

# **COSO *Enterprise Risk Management – Integrated Framework* Update Project**

## **Frequently Asked Questions (FAQ)**

### **1. Why Update the *Enterprise Risk Management – Integrated Framework* now?**

Since the publication of the original *Enterprise Risk Management – Integrated Framework* (*Framework*) in 2004, concepts and practices have evolved, lessons have been learned, and the bar has been raised with respect to enterprise risk management. Indeed, the business and operating environments have changed, becoming more complex, technologically driven, and global in scale. Also, stakeholders are more engaged, seeking greater transparency and accountability for enterprise risk management that supports business decisions and governance of the organization. As a result, the risk discussion has become increasingly prominent at the board level.

The updated *Framework* is expected to help organizations adapt to increasing complexity and pace of change, mitigate risk to the achievement of specified strategic, operations, compliance, and reporting objectives, and provide reliable information to support sound decision making.

### **2. Will the conceptual and logical construct of the *Enterprise Risk Management – Integrated Framework* (i.e., the four objective categories and eight components) be overhauled?**

The extent of update to the original *Framework* will be evaluated based on user input. Such input will be captured through the COSO Board, PricewaterhouseCoopers' (PwC) research into the evolution and application of enterprise risk management, an Advisory Council, a series of planned meetings, and a public survey. Once that review is complete, PwC and the COSO Board will decide on the best course of action in updating the *Framework*.

### **3. How can I respond to the survey?**

The survey, created by the PwC project team, is seeking input and feedback from interested parties and is designed to capture views and insights regarding the current *Framework* and to collect suggestions for improvements. This survey, which will remain open until December 20, 2014, can be accessed at [www.research.net/s/COSO-ERM](http://www.research.net/s/COSO-ERM).

### **4. To what extent will an organization be able to use the Updated *Enterprise Risk Management – Integrated Framework* as a basis for evaluation?**

Although not yet confirmed, it is likely that the updated *Framework* will incorporate a more formal set of principles and points of focus. These were developed during the update of the *Internal Control – Integrated Framework* and the market has been supportive of the clarity provided by this approach. In addition, the tools anticipated as part of this update will assist management in this evaluation.

**5. What tools are being developed to assist management in reporting on risk and risk management?**

Changing governance expectations are causing boards to ask for more information of management on the organization's risk appetite and tolerances, the entity's overall risk profile, the most significant risks, and management processes for identify, assessing, and responding to these risks. The tools being considered will support management in preparing reports that address the board's governance responsibilities. In addition, the tools may include a series of templates that management can leverage and tailor in assessing the overall application of enterprise risk management.

**6. Are there any documents from 2004 not being updated?**

Yes, the 2004 *Framework* included an *Application Techniques* volume. This volume provided illustrations of techniques used at various levels of an organization in applying enterprise risk management principles. It is anticipated that this volume will not be updated as part of this project.

**7. To what extent does this update build on the 2013 COSO *Internal Control – Integrated Framework*?**

Internal control is positioned within the *Framework* as a fundamental aspect of enterprise risk management. Hence the *COSO Internal Control – Integrated Framework* constitutes an essential building block for the *Framework*. The updated *Framework* will focus on requisite areas that go beyond internal control.

The COSO Board believes there may be differing regulatory and stakeholder expectations relating to enterprise risk management. For instance, entities are generally not required by statute, rules, or standard setters to apply a risk management framework such as the *Enterprise Risk Management – Integrated Framework*. However, management may choose to do so to enhance their ability to create and sustain value. Conversely regulators and standard-setters often require entities to develop, maintain, and report on effective internal control.

**8. Will the Updated *Enterprise Risk Management – Integrated Framework* replace the *Internal Control – Integrated Framework*?**

No, as noted in the Foreword of the updated *Internal Control – Integrated Framework*, these two COSO frameworks are intended to be complementary, and neither supersedes the other. Yet, while these frameworks are distinct and provide a different focus, they do overlap. The *Enterprise Risk Management – Integrated Framework* encompasses concepts common to both enterprise risk management and internal control. The *Internal Control – Integrated Framework* remains a viable and suitable framework for designing, implementing, and conducting and assessing the effectiveness of internal control and for reporting thereon as required in some jurisdictions.

## 9. Who is involved?

PricewaterhouseCoopers LLP (PwC) serves as the author and project leader for updating the *Framework* and reports to the COSO Board.

To capture views of a broad range of professionals in the market place, COSO intends to form an Advisory Council with representatives from various industries, academia, government agencies, and not-for-profit organizations.

## 10. How was PwC selected as the author and project leader?

COSO regularly works with a variety of organizations in developing frameworks and guidance. PwC was the author of the original *Enterprise Risk Management – Integrated Framework* and has provided a strong team of professionals active in supporting enterprise risk management in organizations. In addition, PwC also has strong continuity in their team through its involvement in the development of the original *Enterprise Risk Management – Integrated Framework*.

## 11. How can I get involved in this Update?

The COSO Board and the PwC project team will solicit input throughout the duration of the project. Several other structured channels have been planned, as follows:

- A [survey](#) was launched to solicit broad input on views of the original *Framework* and key areas for updates. This survey remains open until December 20, 2014.
- The public will have an opportunity to provide comments during a public exposure of the draft updated *Framework*. We will be seeking feedback from stakeholders as to whether the updated *Framework* adequately reflects the key principles for designing, implementing, and carrying out enterprise risk management. The exposure draft and revised version of the updated *Framework* and all public comment letters will remain available to the general public at [www.coso.org](http://www.coso.org) until the final documents are issued.
- Directly contact a COSO Board member.
- Directly contact the PwC project team at: [COSO-ERM Update@us.pwc.com](mailto:COSO-ERM Update@us.pwc.com)

## 12. Who can I contact for more information

For additional information on this project, please contact:

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