



**For Immediate Release:** March 1, 2012

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## **COSO Releases Thought Paper on Enhancing Board Oversight by Avoiding and Challenging Traps and Biases in Professional Judgment**

**ALTAMONTE SPRINGS, Fla. – Mar. 01, 2012** –The Committee of Sponsoring Organizations of the Treadway Commission (COSO) – an organization providing thought leadership and guidance on enterprise risk management (ERM), internal controls, and fraud deterrence – is releasing a thought paper *Enhancing Board Oversight: Avoiding Judgment Traps and Biases*. The paper is another of a series of COSO’s thought papers through which COSO aims to provide thought leadership on issues that bear on ERM, internal control, and fraud deterrence.

Consistently making high quality professional judgments in a constantly changing and global business environment has become extremely challenging. This thought paper, developed by KPMG LLP, the audit, tax and advisory firm, and Brigham Young University professors Steven M. Glover, CPA, Ph.D. and Douglas F. Prawitt, CPA, Ph.D., details a five-step judgment process that board members and others can use to overcome common pitfalls and mitigate the effects of judgment bias.

The judgment process is based on KPMG’s *Professional Judgment Framework*, developed in collaboration with Glover and Prawitt. The framework, among other things, enables individuals to identify where and when the quality of judgments tends to be threatened by predictable, systematic judgment traps and biases. Awareness of such traps and biases can enable directors to improve the consistency and quality of their own judgments and enable them, in their oversight role, to constructively improve the judgments of management.

The growing complexities of the global business environment and demands for effective corporate governance and oversight have placed a premium on sound judgment and decision making. According to KPMG partner George Herrmann, one of KPMG’s contributors to the thought paper, “As business becomes more complex, the demand for effective corporate governance and oversight has never been greater, putting a premium on sound judgment and decision making. This thought paper can help board members better understand where they, and others, are vulnerable to predictable bias traps and how to effectively challenge their own judgments and those of others.”

“Previously issued COSO materials have called attention to the importance of sound professional judgment as related to the Board’s role in overseeing “the tone at the top,” enterprise risk management, fraud deterrence processes, and other matters,” according to David Landsittel, COSO Chairman. “This paper serves to remind board members of steps they can take to add further assurance that sound judgment is consistently exhibited in the many issues that they address.”

Copies of this thought paper can be downloaded free of charge from COSO’s website ([www.coso.org](http://www.coso.org)) as well as the websites of COSO’s five sponsoring organizations. COSO encourages practitioners and others interested in strengthening ERM, internal control, or fraud deterrence to visit its website to learn more about *Enhancing Board Oversight: Avoiding Judgment Traps and Biases* and download free of charge other thought papers on ERM.

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### **About COSO**

Originally formed in 1985, The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of five private sector organizations and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management (ERM), internal control and fraud deterrence. COSO's supporting organizations are The Institute of Internal Auditors (IIA), the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), Financial Executives International (FEI), and the Institute of Management Accountants (IMA). [www.coso.org](http://www.coso.org)

### **About the Authors**

**KPMG LLP**, the audit, tax and advisory firm ([www.kpmg.com/us](http://www.kpmg.com/us)), is the U.S. member firm of KPMG International Cooperative ("KPMG International"). KPMG International's member firms have 145,000 people, including more than 8,000 partners, in 152 countries. Contributors to this thought paper from KPMG LLP include Sam Ranzilla, National Managing Partner, Audit Quality and Professional Practice, George Herrmann, National Office Partner, and Rob Chevalier, National Office Partner.

**Steven M. Glover, CPA, Ph.D., and Douglas F. Prawitt, CPA, Ph.D.**, are both chaired professors of accounting at Brigham Young University, and are internationally respected scholars in the area of financial statement auditing. Much of their research centers on business professionals' judgment and decision making, and has been published in the premier journals in their field. They have taught a popular executive MBA course on effective management judgment and decision making for many years, and they have consulted with and trained organizations large and small regarding the enhancement of professional judgment by team members and leaders.