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**Committee of Sponsoring Organization of the Treadway Commission Analysis**

In 2018, 5 leading private sector financial organizations in United States came together to form a committee called The Committee of Sponsoring Organizations of the Treadway Commission (COSO). The core purpose of this committee is to identify and fight against the corporate fraud. It is done by guiding governance entities and executive management on relevant characteristics of organizational governance. For example, [internal control](https://en.wikipedia.org/wiki/Internal_control), [enterprise risk management](https://en.wikipedia.org/wiki/Enterprise_risk_management), [business ethics](https://en.wikipedia.org/wiki/Business_ethics), [financial reporting](https://en.wikipedia.org/wiki/Financial_reporting) and [fraud](https://en.wikipedia.org/wiki/Fraud). The organization has come up with a joint internal control model that helps companies and organizations to assess their control systems.

Five supporting organizations of COSO are:

* The [Institute of Management Accountants](https://en.wikipedia.org/wiki/Institute_of_Management_Accountants) (IMA)
* The [American Accounting Association](https://en.wikipedia.org/wiki/American_Accounting_Association) (AAA)
* The [American Institute of Certified Public Accountants](https://en.wikipedia.org/wiki/American_Institute_of_Certified_Public_Accountants) (AICPA),
* The [Institute of Internal Auditors](https://en.wikipedia.org/wiki/Institute_of_Internal_Auditors) (IIA),
* [Financial Executives International](https://en.wikipedia.org/wiki/Financial_Executives_International) (FEI)

COSO came up with its highly anticipated framework in 2017 called Enterprise Risk Management focused on strategy and performance. It is world’s most recognized and practical risk management framework. The document helps organizations to understand that there are many challenges regarding business in 21st century, and the organizations need to be prepared for rapid innovation and navigate evolving business industry.

Pricewaterhouse Coopers authored the COSO framework with an intention of turning this risk management monologue into an opportunities-focused and proactive conversation to identify that an effective risk management strategy can preserve and create the value and quality of information. The update in the document of COSO presses on the need for organizations to work on their strategies of risk management in order to meet the requirements of an evolving business. Companies must consider risk management in setting a strategy and make efforts to implement it.

**International Financial Reporting Standards (IFRS)**

A non-profit organization i.e. International accounting standards board developed a set of accounting standards in 2001 called International financial reporting standards. The core purpose of these set standards is to provide guidance to the companies regarding preparation and disclosure of their financial statements. It is important for the large global companies to have an international standard of financial reporting. Currently more than 150 countries require IFRS to simplify the procedure of accounting by providing all investors and auditors with an organized and cohesive finance view.

**Relationship between COSO and IFRS**

IFRS provides the guideline to build strategies and models for an efficient financial reporting. Whereas the role of COSO is to monitor the whole process in order to foresee and manage the risks to achieve company’s set targets. There are a number of objectives of financial reporting i.e. to provide financial information that is useful to attract potential investors and already existing business partners. The information helps the stakeholders in making decisions regarding selling, buying, loans and credits etc. (Crown, 2019).

In every organization, there are a number of finance experts that work on a project at the same time. Their approaches to look at things could vary as per their understanding, personal experiences and opinions which is why it’s important to have a guideline of set standards. Reliability of financial reporting is crucial to keep the operations efficient and effective. The decisions of investors to buy, sell and hold securities is dependent on the information that the company provides so it is important to make sure that the data provided by the company is authentic and genuine. The COSO Framework is intended to help large businesses to assess, establish and improve their internal control. Existence or the absence of the internal control system is crucial because it determines the authenticity of financial report. The accuracy of information makes investors and other stakeholders trust the whole process in order to make an informed decision. It gives them a greater confidence about the ability of an organization to recognize, evaluate, and take action to mitigate the risk and make changes in the business operations. It provides the guideline for standard-setting bodies and regulatory authorities in a number of countries i.e. US, UK, china, Canada, Turkey, India and France. The IFRS is constantly evolving along with the business trends in order to improve the existing standards. In US, a number of companies follow Generally Accepted Accounting Principles (GAAP) while compiling their financial statements. There is a difference of complexities in rules, laws, standards and regulations between IFRS and GAAP but both models ensure that the companies read and follow the COSO guidelines. (Cruze, 2016)

**Conclusion**

In every organization, there is often a risk of intentional or unintentional financial error. COSO ensures the risk assessment, environment control and communication regarding those errors and financial reporting. Both the models/organizations (COSO and IFRS) contribute in making the business more efficient and productive all around the world.

# References

Crown, W. C. (2019). Successful IFRS Implementation . *5 Icasa*, 23-34.

Cruze, S. (2016). Components of the COSO Framework. *Knowledge Leader Blog*, 245-251.