

Newsletter



Committee of Sponsoring Organizations of the Treadway Commission

Inside

THE ISSUE

- What is the COSO Framework?
- Pillars of COSO Framework.
- Objectives of COSO Framework.
- Benefits and Limitations of COSO Framework.



COSO Framework

The COSO framework, developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), provides a comprehensive and integrated approach to internal control, risk management, and governance within organizations. The most well-known framework developed by COSO is the Internal Control Integrated Framework, which was first introduced in 1992 and updated in 2013

Five Organizations that Sponsor COSO

- American Accounting Association (AAA)
- American Institute of Certified Public Accountants (AICPA)
- Financial Executives International (FEI)
- The Institute of Internal Auditors (IIA)
- The Institute of Management Accountants (IMA)

Five Pillars of the COSO Framework

Control Environment:

- Sets the tone for the organization regarding internal control and encompasses factors such as leadership, organizational structure, and the commitment to integrity and ethical values.

Risk Assessment:

- Involves the identification and analysis of risks relevant to achieving objectives, forming the basis for determining how they should be managed.

Control Activities:

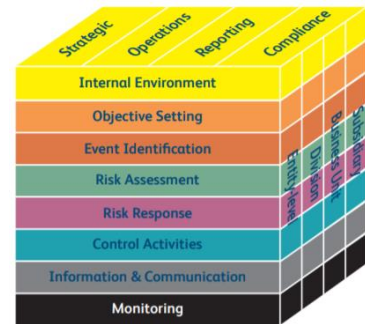
- Are the policies and procedures put in place to help ensure that management's directives are carried out? These can include a range of activities, such as approvals, verifications, reconciliations, and segregation of duties.

Information and Communication:

- Involves the systems and processes that support the identification, capture, and exchange of information in a form and timeframe that enables people to fulfill their responsibilities.

Monitoring Activities:

- Assess the quality of internal control performance over time. This includes ongoing monitoring activities and separate evaluations.



Objectives

- Widespread Adoption
- Formalizing Business Processes
- Legal and Ethical Compliance
- Focus on Risk Assessment
- Integration into Key Processes
- Monitoring and Reporting Emphasis
- Enhanced Governance
- Strategic Emphasis on Adherence

Benefits

- Uniform Business Processes
- Efficiency Improvement
- Risk Reduction
- Fraud Detection
- Vulnerability Mitigation
- Cost Reduction
- Profitability Enhancement

Limitations

- Broad Scope, Limited Guidance
- Organizational Structure Challenges
- Complex Implementation Process
- Resource Intensiveness
- Training and Awareness Needs