

Third Session of the Assembly
28-29 October 2019, Seoul

Agenda Item 3.1(c)

DECISION 26-III-19R

**Policy on Anti-Money Laundering and Countering
the Financing of Terrorism**

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

Recognizing AFoCO's commitment to respect principles of transparency and anti-corruption and its continuous support towards the promotion of social justice in its Parties and Observers; and

Ensuring measures to mitigate money laundering and the financing of terrorism which commensurate with the risks identified, enabling decisions on how to allocate its resources in the most effective way,

Decides to:

1. Adopt the Policy on Anti-Money Laundering and Countering the Financing of Terrorism in document D-26-1; and
 2. Task the Secretariat to facilitate the necessary follow-up actions, including amendment /update of related institutional documents such as Staff Regulation and Financial Regulations.
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Policy on Anti-Money Laundering and Countering the Financing of Terrorism

Document No: D-26-1 (Decision 26-III-19R)

I Background

1. The Policy on Anti-Money Laundering and Countering the Financing of Terrorism of the Asian Forest Cooperation Organization translates AFoCO's commitment to respect principles of transparency and anti-corruption and its continuous support towards the promotion of social justice in its Parties and Observers.
2. AFoCO is committed to the highest ethical standards regarding anti-money laundering and countering the financing of terrorism consistent with the Financial Action Task Force¹ recommendations in its "International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation".
3. This Policy aims to safeguard AFoCO against money laundering and the financing of terrorism. The Policy outlines the principles and minimum standards of internal AML/CFT controls which should be adhered to by AFoCO to mitigate reputational, regulatory, legal and financial loss risks.

II Definitions

4. For purposes of this Policy, the following terms shall be defined as below:
 - (a) "AFoCO" means the organization established under the Agreement on the Establishment of the Asian Forest Cooperation Organization.
 - (b) "Agreement" means the Agreement on the Establishment of the Asian Forest Cooperation Organization that entered into force on 27 April 2018.
 - (c) "Assembly" means the Assembly established by Article 8 of the Agreement as the highest decision-making organ of AFoCO.
 - (d) "Counterparty" is any party that contributes to, executes, implements, bids for, or in any way participates in, AFoCO-related activities, including receiving a grant, loan or other form of financing or support from AFoCO. Counterparties include contributors, implementing agencies, delivery partners, fiscal agents, financial intermediaries, vendors or any entity within the Secretariat that directly disburses AFoCO resources.
 - (e) "Executive Director" means the chief administrative officer of AFoCO who is appointed by the Assembly.
 - (f) "Financing of Terrorism" or "Terrorist Financing" is defined as the commission of any offence as set out in Article 2 of the International Convention for the Suppression of the Financing of Terrorism.

¹ The Financial Action Task Force (on Money Laundering) (FATF), also known by its French name, Groupe d'action financière (GAFI), is an intergovernmental organization founded in 1989 on the initiative of the G7 to develop policies to combat money laundering. In 2001 its mandate expanded to include terrorism financing.

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- (g) “Internal auditing”² is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization to accomplish its objectives by offering a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- (h) “Money Laundering” refers to:
- (1) The conversion or transfer of property, knowing that such property is derived from crime, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of the crime to evade the legal consequences of his or her actions;
 - (2) The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing such property is derived from crime; or,
 - (3) The acquisition, possession or use of property, knowing at the time of receipt that such property was derived from a criminal offence.
- (i) “Observer” means a signatory country which has signed the Agreement but has yet to deposit its instrument of ratification, acceptance or approval; Asian country, or international non-governmental organization granted Observer status by the Assembly in accordance with Article 6 of the Agreement.
- (j) “Party” means a country which has signed the Agreement and has deposited its instrument of ratification, acceptance, or approval for which the Agreement has entered into force, or a country that has acceded to the Agreement.
- (k) “Policy” means this Policy on Anti-Money Laundering and Countering the Financing of Terrorism
- (l) “Secretariat” means the Secretariat established by Article 9 of the Agreement.
- (m) “Staff Members” mean all staff of the AFoCO Secretariat, including the Executive Director, as described in Article 9 of the Agreement.

III Purpose and Scope

5. The purpose of this Policy is to ensure measures to mitigate money laundering and the financing of terrorism which commensurate with the risks identified, enabling decisions on how to allocate its resources in the most effective way.

6. The staff of AFoCO, its governing bodies and every other person working for AFoCO are required to adhere to this Policy to protect the organization, and its reputation, from being misused for Money Laundering and Terrorist Financing.

7. Under the “Know-Your-Customer” principle, AFoCO shall apply this Policy to its relationship with its Counterparties or any other entity or person involved in project implementation.

² Institute of Internal Auditors, International Professional Practices Framework (2013)

IV General Principles

8. In the context of its overriding objective to provide support to Parties and Observers for the achievement of the goals of AFoCO, and with due regard to its fiduciary responsibilities, AFoCO shall ensure that its funds are not used to finance any illegal acts related to Money Laundering and Terrorist Financing.

9. AFoCO shall take steps to encourage its Counterparties to adopt policies and procedures that are consistent with the principles set out in this Policy, with the purpose of safeguarding AFoCO resources from being used for Money Laundering and the Financing of Terrorism.

10. Counterparties shall be responsible for identifying and mitigating the risks of Money Laundering and Terrorist Financing in deploying and managing AFoCO resources.

V Key provisions

11. 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.

12. Within the internal oversight mechanism, independent internal audits shall be conducted in accordance with the Financial Regulations and Staff Regulations of AFoCO and in conformity with international standards for the professional practice of internal auditing. The detailed information about AFoCO's internal oversight mechanism and internal audit standards are described in **Annex-1**.

13. The internal oversight mechanism shall exercise operational independence in the conduct of its duties under the authority of the Executive Director and the Ethics and Audit Committee of the Assembly, and shall be responsible for:

- (a) Providing assurance that activities, projects and programs are delivered effectively, that information on strategic management is reliable and timely, and that continuous improvements are fostered in methods and procedures so as to enhance the quality of AFoCO's operations;
- (b) Identifying major control risks for AFoCO and proposing remedial action to minimize such risks;
- (c) Prevent the abuse of AFoCO's resources for money laundering and financing of terrorism;
- (d) Meet applicable legal requirements and international standards in jurisdictions where AFoCO and its Counterparties operate;
- (e) Mitigate any reputational risk;
- (f) Support the establishing and/or strengthening of capacities in countries to meet AFoCO's fiduciary standards regarding AML/CFT;
- (g) Guard against establishing any relations or undertaking any transaction that may relate to or may facilitate money laundering and financing of terrorism or any other illicit activity;

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- (h) Exercise due diligence when dealing with Counterparties, persons appointed to act on behalf of Counterparties and connected parties of the Counterparties; and,
- (i) Continuously review and update this Policy and its corresponding standards as threats and international standards evolve to prevent and detect money laundering and financing of terrorism.
14. Internal auditors shall:
- (a) Review and evaluate on the use of financial resources and on the effectiveness, adequacy and application of internal control systems, procedures and other relevant internal controls. Internal controls shall include the following elements:
- (i) Compliance of financial transactions with the approved work plan and budget and other legislative mandates, and the Financial Regulations and Staff Regulations of AFoCO; and
 - (ii) Efficiency and effectiveness of financial, physical and human resources management and utilization, including by examination of the structure of AFoCO and its responsiveness to the requirements of programs and legislative mandates.
- (b) Report on each separate audit, evaluation, and investigation to the Executive Director. For each report, the relevant Staff Member shall be offered adequate opportunity to consider and comment upon the observations and draft recommendations.
15. The Executive Director shall:
- (a) Ensure that:
- (i) The internal auditor has the operational independence, objectivity and authority to conduct internal audits, evaluations, and investigations;
 - (ii) The internal auditor has access to all records and personnel relevant to the purposes listed in AFoCO Financial Regulation 8.2.2;
 - (iii) Procedures are in place to provide direct confidential access of Staff Members to the internal oversight mechanism, including for suggesting improvements for work delivery or for reporting perceived cases of misconduct; and,
 - (iv) The Staff of the AFoCO Secretariat and associated persons enjoy protection against repercussions and ensure due process for all persons concerned and fairness during any investigation.
- (b) Instruct Staff Members to provide such information or assistance to the internal auditor as are reasonably required to conduct the audit; and,
- (c) Report to the Assembly on internal audit recommendations and actions taken, if deemed necessary by the Executive Director.
16. The Ethics and Audit Committee of the Assembly shall:
- (a) Ensure governance and oversight of AFoCO's risk management framework and controls regarding money laundering and financing of terrorism; and
- (b) Deal with matters which present a material risk to AFoCO in the judgement of the internal auditor. Such matters shall be accompanied by relevant documentation,

including any correspondence with the Executive Director.

VI Amendment to the Policy

17. The provisions of this Policy may be supplemented or amended upon proposal by the Executive Director in consultation with the Ethics and Audit Committee and subsequent approval by the Assembly.

VII Report and Review

18. The Assembly and the Ethics and Audit Committee shall keep this Policy under regular review to reflect international best practices.

19. The Ethics and Audit Committee shall report on the status of the implementation and the progress of this Policy to the Assembly every three (3) years after the adoption of this Policy.

VIII Effective Date of Application

20. This Policy shall take effect on the date of adoption by the Assembly.

Annex-1. Internal Oversight Mechanism and Internal Audit Standards

I Introduction

1. Internal auditing of Asian Forest Cooperation Organization (AFoCO) is conducted in diverse legal and cultural environments; within organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, compliance with the International Standards for the Professional Practice of Internal Auditing³ of the Institute of Internal Auditors is essential to meeting the responsibilities of internal auditors and guide the conduct of internal audits.

2. Internal auditing assists the organization by providing management with an objective assessment of the adequacy and effectiveness of the organization's system of internal controls over its operations.

3. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by offering a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes⁴.

II Scope and applicability

4. The internal audit standards of AFoCO will:

- (a) Delineate the basic principles that represent the best practices of internal auditing;
- (b) Provide a framework for performing and promoting a broad range of value-added internal auditing processes;
- (c) Establish the basis for the evaluation of internal audit performance; and
- (d) Foster improved organizational processes and operations.

III Principles

5. The internal audit standards of AFoCO are principle-focused mandatory requirements consisting of:

- (a) Statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance, which are internationally applicable; and
- (b) Interpretations, which clarify terms or concepts within the statements above mentioned.

IV Purposes and objectives

³ <https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Standards.aspx>

⁴ Institute of Internal Auditors, International Professional Practices Framework (2013)

6. The objective of internal auditing is to determine whether the organization's risk management, controls and governance processes provide reasonable assurance of the following:

- (a) Effective and efficient use of resources;
- (b) Accuracy and reliability of the Fund's financial and operational information;
- (c) Safeguarding of organization assets;
- (d) Compliance with the organization decisions, policies and guidelines; and
- (e) Achievement of the organization's program, plans and objectives.

V Key provisions

7. AFoCO is committed to the highest ethical standards regarding the prevention of money laundering and countering the financing of terrorism consistent with the Financial Action Task Force⁵ recommendations in its "International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation".

8. AFoCO follows the principles of transparency and anti-corruption and will provide continuous support towards the promotion of social justice in its Parties and Observers.

VI Key responsibilities

9. Internal auditing is responsible for:

- (a) Developing a regular audit plan which will include both assurance and advisory engagements designed to assist management with their internal control responsibilities;
- (b) Establishing an audit approach and methodology which will augment and improve the organization's internal control activities, including audit procedures, programmes and guidelines;
- (c) Reviewing and assessing the adequacy of management's internal controls over financial reporting and operations, including their design and operation;
- (d) Coordinating audit efforts with the organization's external auditors to optimize audit coverage and use of audit resources; and
- (e) Reporting to the Executive Director on significant deficiencies or issues identified during its audit mission and recommending improvements. The Internal Auditor's findings and recommendations for improvement will be submitted to the Ethics & Audit Committee together with management's responses for discussion prior to submission to the Assembly.

VII Authority

10. For the purpose of performing its responsibilities, internal auditing will have complete

⁵ The Financial Action Task Force (on Money Laundering) (FATF), also known by its French name, Groupe d'action financière (GAFI), is an intergovernmental organization founded in 1989 on the initiative of the G7 to develop policies to combat money laundering. In 2001 its mandate expanded to include terrorism financing.

and unrestricted access to the Secretariat staff and all records and documents (i.e. physical and electronic), excluding documents of a confidential and private nature such as staff medical records.

VIII Independence

11. To maintain the objectivity of internal auditing and ensure its independence, the internal auditor will report directly to the Executive Director and will advise the Executive Director and the Ethics and Audit Committee of the Assembly.
