

# Components & Principles of Effective Internal Control

(COSO Internal Control – Integrated Framework)

AC2018-0368

ATTACHMENT 2

FIVE COMPONENTS OF INTERNAL CONTROL	17 PRINCIPLES OF EFFECTIVE INTERNAL CONTROL
<b>Control Environment</b>	<ol style="list-style-type: none"> <li>1. The organization demonstrates a commitment to integrity and ethical values.</li> <li>2. The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.</li> <li>3. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.</li> <li>4. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.</li> <li>5. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.</li> </ol>
<b>Risk Assessment</b>	<ol style="list-style-type: none"> <li>6. The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.</li> <li>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.</li> <li>8. The organization considers the potential for fraud in assessing risks to the achievement of objectives.</li> <li>9. The organization identifies and assesses changes that could significantly impact the system of internal control.</li> </ol>
<b>Control Activities</b>	<ol style="list-style-type: none"> <li>10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.</li> <li>11. The organization selects and develops general control activities over technology to support the achievement of objectives.</li> <li>12. The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.</li> </ol>
<b>Information &amp; Communication</b>	<ol style="list-style-type: none"> <li>13. The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.</li> <li>14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.</li> <li>15. The organization communicates with external parties regarding matters affecting the functioning of internal control.</li> </ol>
<b>Monitoring Activities</b>	<ol style="list-style-type: none"> <li>16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.</li> <li>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.</li> </ol>