COSO 2013:
Getting Internal Control Under Control

November 22, 2017
COSO 2013

Control Environment
Risk Assessment
Control Activities
Information & Communication
Monitoring Activities
The Agenda

• COSO 2013 in a Nutshell

• How COSO 2013 Can Create Assurance, and Why This is a Good Thing

• How to Make Your Case that COSO 2013 is Either Working in Your Organization, or That Things Need to Change
COSO 2013

Categories of objectives:
- Operations
- Reporting
- Compliance

Levels of organizational structure:
- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

Components of internal control:
- Entity
- Division
- Operating unit
- Function

Sources: COSO and GAO | GAO-14-704G
The Definition

• COSO 2013 IC definition:
  Internal control is a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.
The Five Components

- Monitoring
- Control Activities
- Risk Assessment
- Control Environment
- Information & Communication
The Seventeen Principles

COSO’s 17 principles of internal control – summarized

Control environment
1. Demonstrates commitment to integrity and ethical values
2. Exercises oversight responsibilities
3. Establishes structure, authority, and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability

Risk assessment
6. Specifies suitable objectives
7. Identifies and analyzes risk
8. Assesses fraud risk
9. Identifies and analyzes significant change

Control activities
10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures

Information and communication
13. Uses relevant information
14. Communicates internally
15. Communicates externally

Monitoring activities
16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies

Source: Audit Committee Brief, March 2014. Deloitte Development Corporation. All rights reserved.
Present and Functioning
What is Internal Control, Really?

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Internal control is a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.
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Assurance
Is it Present?
Does it Function?
Making Your Case
Control Environment

1. Demonstrate commitment to integrity and ethical values
2. Exercise oversight responsibility
3. Establish structures, reporting lines, authorities and responsibilities
4. Demonstrate commitment to a competent workforce
5. Hold people accountable
Risk Assessment

6. Specify appropriate objectives
7. Identify and analyze risks
8. Evaluate fraud risks
9. Identify and analyze changes that could significantly affect internal controls
Control Activities

10. Select and develop control activities that mitigate risks
11. Select and develop technology controls
12. Deploy control activities through policies and procedures
Information & Communication

13. Use relevant, quality information to support the internal control function
14. Communicate internal control information internally
15. Communicate internal control information externally
Monitoring

16. Perform ongoing and/or periodic evaluations of internal controls
17. Communicate internal control deficiencies
Self Evaluation

• Thinking about Internal Control outside of the IC Process
• Does the Report Reflect Reality?