Appendix F:
The Committee of Sponsoring Organizations of the Treadway Commission's Internal Control – Integrated Framework (COSO framework)

Categorising recommendations using the COSO framework

We used the COSO framework to assign objectives and components to our recommendations. These allow us to identify the types of recommendations we are making. This in turn helps us understand the common deficiencies we found in agencies' internal controls during our performance engagements.

Our analysis is not intended to be exhaustive. Rather, it indicates the most common types of internal control problems for which we make recommendations.

How we categorised recommendations using the COSO framework

The COSO framework is intended to help organisations develop and manage systems of internal control that mitigate risks and support effective governance.

The COSO framework establishes 3 objectives for internal control:

- efficient and effective operations
- reliable reporting
- regulatory compliance.

When we assign these objectives to our recommendations, they indicate what the agency should improve.

Figure F1: Applying the COSO framework objectives to VAGO performance engagement recommendations

Operations	Reporting	Compliance
The recommendation suggests improvement in the effectiveness and efficiency of the agency's operations.	The recommendation suggests improvement in the agency's internal or external reporting. This may encompass reliability, timeliness, transparency or other terms set by regulators, standards or policies.	The recommendation suggests improvement in the agency's adherence to laws or regulations that govern them.

Source: VAGO, based on the COSO framework.

The COSO framework divides internal control into 5 components:

- control environment
- risk assessment
- control activities
- information and communication
- monitoring activities.

These components are further subdivided into 17 principles. When assigning these components to our recommendations, the assigned component and underlying principle indicates how the recommendation suggests the agency should improve.

For the component ...	The agency can achieve the recommendation objective by applying one of the principles ...
control environment	- demonstrating commitment to integrity and ethical values - exercising oversight responsibility - establishing structure, authority, and responsibility - demonstrating commitment to competence - enforcing accountability
risk assessment	- specifying suitable objectives - identifying and analysing risk - assessing fraud risk - identifying and analysing significant change
control activities	- selecting and developing control activities - selecting and developing general controls over technology - deploying through policies and procedures
information and communication	- using relevant information - communicating internally - communicating externally
monitoring activities	- conducting ongoing and/or separate evaluations - evaluating and communicating deficiencies.