

COSO Releases New Internal Control Guidance

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) will release new guidance, *Internal Control over Financial Reporting — Guidance for Small Public Companies*, on July 11, 2006. COSO's 1992 *Internal Control – Integrated Framework* has served as the internal control standard for organizations implementing and evaluating internal control in compliance with the U.S. Sarbanes-Oxley Act of 2002 (SOX) and the U.S. Public Company Accounting Oversight Board (PCAOB) Standard 2. "This small business guidance tailors the concepts of the 1992 *Internal Control – Integrated Framework* and demonstrates their applicability for achieving financial reporting objectives of smaller publicly traded companies," says COSO Chairman Larry E. Rittenberg Ph.D.

The purpose of the guidance is to help small companies become more knowledgeable about internal controls, ultimately leading to more effective control systems and greater proficiency in reporting on internal controls for regulatory compliance purposes.

Approximately 5,000 SEC registrants have annual sales of less than \$200 million. "Our primary goal is that the smaller businesses will use the guidance as a springboard for designing and implementing processes that will help them better run their businesses, as well as to evaluate the effectiveness of their internal controls for regulatory purposes." says Rittenberg.

The Executive Summary of the guidance is available for free download: www.coso.org.

New Standard on Auditor Competence Issued by IFAC's International Accounting Education Standards Board

The International Federation of Accountants (IFAC), has released a new standard outlining the skills, training, professional values, and attitudes necessary for auditors to perform competently. International Education Standard (IES) 8, [Competence Requirements for Audit Professionals](#), applies to all audit professionals, not just the audit engagement partner. It also prescribes specific competence requirements for audit professionals involved in transnational audits.

"A primary way that the accountancy profession protects the public interest is by requiring that all audit professionals have the necessary skills and training to perform their roles effectively," states Henry Saville, IAESB Chair. "The public has a right to expect that all audit professionals are properly trained and can be relied upon to perform competently throughout their careers."

Effective July 1, 2008, IFAC member bodies will be expected to modify their policies and procedures to ensure that audit professionals meet the requirements of IES 8. These requirements include having advanced level knowledge of audit and financial reporting; relevant information technology knowledge; and the professional skills and professional values, ethics and attitudes expected from audit professionals.

IES 8 will also impact the education of new audit professionals. Education and development programs for new audit professionals will need to comply with the new standard's requirements and may need immediate revision to ensure that they are operational well before the effective date of July 1, 2008. The standard requires professional accountants taking on the role of audit professional to undertake a period of practical experience in audit and to undergo an assessment of capabilities and competence before they assume such a role.

IES 8, *Competence Requirements for Audit Professionals*, can be downloaded free-of-charge from the IFAC online bookstore at <http://www.ifac.org/store>.