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COSO Releases Guidance on Monitoring Internal Control

Authored by Grant Thornton LLP

Altamonte Springs, FL — The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is pleased to announce the release of its *Guidance on Monitoring Internal Control Systems*. . Developed by COSO and led by a diverse Grant Thornton LLP team, the guidance is designed to help organizations to better monitor the effectiveness of their internal control systems and to take timely corrective actions if needed. The Introduction can be downloaded for free from COSO's Web site at www.coso.org. The guidance is available both in electronic and hard-copy format and can be purchased at <http://www.cpa2biz.com/search/results.jsp>.

"The COSO Board believes that many organizations can achieve greater efficiencies by building monitoring into their ongoing internal control processes," says COSO Chairman Larry Rittenberg, Ph.D., CIA, CPA. "The guidance seeks to equip organizations to attain that goal. The guidance is presented in a way that encourages adaptation to individual organizational circumstances, and helps readers understand that effective monitoring is both risk based and principles based."

The guidance recognizes that although many organizations currently have effective monitoring, they often do not take full advantage of the information provided. In other cases the opposite often is true and the routine monitoring is not as effective as it could be, resulting in additional testing at or near yearend. In both cases an improved approach to effective monitoring implementation can enhance the efficiency and effectiveness of internal control — in many cases at lower overall costs to the organization. The guidance comprises three volumes and a free four-page Introduction. "Volume I: Guidance" presents the fundamental principles of effective monitoring, linking to COSO's *Internal Control — Integrated Framework*. "Volume II: Application" conveys in greater detail the principles outlined in Volume I and provides guidance to those responsible for implementing effective monitoring. "Volume III: Examples" provides case studies of internal control monitoring.

COSO engaged Grant Thornton in January 2007 to lead the development of the project after concluding there was a need for more guidance on effectively monitoring internal controls, as well as complying with the U.S. Sarbanes-Oxley Act of 2002 (SOX). In addition to the project team — including Grant Thornton partners and led by Grant Thornton National Managing Partner of Corporate Governance Trent Gazzaway — an oversight task force consisted of representatives from COSO's five sponsoring organizations and other experts; participation by the U.S. Government Accountability Office; and representatives from audit firms and both large and small companies; as well as project observers from the SEC and the PCAOB. Because of the importance of the project, the guidance was twice exposed for public comment before final publication.

Originally formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, COSO is a voluntary private sector organization dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance. COSO comprises the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), Financial Executives International (FEI), the Institute of Management Accountants (IMA), and The Institute of Internal Auditors (IIA).

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