gathering feedback from staff and stakeholders to refine processes. Both internal and external audits, along with staff feedback mechanisms, are incorporated into AFoCO's Financial and Staff Regulations. The External Auditor is appointed by the Assembly upon recommendation of the Risk Management and Internal Audit Committee, with periodic rotation consistent with good practice. The External Auditor reports and management letters are submitted to the Risk Management and Internal Audit Committee and the Assembly, and management shall prepare time-bound action plans to address findings.
 - (b) Any internal control deficiencies are communicated promptly, with significant issues reported to the senior management of the Secretariat and the Assembly.
 - (c) The monitoring process of internal controls includes an assessment of the actions or lack thereof by the AFoCO's Executive Director, Secretariat, and staff in implementing internal controls across all operational processes, conducting timely risk assessments, and evaluating the effectiveness of control measures.

- (d) The Assembly should form its own judgment on the effectiveness of the control environment after careful inquiry based on the information and assurances provided by internal and external auditors.
- (e) In reviewing the reports and information mentioned above, the Executive Director or the Assembly, as the case may be should:
 - (i) Focus on the major risks and evaluate how they were identified, assessed, and managed;
 - (ii) Assess the effectiveness of the internal control system in addressing significant risks, particularly any identified failures or weaknesses;
 - (iii) Determine whether appropriate actions are being taken promptly to correct any substantial deficiencies or weaknesses; and
 - (iv) Consider whether the findings suggest a need for more thorough monitoring or adjustments to the current controls.
- (f) The Secretariat is accountable to the Assembly for the continuous monitoring of the internal control system and for providing assurances that this monitoring is being effectively carried out.

VIII Review and Assessment of Internal Controls of AFoCO

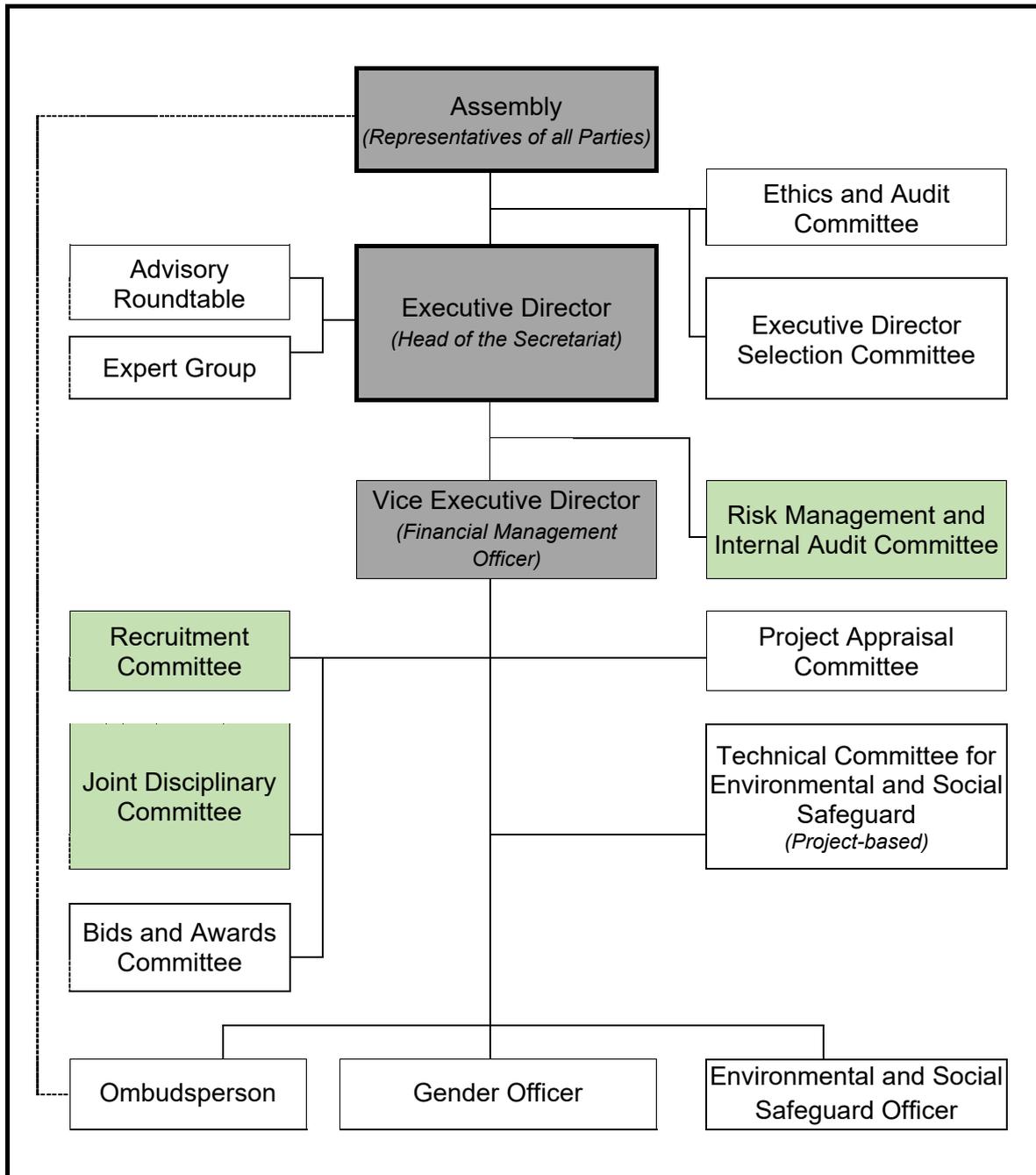
16. **Evaluating Internal Control Effectiveness** - To evaluate how effective internal controls are,
- (a) Assign accountability through delegation of authority
 - (b) Identify and document risk and controls
 - (c) Examine how well existing controls mitigate these risks by evaluating both their design and actual performance.
 - (d) Ensure updates are regularly shared with management until all issues have been fully addressed.

IX Amendment to the Policy

17. The Assembly in collaboration with the Secretariat headed by the Executive Director reserves the right to review, amend, or appeal review, amend, or repeal any provision of this Internal Control Framework and its underlying regulations as long as it is in conformity with the existing AFoCO rules or not in violation of any law. Any amendment that may be introduced, subsequent to the approval of this Policy/Framework, shall be applied upon approval of the Assembly and shall be reviewed and revised.
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Attachment A

Organizational Chart of the Governance and Internal Oversight Structure of the Asian Forest Cooperation Organization (AFoCO)



Attachment B

Terms of Reference (ToR) External Expert on Risk Management

1. Background

The Asian Forest Cooperation Organization (AFoCO) is committed to maintaining an effective internal control system and a sound risk management framework to safeguard its assets, ensure operational efficiency, and uphold its reputation and compliance with applicable regulations and international standards.

In line with this, the organization seeks to engage an external expert on Risk Management to provide specialized support in reviewing, assessing, and strengthening the organization's risk management processes.

2. Objective of the Assignment

The main objective of this assignment is to provide technical expertise and strategic advice to the AFoCO in the development, implementation, and/or improvement of its risk management framework, aligning it with international best practices (e.g., ISO 31000) and organizational goals.

3. Scope of Work

The External Expert will be responsible for the following tasks:

- 3.1. *Risk Framework Review*: Assess the existing risk management framework, policies, and procedures.
- 3.2. *Gap Analysis*: Identify gaps and inconsistencies in the current risk control measures, reporting, and governance structures.
- 3.3. *Risk Assessment*: Facilitate or guide a comprehensive organizational risk assessment, including strategic, operational, financial, compliance, reputational, and external risks.

3.4. *Policy and Procedure Development*: Provide inputs for enhancing risk management policies, risk appetite statements, and internal control measures.

3.5. *Capacity Building*: Conduct training sessions and workshops for key staff and management to enhance risk awareness and build internal capacity.

3.6. *Reporting & Recommendations*: Submit a final report with actionable recommendations, risk mitigation strategies, and proposed monitoring mechanisms.

4. Deliverables

4.1. Inception Report outlining methodology and work plan engagement.

4.2. Risk Assessment Report with identified risks and prioritization.

4.3. Draft Revised Risk Management Policy and Procedures.

4.4. Training Materials and Workshop Report.

4.5. Final Consolidated Report with Recommendations and Strategic Action Plan.

5. Duration and Timeline

The engagement will be for a period of [insert number] months/years starting from [insert start date], with a possible extension based on performance and organizational needs.

6. Reporting and Supervision

The Expert will report to the [Executive Director / designated Authority] and will perform duties as part of the Risk Management and Internal Audit Committee. The External Auditor is appointed by the Assembly upon recommendation of the Risk Management and Internal Audit Committee, with periodic rotation consistent with good practice. The External Auditor reports and management letters are submitted to the Risk Management and Internal Audit Committee and the Assembly, and management shall prepare time-bound action plans to address findings.

7. Qualifications and Experience

7.1. Advanced degree in Risk Management, Finance, Audit, Business Administration, or a related field.

7.2. At least five years of relevant experience in risk management, preferably in international organizations or NGOs.

7.3. Strong knowledge of international risk management standards (e.g., ISO 31000, COSO ERM).

7.4. Demonstrated experience in conducting risk assessments, designing controls, and building institutional risk frameworks.

7.5. Excellent analytical, facilitation, and communication skills.

8. Languages

Excellent command of written and oral English is essential; familiarity with another UN language is an advantage.

9. Confidentiality

All information and data accessed during the assignment shall be treated as confidential and shall not be disclosed without prior written consent of AFoCO.

Attachment C

Terms of Reference (ToR) External Expert in Internal Audit

1. Background

The Asian Forest Cooperation Organization (AFoCO) is committed to ensuring transparency, accountability, and sound governance across its operations. A robust internal audit function is essential to evaluate the effectiveness of internal controls, risk management, and governance processes.

To support this objective, the AFoCO seeks to engage an External Expert in Internal Audit to provide strategic and technical guidance in assessing, strengthening, and possibly restructuring its internal audit function, aligning it with international standards and organizational needs.

2. Objective of the Assignment

The objective of this engagement is to provide independent, high-level expertise in reviewing and enhancing the internal audit framework of AFoCO, ensuring compliance with best practices such as the International Professional Practices Framework (IPPF) by the Institute of Internal Auditors (IIA).

3. Scope of Work

The External Expert shall undertake the following:

- 3.1. *Audit Function Review*: Assess the current structure, mandate, and practices of the Internal Audit Unit.
- 3.2. *Gap and Compliance Analysis*: Evaluate compliance with the IIA Standards, internal audit guidelines, and audit methodology.
- 3.3. *Audit Planning*: Assist in developing or refining a risk-based multi-year internal audit plan aligned with the organization's strategic priorities.

- 3.4. *Process Improvement*: Recommend improvements to audit processes, tools, and reporting mechanisms to enhance efficiency and impact.
- 3.5. *Capacity Building*: Provide technical guidance and training to the Secretariat on current best practices and emerging trends in internal auditing.
- 3.6. *Strategic Advisory*: Advise management and the Audit or Oversight Committee on strengthening audit independence, governance oversight, and integration with enterprise risk management.

4. Deliverables

- 4.1. Inception Report – outlining the expert’s understanding, approach, and work plan.
- 4.2. Internal Audit Assessment Report – including strengths, weaknesses, and areas for improvement.
- 4.3. Revised/Internal Audit-related Guidelines and Plans – in line with IIA Standards.
- 4.4. Capacity Development Sessions – training reports and materials.
- 4.5. Final Report – with strategic recommendations and action plans for enhancing internal audit function

5. Duration and Timeline

The assignment shall be carried out over a period of [insert number] months/years beginning on [insert start date], with potential extension depending on deliverables and organizational requirements.

6. Reporting and Supervision

The Expert will report to the [Executive Director / designated Authority] and will perform duties as part of the Risk Management and Internal Audit Committee.

7. Qualifications and Experience

- 7.1. Advanced degree in Accounting, Finance, Auditing, Business Administration, Public Administration or related field.
- 7.2. Professional certification such as Certified Internal Auditor (CIA) issued by IIA, Certified Public Accountant (CPA), or Certified Information System Auditor (CISA).
- 7.3. Minimum of five years of relevant experience in internal auditing, including with international or nonprofit organizations.
- 7.4. In-depth knowledge of internal audit standards [such as International Professional Practices Framework (IPPF)], risk-based auditing, and internal control systems.
- 7.5. Proven experience in audit quality assurance, policy development, and capacity building.
- 7.6. Strong communication, advisory, and facilitation skills

8. Languages

Excellent command of written and oral English is essential; familiarity with another UN language is an advantage.

9. Confidentiality

The Expert shall maintain the confidentiality of all information accessed during the engagement. No information shall be disclosed or used for purposes outside the scope of this assignment without written authorization from AFoCO.