



Internal Control Framework (ICF) Policy

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Version Control	Author:	Name of Document
ICF – March 2022 Created: 27/03/2022	Manager - Operations	Caribbean Export - Internal Control Framework

1. Introduction

The Internal Control Framework (ICF) Policy defines the purpose and objectives of internal controls in the Caribbean Export Development Agency (Caribbean Export). The way in which Caribbean Export operated has changed rapidly in the last 2 years. It must continue to evolve, update its operational and programming capabilities and adopt a new approach to strategic planning, reporting results and evaluating its impact. The Internal Control Framework enables governance, proper decision making, and accountability to external donors and member states who support the agency to effectively execute its mandate. This is further extended to other key stakeholders, including beneficiaries, employees and future/potential partnerships.

Internal controls are a foundational component of organizational management and is designed to help Caribbean Export achieve its strategic objectives - more specifically its Strategic Plan 2021 to 2024 - in an effective, efficient, transparent, and accountable manner.

Caribbean Export internal controls are designed to provide reasonable assurance regarding the achievement of objectives as it relates to:

- a) Operations - effectiveness and efficiency of its programmatic and administrative/financial operations;
- b) Reporting - reliability of financial and programme reporting; and
- c) Compliance - with applicable laws and regulations, especially in the countries of operation.

The ICF is a living document by nature. It will be modified and enhanced in line with the evolution and strengthening of the design and effectiveness of Caribbean Exports internal controls, as required and necessary.

2. Purpose and Objectives of ICF

Caribbean Export Internal Control Framework follows the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ¹ which is used by many international development agencies worldwide, including UNDP, UNFPA, and many others global institutions and organizations. In this context, the Internal Control Framework of Caribbean Export will:

- Provide a set of core components and principles based on acknowledged best practice against which Caribbean Exports internal control systems can be assessed and progressively enhanced to deliver results and desired impact;
- Assign accountability to Caribbean Export personnel for implementing internal controls.

¹ Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework, May 2013

This includes effectively managing SAGE 300 user access and ICT security controls, enabling streamlined business/financial/programming processes to promote organizational efficiency, as well as mitigating the organizational, reputational and audit risks;

- Reinforce the importance of ethics and integrity in establishing effective internal controls;
- Underline the limitations inherent in any system of internal control;
- Identify how the overall effectiveness of internal control systems in Caribbean Export is assessed and reported to key stakeholders and the wider public.

3. Limitations of the ICF

Internal controls are necessary for an organization to realize its strategic objectives, provide reliable financial and performance information to its key stakeholders, and comply with relevant policies, procedures and legislation.

An ICF creates an environment of accountability and transparency that can shape a culture of integrity and ethical values to transcend an organization's reputation. However, internal controls cannot influence external factors that impact its operations or the environment in which it operates. Unacceptable practices including fraud and collusion can undermine the effectiveness of internal controls, and while the ICF aims to mitigate and reduce this risk, it cannot eliminate the possibility of this occurrence.

Internal control and best practices are established to achieve reasonable assurance that Caribbean Export will achieve its objectives in an efficient manner. Internal control systems cannot provide absolute assurance that Caribbean Export will achieve all its objectives.

4. Core Components and Guiding Principles of the ICF

Caribbean Exports uses the five (5) components established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). These define its internal controls, which would provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. The five (5) components of internal control used are:

- (1) Control Environment
- (2) Risk Assessment
- (3) Control Activities
- (4) Information and Communication
- (5) Monitoring Activities.

These components and the 17 related principles set the tone for internal control as reflected in the tables below:

Components of an Internal Control Framework

Control Environment	<ul style="list-style-type: none"> • Commitment of leadership and senior management to effective internal control, adherence to high ethical standards, oversight by those in governance, and support of competent employees.
Risk Assessment	<ul style="list-style-type: none"> • Dynamic and iterative process for identifying and analyzing risks towards achieving the organization's objectives. • Forms the basis for determining how risks should be managed. • Identifies the areas where the greatest threat or risk of inaccuracies or loss exist, with the greatest risks receiving the greatest attention and control. • Consideration given to dollar amounts, nature of the transactions and impact on organizational reputation.
Control Activities	<ul style="list-style-type: none"> • Actions established by policies and procedures to help ensure management directives to mitigate risks to the achievement of objectives are carried out at all levels of the organization, at various stages of operating processes and over the technology environment.
Information and Communication	<ul style="list-style-type: none"> • Information generated at operational levels and communicated across and up the organization to enhance decision-making. • Policies and procedures communicated downward through the organization to support internal control functions. • Information and communication to be fully integrated with the other components of the framework and includes communication with outside parties about internal control and accountability.
Monitoring and Review	<ul style="list-style-type: none"> • Applies to all five components of internal control. • Should fit the organization. • Takes on increased importance as the organization recognizes the need for timely and effective monitoring that provides feedback on the operation of the other components, and extends beyond financial reporting to compliance and operations.

Principles for Effective Internal Control



5. Oversight of the ICF

The Executive Director (ED) is accountable to Member States through the CARIFORUM Council of Ministers and Board of Directors for Caribbean Exports. The ED ensures a system of internal controls that is efficient, effective and in compliance with international standards and best practices is in place.

In addition, the ED, along with the management team, in particular Deputy Executive Director (SRO) and Manager-Operations, are required to address significant internal control weaknesses as soon as they become apparent and identify and mitigate risks that could hamper the delivery of Caribbean Export's mandate. The ED also effects the organization-wide implementation of the internal control framework.

6. Guiding Policy Documents for ICF

For Caribbean Export, the Internal Control Framework (ICF) provides the necessary outline to embed accountability, transparency, and reporting in its operations. Key stakeholders and other interested partners and entities can therefore feel confident that Caribbean Exports operations and activities are conducted with due diligence and to an exceedingly high standard. As such, the ICF anchors other internal policy documents to enable the 5 component areas' effectiveness and efficiency. These policy documents are identified in the table below:

5 Components of Internal Control	Guiding Policy Documents used by Caribbean Export
Control Environment	Strategic Plan (2021-2024); Staff Handbook; Agreement establishing Caribbean Exports (inter-Governmental and Host Agreements); Programme & Operations Manual; Delegation of Authority; Separation of Duties Policy; Ethics, Diversity and Inclusion Policy; Board Decisions and Directives; ED/Management Decisions, Local laws and other regulations, Data Protection and ICT Policy.
Risk Assessment	Risk Management Policy and Risk Register
Control Activities	Programme & Operations Manual, Performance Management, Annual Workplans, Programme Contracts with partners, Annual Budgets, Operational Guide to ICF
Information and Communication	Communication Strategy/Policy (incl. social media); Partnership and Resource Mobilisation Strategy, Annual Reports, Annual Financial and Programme Reports, Council of Ministers and Board Reports
Monitoring Activities	Monitoring and Evaluation Policy, Annual Reports

Using the COSO framework to benchmark Caribbean Export control environment can create valuable benefits. These have been highlighted by COSO's overall review as:

1. **Improved Governance and Risk Assessments**– Improve the corporate governance function within organizations that monitor security, risk, and compliance to ensure adherence to policies, goals, and laws. Implementing effective risk assessments can prevent or reduce unfavorable incidents from occurring.
2. **Improved Fraud Detection & Prevention** –The framework enables organizations to have controls that first prevent fraud from occurring, detect fraud as soon as it happens, and respond effectively to fraud incidents when they occur.
3. **Improved Internal Controls** –COSO framework offers more effective internal controls to mitigate risks and have the necessary data to support sound decision-making.
4. **Significant Cost Savings** – It streamlines processes, establish more effective internal controls, and better manage risk and compliance costs.
5. **More Positive Attention from Investors** – A more effective set of risk management controls in place, that will make Caribbean Exports more attractive by donors and other partners.

6. Implementation of the ICF

To effectively implement the ICF, Caribbean Exports uses three (3) critical pillars to action its internal controls, namely: People, Process/Procedures and Digital Technology.

Pillar 1: People

People are critical to the successful running and implementation of Caribbean Export's mandate. People can be engaged as employees or as consultants, both for a defined period.

People engaged by Caribbean Export will have:

- clearly defined roles and responsibilities
- clear objectives and deliverables that coincide with the results and outcomes of Caribbean Export's interventions
- highest standards of efficiency, competence and integrity
- learning and development objectives that allow them to evolve with the organization
- access to open communication channels for reporting internal control matters and issues as they arise

Pillar 2: Processes and Procedures

The processes and procedures employed by Caribbean Export must be:

- clear, succinct and not subject to individual interpretation
- must follow best practice, applicable accounting standards and local legislation that encompass the organization's operations
- routinely monitored to allow proper accountability, efficiency and effectiveness
- updated to counter any risks and outdated controls and implement recommendations from audit and evaluations.

Pillar 3: Digital Technology

Caribbean Export incorporates sound and effective digital technology that would:

- support efficient and effective implementation of policies and procedures and workflows, especially in programme and financial reporting
- mitigate risk through defined and segregated roles and responsibilities;
- safeguard the organizations assets and resources, including data protection;
- support monitoring of internal control effectiveness, promote value for money, accountability and transparency

In addition, to further support and implement the ICF, three (3) essential controls/policy documents would reinforce the ICF purpose and objectives. Together, they will enable integrity

and a prudent approach to financial management by reducing exposure to inappropriate, unauthorized expenditures and improper commitments of Caribbean Exports assets and resources. These are:

(1) Delegation of Authority (DoA) - a transfer of authorization or responsibility to key personnel to carry out operations and obligations of the organization. The DoA would detail authorization and approval levels

(2) Segregation of Duties (SoD) - significantly reduces the risk for fraud and/or errors as they relate to commitments and financial transactions of Caribbean Exports. Segregation of Duties prevents any one person from controlling the entire procure-to-pay process by separating process and approvals in key stages of a transaction.

The segregation of duties allows transactions to be properly authorized, verified, recorded, and paid/approved by more than one person. It would identify how duties and responsibilities should be separated to enable a higher level of accountability for Caribbean Export.

(3) Programme and Operations Manual details the processes to ensure day-to-day internal control, activities, processes and procedures for conducting programmatic operations are adhered and followed.

The ICF policy should be used for oversight, monitoring and implementing the agency's work in its Headquarters, Sub-regional Office and Programme Offices.

Further details on the three (3) pillars to action internal controls, delegation of authority and segregation of duties can be found in the Operational Guide to the Internal Control Framework (being designed).