

In good humour (I hope) I am intrigued in the views expressed for 'internal control'! Some basic thoughts/reaction:-

1. Why is the 'listed team' in essence all accountants? If we are indeed talking about the 'control' of a business enterprise and seeking the 'tone at the top' where are these participants?
2. Unless all the business processes are correctly structured for 'quality output' reflecting inspection for acceptance or rejection by authorised people, how can an organisation deliver its commitments of product/service for the satisfaction of the 'customer'? Is this not what management is responsible for, customer satisfaction? (What are you in business for?)
3. Customers would like to have a consistent reliable 'supplier' and therefore 'management' has a responsibility (if it wishes to survive) to be effective in its 'business continuity management' (BS 25999 – 1:2006 - British Standard* on the subject).
4. One thing that SOX at least brought to the fore was for management (not defined by the Act) to state its responsibility for internal control. However the Act ignores the existing responsibility for entity's with public stock to, since 1987 to have an effective 'internal control'. (See the 1987 Act FCPA – which is still in force). Rather perversely SOX Sec.407 requires 'Senior Financial Officers' to be subject to a 'code of ethics'. If one looks at Enron, one wonders why CEO's and lead auditors have been excluded? (Of course 'ethics' is for everyone not just for business people)
5. Two other interesting events occurred in 1987. First, Congress created the Malcolm Baldrige National Quality Award* though the Act's title includes a word excluded from its abbreviation MBNQA, a principle of QMS, that is the word 'improvement'. The second is the consolidation of various countries, quality management systems' with the release of ISO 9000; followed in 1994 with an update which was superseded by the 2000 version. So for the last twenty years the drum has been beaten about, internal control, quality management systems and national recognition in honor of MB's efforts to 'improve American industry'.

Are these facts not worthy of reflection by COSO? Why was the word, 'improvement' left out of the abbreviation? It is the eighth and last principle of the QMS 'circle', 'continual improvement' and perhaps the first principle for 'survival'.

Summary:

I feel there can only be one 'business process'. It must ignore, functional responsibilities, it gets the job done, with authority optimising the resources effectively to meet the promised expectations. A working quality control system rejects, records and takes appropriate action, be it to scrap, rework or eliminate cause by change of process, that is improvement. The hierarchy of the organisation ensures support and cannot delegate responsibility. There can only be one boss.

Post script.

Malcolm Baldrige championed the quest for business success – improve. Internal control comes across (to me) in a negative way, business processes should be the way for a business to succeed. I'd rather see a 'system' to monitor my success, were the process (within all of its authority) has stopped, rejected the 'unacceptable' for whatever reason! Organisational integrity is the culture and top of the (daily) reports are the 'unacceptable' issues which include all 'customer complaints'. For exercise and visibility 'walk around', be approachable and ask questions.

Yours sincerely
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* 1. British Standards Institution (www.bsi-global.com) is akin to the US's NIST(believe used to be ANSI?)
2. Being a little mischievous, I am trying to get a letter published in the Journal of Accountancy. It asks the question, when and which accounting firm will be the first to achieve the MBQNA?