



# INTERNAL CONTROL MECHANISM FRAMEWORK



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# INTRODUCTION.

Serving Humanity Foundation (SHF) is committed to fostering an inclusive, respectful, and equitable environment for all employees, volunteers, partners, and beneficiaries. SHF values diversity and recognizes the importance of treating every individual with respect and dignity. This policy sets forth SHF’s commitment to providing an environment that is free from discrimination, harassment, and victimization.

SHF will not tolerate any form of discrimination based on race, color, ethnicity, gender, gender identity, sexual orientation, disability, religion, nationality, age, marital status, socioeconomic status, or any other characteristic protected by local and international laws.

# FRAMEWORK OBJECTIVES.

The objectives of this framework are:

- A** To protect SHF’s assets and resources from fraud, loss, or misuse.
- B** To ensure that financial and operational reporting is accurate, reliable, and timely.
- E** To provide mechanisms for detecting and addressing risks, fraud, or other irregularities.

# POLICY STATEMENT.

- A** SHF is committed to the principle of equal opportunity for all individuals, ensuring that all employment, program participation, and service opportunities are free from bias and discrimination.
- B** SHF prohibits any form of discrimination, harassment, or victimization and is committed to ensuring that all individuals are treated fairly, regardless of their personal characteristics or background.
- C** SHF aims to create a culture of respect, inclusion, and fairness across all its operations, projects, and programs.

- C** To ensure compliance with all applicable laws, regulations, and organizational policies.
- D** To promote operational efficiency and the effective use of SHF’s resources.

# COMPONENTS OF INTERNAL CONTROL FRAMEWORK

The internal control framework consists of five key components, which work together to ensure effective governance and management of SHF’s operations:

## CONTROL ENVIRONMENT

The control environment sets the tone of the organization, influencing the overall culture of internal controls and governance. This includes:

- **LEADERSHIP COMMITMENT**  
SHF’s Board of Directors and senior management are responsible for promoting a culture of integrity, accountability, and transparency.
- **ETHICAL VALUES**  
SHF’s Code of Conduct and organizational policies promote ethical behavior and adherence to laws and regulations.
- **COMPETENCE**  
SHF ensures that its staff are qualified and receive appropriate training to carry out their responsibilities effectively.

## RISK ASSESSMENT

SHF will identify and assess risks that may affect the achievement of its operational, financial, and programmatic objectives. Risk assessment includes:

- **RISK IDENTIFICATION**  
SHF will regularly identify internal and external risks, including financial, operational, strategic, and reputational risks.
- **ETHICAL VALUES**  
SHF will evaluate the likelihood and impact of identified risks, prioritizing areas that require mitigation measures.
- **COMPETENCE**  
SHF will implement controls and procedures to minimize or eliminate identified risks.

## CONTROL ACTIVITIES

Control activities are the policies and procedures that help ensure management directives are carried out. These include:

- **SEGREGATION OF DUTIES**

SHF will separate key responsibilities among different individuals to reduce the risk of errors or fraud.

- **AUTHORIZATION AND APPROVAL**

All financial and operational transactions must be authorized and approved by appropriate personnel.

- **VERIFICATION AND RECONCILIATION**

SHF will regularly verify and reconcile financial data to ensure accuracy and detect discrepancies.

## MONITORING AND EVALUATION

SHF will continuously monitor and evaluate the effectiveness of its internal control systems to ensure they are functioning as intended. Monitoring activities include:

- **INTERNAL AUDITS**

SHF will conduct regular internal audits to assess the adequacy and effectiveness of its controls, identify gaps, and recommend improvements.

- **MANAGEMENT REVIEWS**

Senior management will regularly review the organization's financial and operational performance, addressing any issues identified through monitoring activities.

- **EXTERNAL AUDITS**

SHF will engage independent external auditors to conduct annual financial audits, ensuring compliance with accounting standards and donor requirements.

## INFORMATION AND COMMUNICATION

Effective communication supports the functioning of internal controls. SHF will ensure that:

- **TRANSPARENCY**

Accurate and timely information is communicated to all relevant stakeholders, including staff, donors, and regulatory bodies.

- **DOCUMENTATION**

SHF will maintain thorough documentation of all financial transactions, policies, and procedures to ensure accountability and compliance.

- **REPORTING**

SHF will provide regular financial and operational reports to senior management and the Board of Directors.

# ROLES AND RESPONSIBILITIES .

## BOARD OF DIRECTORS

Provide oversight and ensure that SHF's internal control framework is effective and aligned with the organization's strategic objectives.

Review and approve any major internal control policy changes.

Address any significant internal control issues identified during audits.

## INTERNAL AUDIT TEAM

Conduct regular internal audits to assess the effectiveness of SHF's internal controls and make recommendations for improvements.

Report findings to senior management and the Board of Directors, ensuring that any control weaknesses are addressed promptly.

## CEO

Ensure that internal controls are implemented, maintained, and reviewed regularly across all departments.

Lead the organization's efforts in managing risks and safeguarding resources.

## FINANCE AND OPERATIONS DEPARTMENTS

Implement and monitor financial controls, ensuring compliance with SHF's policies and procedures.

Ensure the accuracy of financial records, conduct reconciliations, and approve transactions in line with SHF's internal controls.

Prepare financial reports and statements for internal and external review.

## STAFF AND VOLUNTEERS

Adhere to SHF's internal control policies and procedures in their daily work.

Report any discrepancies, errors, or suspicions of fraud or misconduct to management or the appropriate authority.

# POLICY PROVISIONS.

## FINANCIAL CONTROLS

### BUDGETING

SHF will develop and approve annual budgets, ensuring that expenditures are aligned with the organization's financial capacity and strategic goals.

### CASH HANDLING

SHF will implement strict controls over cash receipts and disbursements, including secure storage and authorization procedures.

### PROCUREMENT

All procurement activities will follow SHF's Procurement Policy to ensure value for money, transparency, and accountability.

## FRAUD PREVENTION

### EVALUATION CRITERIA

SHF will establish robust mechanisms for detecting, reporting, and investigating instances of fraud, corruption, or misuse of resources.

All staff, volunteers, and partners must be trained in recognizing and preventing fraud.

## COMPLIANCE WITH LAWS AND REGULATIONS

SHF will ensure compliance with all applicable laws, regulations, donor requirements, and international standards.

Regular legal reviews will be conducted to update policies and procedures as necessary.

## DATA PROTECTION AND SECURITY

SHF will implement controls to protect sensitive financial and operational data from unauthorized access, loss, or misuse.

Information systems will be regularly reviewed and updated to ensure data security and integrity.

# REPORTING PROCEDURES .

## INTERNAL CONTROL REPORTS

- SHF will produce periodic internal control reports, summarizing the effectiveness of internal controls, identifying areas for improvement, and outlining corrective actions.

## INCIDENT REPORTING

- Staff must report any suspected breaches of internal control, including fraud, irregularities, or non-compliance, to their supervisor or the Internal Audit Team.

SHF will maintain a confidential whistleblowing mechanism for reporting concerns related to internal control violations.



## SANCTIONS .

### DISCIPLINARY ACTIONS

- Any employee, volunteer, or partner found to be violating SHF's internal control policies or engaging in fraudulent or unethical behavior will face disciplinary actions, which may include termination of employment or contract.

### LEGAL ACTION

- SHF reserves the right to pursue legal action against individuals or entities found to be involved in serious violations of internal controls, fraud, or other illegal activities.

## POLICY REVIEW .

This framework will be reviewed every two years or as necessary to ensure that it remains relevant and effective. The Internal Audit Team, in collaboration with senior management, will conduct the review and recommend any revisions to the Board of Directors.



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