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Comment on Internal Control Over External Financial Reporting and Internal Control-Integrated Framework

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Comment on Internal Control Over External Financial Reporting and Internal Control-Integrated Framework

9/19/2012

In November 2010, COSO announced a project to review and update the 1992 Internal Control-Integrated Framework. COSO's goal in updating the framework is to increase its relevance in the increasingly complex and global business environment. COSO issued an exposure draft of the proposed Internal Control-Integrated Framework (Framework) on December 19, 2011, and the public comment period closed March 31, 2012. More than 21,000 individuals downloaded the exposure draft and more than 200 organizations and professionals provided comments during this period.

In addition to updating the Framework, COSO is developing a compendium of approaches and examples that illustrate how the principles set forth in the Framework can be applied in designing, implementing and conducting internal control over external financial reporting. The exposure draft of COSO's proposed Internal Control over External Financial Reporting: Compendium of Approaches and Examples (ICEFR) was released for public comments on September 18, 2012, and the public comment period closes on November 20, 2012.

COSO engaged PwC as author to update the Framework and to prepare the ICEFR. In preparing these proposed documents, COSO and PwC's project team received valuable input from an Advisory Council comprising representatives from industry, academia, government agencies, not-for-profit entities, and professional services firms, and observer from regulatory agencies and standard setters. The proposed ICEFR is intended to be used in conjunction with the Framework and uses the same definitions, components, and principles set forth therein. COSO believes the compendium will be useful to management responsible for the preparation of external financial statements, and particularly relevant to those who report on the effectiveness of internal control over financial reporting. In addition, others will find these practical approaches and examples useful in designing, implementing, and conducting ICEFR that supports the preparation of other forms of external financial reporting.

COSO and the PwC project team have considered the public comments provided on the Framework in preparing the ICEFR document. To assist your review of the ICEFR document, COSO is making available the post public exposure version of the Framework, which incorporates the revisions made based on comments obtained through the public exposure process (See Appendix E: Consideration of Public Comment Letters). COSO is also making available the Illustrative Tools for Assessing Effectiveness of a System of Internal Control (Illustrative Tools). This document is a collection of templates and scenarios to assist users of the Framework when assessing the effectiveness of a system of internal control based on the requirements set forth in the Framework.

COSO welcomes your comments on the ICEFR document, the post public exposure version of the Framework, and the Illustrative Tools. To assist you in developing your views, COSO and PwC's project team prepared a series of questions for your consideration. Respondents can answer these questions and/or submit letters at www.ic.coso.org. The download files containing the Framework and the ICEFR documents include these questions.