

**COSO**  
**Internal Control – Integrated Framework (ICIF)**  
**Overview**

**Compliance Control Objectives**  
**Focus**

## Defining Internal Control

Internal control is defined as follows:

*Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.*

## Control Objectives

The *Framework* provides for three categories of objectives, which allow organizations to focus on differing aspects of internal control:

- *Operations Objectives*—These pertain to effectiveness and efficiency of the entity's operations, including operational and financial performance goals, and safeguarding assets against loss.
- *Reporting Objectives*—These pertain to internal and external financial and non-financial reporting and may encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or the entity's policies.
- **Compliance Objectives**—These pertain to adherence to laws and regulations to which the entity is subject.

## Control Components

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

**Control Principles** - The *Framework* sets out seventeen principles representing the fundamental concepts associated with each component. Because these principles are drawn directly from the components, an entity can achieve effective internal control by applying all principles. **All principles apply to operations, reporting, and compliance objectives.**

**Control Points of Focus** - Important characteristics of Principles (Attributes). Management may determine that some of these Points of Focus are not suitable or relevant and may identify and consider others based on specific circumstances of the entity. Points of Focus may assist management in designing, implementing, and maintaining internal control and in evaluating whether the relevant principles are present and functioning. The *Framework* does not require that management assess whether Points of Focus are in place.

**Controls to Effect Principles** - Organization specific controls (policies and procedures) within each component, which effect relevant principles.



**Components/ Principles/ Points of Focus (POF) – Controls to Effect Principles**

**COMPONENT**

**I. Control Environment** - The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The board of directors and senior management establish the tone at the top regarding the importance of internal control including expected standards of conduct. Management reinforces expectations at the various levels of the organization. The control environment comprises the integrity and ethical values of the organization; the parameters enabling the board of directors to carry out its governance oversight responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals; and the rigor around performance measures, incentives, and rewards to drive accountability for performance. The resulting control environment has a pervasive impact on the overall system of internal control.

**PRINCIPLE**

**1. The organization demonstrates a commitment to integrity and ethical values.**

**POINTS OF FOCUS**

- A. Sets The Tone at the Top** – The board of directors and management at all levels of the entity demonstrate through their directives, actions, and behavior the importance of integrity and ethical values to support the functioning of the system of internal control.
- B. Establishes Standards of Conduct** – The expectations of the board of directors and senior management concerning integrity and ethical values to support the functioning of the system of internal control.
- C. Evaluates Adherence to Standards of Conduct** – Processes are in place to evaluate the performance of individuals and teams against the entity’s expected standards of conduct.
- D. Addresses Deviations in a Timely Manner** – Deviations from the entity’s expected standards of conduct are identified and remedied in a timely and consistent manner.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**I.1.**

**I.1.A.**

**I.1.B.**

**I.1.C.**

**I.1.D.**

COMPONENT

I. Control Environment (Cont.)

PRINCIPLE

2. The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.

POINTS OF FOCUS

- A. **Establishes Oversight Responsibilities** – The board of directors identifies and accepts its oversight responsibilities in relation to established requirements and expectations.
- B. **Applies Relevant Expertise** – The board of directors defines, maintains, and periodically evaluates the skills and expertise needed among its members to enable them to ask probing questions of senior management and take commensurate actions.
- C. **Operates Independently** – The board of directors has sufficient members who are independent from management and objective in evaluations and decision making.
- D. **Provides Oversight for the System of Internal Control** – The board of directors retains oversight responsibility for management’s design, implementation, and conduct of internal control:
  - 1) *Control Environment* – Establishing integrity and ethical values, oversight structures, authority and responsibility, expectations of competence, and accountability to the board.
  - 2) *Risk Assessment* – Overseeing management’s assessment of risks to the achievement of objectives, including the potential impact of significant changes, fraud, and management override of internal control.
  - 3) *Control Activities* – Providing oversight to senior management in the development and performance of control activities.
  - 4) *Information and Communication* – Analyzing and discussing information relating to the entity’s achievement of objectives.
  - 5) *Monitoring Activities* – Assessing and overseeing the nature and scope of monitoring activities and management’s evaluation and remediation of deficiencies.

CONTROLS TO EFFECT PRINCIPLE(S)

I.2.

I.2.A.

I.2.B.

I.2.C.

I.2.D.

I.2.D.1)

I.2.D.2)

I.2.D.3)

I.2.D.4)

I.2.D.5)

**COMPONENT**

**I. Control Environment (Cont.)**

**PRINCIPLE**

- 3. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.**

**POINTS OF FOCUS**

- A. Considers All Structures of the Entity** – Management and the board of directors consider the multiple structures used (including operating units, legal entities, geographic distribution, and outsourced service providers) to support the achievement of objectives.
- B. Establishes Reporting Lines** – Management designs and evaluates lines of reporting for each entity structure to enable execution of authorities and responsibilities and flow of information to manage the activities of the entity.
- C. Defines, Assigns, and Limits Authorities and Responsibilities** – Management and the board of directors delegate authority, define responsibilities, and use appropriate processes and technology to assign responsibility and segregate duties as necessary at the various levels of the organization:
  - 1) *Board of Directors* – Retains authority over significant decisions and reviews management’s assignments and limitations of authorities and responsibilities.
  - 2) *Senior Management* – Establishes directives, guidance, and control to enable management and other personnel to understand and carry out their internal control responsibilities.
  - 3) *Management* – Guides and facilitates the execution of senior management directives within the entity and its subunits.
  - 4) *Personnel* – Understands the entity’s standards of conduct, assessed risks to objectives, and the related control activities at their respective levels of the entity, the expected information and communication flow, and monitoring activities relevant to their achievement of objectives.
  - 5) *Outsourced Service Providers* – Adheres to management’s definition of the scope of authority and responsibility for all non-employees engaged.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**I.3.**

**I.3.A.**

**I.3.B.**

**I.3.C.**

**I.3.C.1)**

**I.3.C.2)**

**I.3.C.3)**

**I.3.C.4)**

**I.3.C.5)**

**COMPONENT**

**I. Control Environment (Cont.)**

**PRINCIPLE**

- 4. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.**

**POINTS OF FOCUS**

- A. Establishes Policies and Practices** – Policies and practices reflect expectations of competence necessary to support the achievement of objectives.
- B. Evaluates Competence and Addresses Shortcomings** – The board of directors and management evaluate competence across the organization and in outsourced service providers in relation to established policies and practices, and act as necessary to address shortcomings.
- C. Attracts, Develops, and Retains Individuals** – The organization provides the mentoring and training needed to attract, develop, and retain sufficient and competent personnel and outsourced service providers to support the achievement of objectives.
- D. Plans and Prepares for Succession** – Senior management and the board of directors develop contingency plans for assignments of responsibility important for internal control.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**I.4.**

**I.4.A.**

**I.4.B.**

**I.4.C.**

**1.4.D.**

**COMPONENT**

**I. Control Environment (Cont.)**

**PRINCIPLE**

- 5. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.**

**POINTS OF FOCUS**

- A. Enforces Accountability through Structures, Authorities, and Responsibilities –** Management and the board of directors establish the mechanisms to communicate and hold individuals accountable for performance of internal control responsibilities across the organization and implement corrective action as necessary.
- B. Establishes Performance Measures, Incentives, and Rewards –** Management and the board of directors establish performance measures, incentives, and other rewards appropriate for responsibilities at all levels of the entity, reflecting appropriate dimensions of performance and expected standards of conduct, and considering the achievement of both short-term and longer-term objectives.
- C. Evaluates Performance Measures, Incentives, and Rewards for Ongoing Relevance –** Management and the board of directors align incentives and rewards with the fulfillment of internal control responsibilities in the achievement of objectives.
- D. Considers Excessive Pressures -** Management and the board of directors evaluate and adjust pressures associated with the achievement of objectives as they assign responsibilities, develop performance measures, and evaluate performance.
- E. Evaluates Performance and Rewards or Disciplines Individuals -** Management and the board of directors evaluate performance of internal control responsibilities, including adherence to standards of conduct and expected levels of competence and provide rewards or exercise disciplinary action as appropriate.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**I.5.**

**I.5.A.**

**I.5.B.**

**I.5.C.**

**1.5.D**

**1.5.E.**



### COMPONENT

- II. Risk Assessment** - Every entity faces a variety of risks from external and internal sources. Risk is defined as the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives. Risks to the achievement of these objectives from across the entity are considered relative to established risk tolerances. Thus, risk assessment forms the basis for determining how risks will be managed. A precondition to risk assessment is the establishment of objectives, linked at different levels of the entity. Management specifies objectives within categories relating to operations, reporting, and compliance with sufficient clarity to be able to identify and analyze risks to those objectives. Management also considers the suitability of the objectives for the entity. Risk assessment also requires management to consider the impact of possible changes in the external environment and within its own business model that may render internal control ineffective.

### PRINCIPLE

- 6. The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives .**

#### POINTS OF FOCUS

**A. Operations Objectives**

- 1) Reflects Management's Choices
- 2) Considers Tolerances for Risk
- 3) Includes Operations and Financial Performance Goals
- 4) Forms Basis for Committing of Resources

**B. Reporting Objectives**

- 1) External Financial Reporting
  - a. Complies with Applicable Accounting Standards
  - b. Considers Materiality
  - c. Reflects Entity Activities
- 2) External Non-Financial Reporting
  - a. Complies with Externally Established Standards and Frameworks
  - b. Considers the Required Level of Precision
  - c. Reflects Entity Activities
- 3) Internal Reporting Objectives
  - a. Reflects Management's Choices
  - b. Considers the Required Level of Precision
  - c. Reflects Entity Activities

**C. Compliance Objectives**

- 1) Reflects External Laws and Regulations
- 2) Considers Tolerances for Risk

#### CONTROLS TO EFFECT PRINCIPLE(S)

##### II.6.

###### II.6.A.

- II.6.A.1)
- II.6.A.2)
- II.6.A.3)

###### II.6.B.

###### II.6.B.1)

- II.6.B.1).a.
- II.6.B.1).b.
- II.6.B.1).c.

###### II.6.B.2)

- II.6.B.2).a.
- II.6.B.2).b.
- II.6.B.2).c.

###### II.6.B.3)

- II.6.B.3).a.
- II.6.B.3).b.
- II.6.B.3).c.

###### II.6.C.

- II.6.C.1).
- II.6.C.2).

**COMPONENT**

**II. Risk Assessment (Cont.)**

**PRINCIPLE**

- 7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.**

**POINTS OF FOCUS**

- A. Includes Entity, Subsidiary, Division, Operating Unit, and Functional Levels** – The organization identifies and assesses risks at the entity, subsidiary, division, operating unit, and functional levels relevant to the achievement of objectives.
- B. Analyzes Internal and External Factors** – Risk identification considers both internal and external factors and their impact on the achievement of objectives.
- C. Involves Appropriate Levels of Management** – The organizations puts into place effective risk assessment mechanisms that involve appropriate levels of management.
- D. Estimates Significance of Risks Identified** – Identified risks are analyzed through a process that includes estimating the potential significance of the risk.
- E. Determines How to Respond to Risks** – Risk assessment includes considering how the risk should be managed and whether to accept, avoid, reduce, or share the risk.

**CONTROLS TO EFFECT PRINCIPLES**

**II.7.**

**II.7.A.**

**II.7.B.**

**II.7.C.**

**II.7.D.**

**II.7.E.**

**COMPONENT**

**II. Risk Assessment (Cont.)**

**PRINCIPLE**

- 8. The organization considers the potential for fraud in assessing risks to the achievement of objectives.**

**POINTS OF FOCUS**

- A. Considers Various Types of Fraud** – The assessment of fraud considers fraudulent reporting, possible loss of assets, and corruption resulting from the various ways that fraud and misconduct can occur.
- B. Assesses Incentives and Pressures** – The assessment of fraud risks considers incentives and pressures.
- C. Assesses Opportunities** – The assessment of fraud risk considers opportunities for unauthorized acquisition, use, or disposal of assets, altering of the entity’s reporting records, or committing other inappropriate acts.
- D. Assesses Attitudes and Rationalizations** – The assessment of fraud risk considers how management and other personnel might engage in or justify inappropriate actions.

**CONTROLS TO EFFECT PRINCIPLES**

**II.8.**

**II.8.A.**

**II.8.B.**

**II.8.C.**

**II.8.D.**

**COMPONENT**

**II. Risk Assessment (Cont.)**

**PRINCIPLE**

- 9. The organization identifies and assesses changes that could significantly impact the system of internal control.**

**POINTS OF FOCUS**

- A. Assesses Changes in the External Environment** – The risk identification process considers changes to the regulatory, economic, and physical environment in which the entity operates.
- B. Assesses Changes in the Business Model** – The organization considers the potential impacts of new business lines, dramatically altered compositions of existing business lines, acquired or divested operations on the system of internal control, rapid growth, changing reliance on foreign geographies, and new technologies.
- C. Assesses Changes in Leadership** – The organization considers changes in management and respective attitudes and philosophies on the system of internal control.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**II.9.**

**II.9.A.**

**II.9.B.**

**II.9.C.**

**COMPONENT**

**III. Control Activities** - Control activities are the actions established through policies and procedures that help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is typically built into the selection and development of control activities. Where segregation of duties is not practical, management selects and develops alternative control activities.

**PRINCIPLE**

**10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.**

**POINTS OF FOCUS**

- A. Integrates with Risk Assessment** – Control activities help ensure that risk responses that address and mitigate risks are carried out.
- B. Considers Entity-Specific Factors** – Management considers how the environment, complexity, nature, and scope of its operations, as well as the specific characteristics of its organization, affect the selection and development of control activities.
- C. Determines Relevant Business Processes** – Management determines which relevant business processes require control activities.
- D. Evaluates a Mix of Control Activity Types** – Control activities include a range and variety of controls and may include a balance of approaches to mitigate risks, considering both manual and automated controls, and preventive and detective controls.
- E. Considers at What Level Activities Are Applied** – Management considers control activities at various levels in the entity.
- F. Addresses Segregation of Duties** – Management segregates incompatible duties, and where such segregation is not practical management selects and develops alternative control activities.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**III.10.**

**III.10.A.**

**III.10.B.**

**III.10.C.**

**III.10.D.**

**III.10.E.**

**III.10.F.**

**COMPONENT**

**III. Control Activities (Cont.)**

**PRINCIPLE**

**11. The organization selects and develops general control activities over technology to support the achievement of objectives.**

**POINTS OF FOCUS**

- A. Determines Dependency between the Use of Technology in Business Processes and Technology General**  
**Controls** – Management understands and determines the dependency and linkage between business processes, automated control activities, and technology general controls.
- B. Establishes Relevant Technology Infrastructure Control Activities** – Management selects and develops control activities over the technology infrastructure, which are designed and implemented to help ensure the completeness, accuracy, and availability of technology processing.
- C. Establishes Relevant Security Management Process Control Activities** – Management selects and develops control activities that are designed and implemented to restrict technology access rights to authorized users commensurate with their responsibilities and to protect the entity’s assets from external threats.
- D. Establishes Relevant Technology Acquisition, Development, and Maintenance Process Control Activities** – Management selects and develops control activities over the acquisition, development, and maintenance of technology and its infrastructure to achieve management’s objectives.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**III.11.**

**III.11.A.**

**III.11.B.**

**III.11.C.**

**III.11.D.**

**COMPONENT**

**III. Control Activities (Cont.)**

**PRINCIPLE**

**12. The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.**

**POINTS OF FOCUS**

- A. Establishes Policies and Procedures to Support Deployment of Management’s Directives** – Management establishes control activities that are built into business processes and employees’ day-to-day activities through policies establishing what is expected and relevant procedures specifying actions.
- B. Establishes Responsibility and Accountability for Executing Policies and Procedures** – Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the business unit or function in which the relevant risks reside.
- C. Performs in a Timely Manner** – Responsible personnel perform control activities in a timely manner as defined by the policies and procedures.
- D. Takes Corrective Action** – Responsible personnel investigate and act on matters identified as a result of executing control activities.
- E. Performs Using Competent Personnel** – Competent personnel with sufficient authority perform control activities with diligence and continuing focus.
- F. Reassesses Policies and Procedures** – Management periodically reviews control activities to determine their continued relevance, and refreshes them when necessary.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**III.12.**

**III.12.A.**

**III.12.B.**

**III.12.C.**

**III.12.D.**

**III.12.E.**

**III.12.F.**

**COMPONENT**

**IV. Information and Communication** - Information is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control. Communication is the continual, iterative process of providing, sharing, and obtaining necessary information. Internal communication is the means by which information is disseminated throughout the organization, flowing up, down, and across the entity. It enables personnel to receive a clear message from senior management that control responsibilities must be taken seriously. External communication is twofold: it enables inbound communication of relevant external information, and it provides information to external parties in response to requirements and expectations.

**PRINCIPLE**

**13. The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.**

**POINTS OF FOCUS**

- A. Identifies Information Requirements** – A process is in place to identify the information required and expected to support the functioning of the other components of internal control and the achievement of the entity’s objectives.
- B. Captures Internal and External Sources of Data** – Information systems capture internal and external sources of data.
- C. Processes Relevant Data into Information** – Information systems process and transform relevant data into information.
- D. Maintains Quality throughout Processing** – Information systems produce information that is timely, current, accurate, complete, accessible, protected, and verifiable and retained. Information is reviewed to assess its relevance in supporting the internal control components.
- E. Considers Costs and Benefits** – The nature, quantity, and precision of information communicated are commensurate with and support the achievement of objectives.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**IV.13.**

**IV.13.A.**

**IV.13.B.**

**IV.13.C.**

**IV.13.D.**

**IV.13.E.**



**COMPONENT**

**IV. Information and Communication (Cont.)**

**PRINCIPLE**

- 14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.**

**POINTS OF FOCUS**

- A. Communicates Internal Control Information** – A process is in place to communicate required information to enable all personnel to understand and carry out their internal control responsibilities.
- B. Communicates with the Board of Directors** – Communication exists between management and the board of directors so that both have information needed to fulfill their roles with respect to the entity’s objectives.
- C. Provides Separate Communication Lines** – Separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication when normal channels are inoperative or ineffective.
- D. Selects Relevant Method of Communication** – The method of communication considers the timing, audience, and nature of the information.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**IV.14.**

**IV.14.A.**

**IV.14.B.**

**IV.14.C.**

**IV.14.D.**

**COMPONENT**

**IV. Information and Communication (Cont.)**

**PRINCIPLE**

**15. The organization communicates with external parties regarding matters affecting the functioning of internal control.**

**POINTS OF FOCUS**

- A. Communicates to External Parties** – Processes are in place to communicate relevant and timely information to external parties including shareholders, partners, owners, regulators, customers, and financial analysts and other external parties.
- B. Enables Inbound Communications** – Open communication channels allow input from customers, consumers, suppliers, external auditors, regulators, financial analysts, and others, providing management and the board of directors with relevant information.
- C. Communicates with the Board of Directors** – Relevant information resulting from assessments conducted by external parties is communicated to the board of directors.
- D. Provides Separate Communication Lines** – Separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication when normal channels are inoperative or ineffective.
- E. Selects Relevant Method of Communication** – The method of communication considers the timing, audience, and nature of the communication and legal, regulatory, and fiduciary requirements and expectations.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**IV.15.**

**IV.15.A.**

**IV.15.B.**

**IV.15.C.**

**IV.15.D.**

**IV.15.E.**

**COMPONENT**

- V. Monitoring Activities** - Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, is present and functioning. Ongoing evaluations, built into business processes at different levels of the entity, provide timely information. Separate evaluations, conducted periodically, will vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations. Findings are evaluated against criteria established by regulators, recognized standard-setting bodies or management and the board of directors, and deficiencies are communicated to management and the board of directors as appropriate.

**PRINCIPLE**

- 16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.**

**POINTS OF FOCUS**

- A. Considers a Mix of Ongoing and Separate Evaluations** – Management includes a balance of ongoing and separate evaluations.
- B. Considers Rate of Change** – Management considers the rate of change in business and business processes when selecting and developing ongoing and separate evaluations.
- C. Establishes Baseline Understanding** – The design and current state of an internal control system are used to establish a baseline for ongoing and separate evaluations.
- D. Uses Knowledgeable Personnel** – Evaluators performing ongoing and separate evaluations have sufficient knowledge to understand what is being evaluated.
- E. Integrates with Business Processes** – Ongoing evaluations are built into the business processes and adjust to changing conditions.
- F. Adjusts Scope and Frequency** – Management varies the scope and frequency of separate evaluations depending on risk.
- G. Objectively Evaluates** – Separate evaluations are performed periodically to provide objective feedback.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**V.16.**

**V.16.A.**

**V.16.B.**

**V.16.C.**

**V.16.D.**

**V.16.E.**

**V.16.F.**

**V.16.G.**

**COMPONENT**

**V. Monitoring Activities (Cont.)**

**PRINCIPLE**

**17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.**

**POINTS OF FOCUS**

- A. Assesses Results** – Management and the board of directors, as appropriate, assesses results of ongoing and separate evaluations.
- B. Communicates Deficiencies** – Deficiencies are communicated to parties responsible for taking corrective action and to senior management and the board of directors, as appropriate.
- C. Monitors Corrective Actions** – Management tracks whether deficiencies are remediated on a timely basis.

**CONTROLS TO EFFECT PRINCIPLE(S)**

**V.17.**

**V.17.A.**

**V.17.B.**

**V.17.C.**

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