



[Response e-mailed to COSOMonitoring@gt.com](mailto:COSOMonitoring@gt.com)

August 15th, 2008

Mr. Larry E. Rittenberg, PhD, CPA, CIA
Chairman, The Committee of Sponsoring Organizations of the Treadway Commission

RE: Comments on Exposure Draft: *Guidance on Monitoring Internal Control Systems*
released June 4, 2008

Dear Sir:

Thank you for the opportunity to respond to your exposure draft providing *Guidance on Monitoring Internal Control Systems*.

The comments of the Institute of Internal Auditors – Canada (The IIA Canada) have been developed through consultation with the members of the Canadian Professional Issues Committee (C-PIC), a committee created by the Canadian Council, the governing body of The IIA Canada.

We have not submitted a response using the on-line form as we felt that our comments were of a general nature and a letter would better suit the situation.

As a general comment, we believe this document has addressed in a thorough, detailed manner, the monitoring component of the COSO framework and offers useful examples of the application of the concepts developed. However, we believe the guidance, as the COSO framework itself, does not lend itself easily to application in very small companies.

Applicability to Very Small Organizations

We commend COSO for developing guidance in the past for smaller companies (e.g. *Internal Control over Financial Reporting – Guidance for Smaller Public Companies*) but this new guidance on monitoring may suffer from the same failings as past guidance as it does not take into account the challenges that are specific to very small organizations. In Canada as in many other countries, the size of listed companies tends to be significantly smaller than companies considered as such in the United States. Consequently, we would welcome an initiative to develop guidance addressing the needs of very small companies that do need to apply a suitable adapted framework, including the monitoring component, but do not have the required structure, the resources, or do not fit in the model developed for larger organizations. Such guidance should be presented in a short document, taking into account the fact that in very small organizations, the Chief Executive Officer, senior management, and even the board stay abreast of operations and can see for themselves how controls are being applied on a day-to-day basis.

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Management Responsibility for Monitoring Internal Control

We appreciate that this guidance puts the responsibility for monitoring squarely with management, as we believe this is key to successful monitoring. Internal Auditing professionals and internal auditing departments can play a significant part in ensuring that this process is performed adequately by management but it is very important that the message gets across that ultimately, management is responsible for daily monitoring of the effectiveness of its internal control systems, not internal audit.

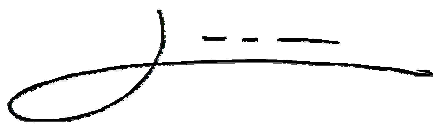
Length of the Guidance Material

Overall, as was indicated in The IIA response dated October 31, 2007, we are concerned that the length of the document may deter primary users from reading and digesting the guidance. Also, we found that there were numerous repetitions of the concepts and ideas in the Volume II – Guidance and that for most users, the executive summary will fill their needs. This being said, some users may find useful a more detailed explanation of the concepts as provided by the volume II.

Internal Auditing Role

We believe the role of internal auditing has not been sufficiently highlighted. Internal audit is one of the four pillars of good governance and auditors are probably the best placed “evaluators” within the organization to provide the independent, objective assessment of the quality of the internal control systems. We believe more information on what internal auditors can do for organizations, would provide a better understanding of its role by the primary reader of this guidance: management. As a suggestion, it would be pertinent to mention the role of internal audit in ensuring the comprehensiveness of SAS 70 audit reports.

The IIA Canada welcomes the opportunity to discuss any and all of these comments with you. If I can be of further assistance, please contact me.



Olivier Lecat, MBA, CIA, ICD.D
Chair, Canadian Professional Issues Committee

c.c. Todd Horbasenko, Chair, Canadian Council
Dave Richards, President, The Institute of Internal Auditors

About The IIA Canada

The IIA Canada is part of is The Institute of Internal Auditors, an international professional association with world headquarters in Altamonte Springs, Fla., United States. The IIA has members in internal auditing, risk management, governance, internal control, IA audit, education, and security. With global representation, The Institute is the recognized authority, principal educator, and acknowledged leader in certification, research, and technological guidance for the profession worldwide. With over 6,500 members, The IIA Canada has one of the largest membership base in the world.