COSO 2013
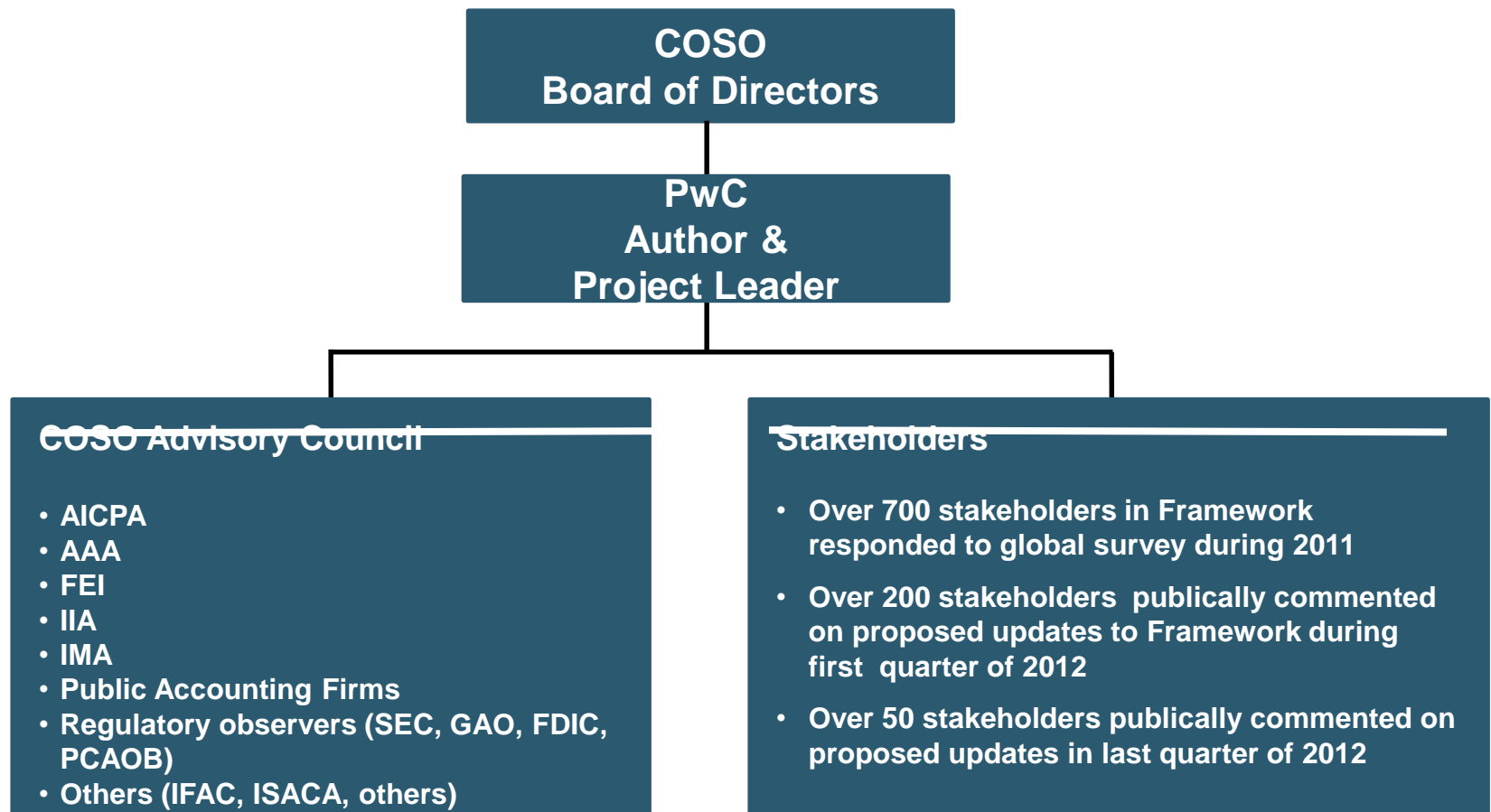## WHAT SHOULD AUDITORS DO WITH IT?

Objectives

- What COSO 2013 really means to Internal Audit Departments

- How to practically apply COSO concepts to your audits

- How to transcend to a Strategic Advisor to you Company Using the COSO model

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Who is Coso?

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                    │        COSO          │
                    │  Board of Directors  │
                    └──────────┬───────────┘
                               │
                    ┌──────────┴───────────┐
                    │        PwC           │
                    │     Author &         │
                    │   Project Leader     │
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COSO Advisory Council

- AICPA
- AAA
- FEI
- IIA
- IMA
- Public Accounting Firms
- Regulatory observers (SEC, GAO, FDIC, PCAOB)
- Others (IFAC, ISACA, others)

Stakeholders

- Over 700 stakeholders in Framework responded to global survey during 2011
- Over 200 stakeholders publically commented on proposed updates to Framework during first quarter of 2012
- Over 50 stakeholders publically commented on proposed updates in last quarter of 2012

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Update considers changes in business and operating environments

Environments changes...	...have driven Framework updates
Expectations for governance oversight	
Globalization of markets and operations	
Changes and greater complexity in business	
Demands and complexities in laws, rules, regulations, and standards	
Expectations for competencies and accountabilities	
Use of, and reliance on, evolving technologies	
Expectations relating to preventing and detecting fraud	COSO Cube (2013 Edition)

Why Update COSO?

- 20 Years - Things changed (Have they?)
- Derivitive Fiasco,Long Term Capital, Enron, Global Crisis
- Management Override of Controls
- Conflict of Interest
- Lack of Segregation of Duties
- Poor transparency
- Siloed Risk Management
- Ineffective Board Oversight
- Dysfunctional/Irresponsible Behavior

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COSO Principles

Control Environment	Elements must all be aligned to support the control environment and effective internal control over financial reporting.
Risk Assessment	Objectives are stated clearly so that risks can be framed around achievement of financial objectives.
Control Activities	Control activities are based on risk, cost vs. potential effectiveness, supporting policies and procedures, and IT.
Information and Communication	Information is timely, is disseminated appropriately, and is used at all levels of the organization.
Monitoring	Monitoring is effective if feedback allows correction and if it allows a determination of whether internal control is present and functioning.

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➢ Consider COSO…

➢ Be realistic

➢ Dialogue with management

➢ Emphasize in department

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