

## **Information and Communication<sup>1</sup>**

Managers must be able to obtain reliable information to determine their risks and communicate policies and other information to those who need it. Information and communication, the fourth component of internal control, articulates this factor.

### **Information**

Information is needed at all levels of an organization to run the business and move toward achievement of the entity's objectives in all categories – operations, financial reporting and compliance. Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Information systems produce reports, containing operational, financial and compliance-related information that makes it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting.

The following is a list of issues that may affect information:

- Obtaining external and internal information and providing management with necessary reports on the entity's performance relative to established objectives.
- Providing information to the right people in sufficient detail and on time to enable them to carry out their responsibilities efficiently and effectively.
- Development or revision of information systems based on a strategic plan for information systems – linked to the entity's overall strategy – and responsive to achieving the entity-wide and activity-level objectives.
- Management's support for the development of necessary information systems is demonstrated by the commitment of appropriate resources – human and financial.

### **Communication**

Although a department or account manager may have developed excellent policies and procedures, if these are not communicated to the staff that performs these duties, they may as well not exist. Well-designed internal controls outline the specific authority and responsibility of individual employees. They can also serve as a reference for employees seeking guidance on handling situations.

An internal control plan should provide for information to be communicated both within the organization and externally to those outside, for example vendors and other departments. Management should distribute copies of the department's internal control plan to all staff whose jobs are affected in any way by the information in the plan. Sending information electronically allows management to immediately distribute new

procedures and other information to their staff. Departments should conduct in-house training sessions upon releasing new or extensively revised internal control plans to explain the meaning of the plan and the importance of internal controls. This training should also be part of the orientation of new employees.

The following is a list of issues that impact the communication of information:

- Effectiveness with which employees' duties and control responsibilities are communicated.
- Establishment of channels of communication for people to report suspected improprieties.
- Receptivity of management to employee suggestions of ways to enhance productivity, quality or other similar improvements.
- Adequacy of communication across the organization and the completeness and timeliness of information and its sufficiency to enable people to discharge their responsibilities effectively.
- Openness and effectiveness of channels with customers, suppliers and other external parties for communicating information on changing customer needs.
- Extent to which outside parties have been made aware of the entity's ethical standards.
- Timely and appropriate follow-up action by management resulting from communications received from customers, vendors, regulators or other external parties.

<sup>1</sup> Excerpted from Office of the Comptroller, Commonwealth of Massachusetts, *Internal Control Guide for Managers*, pg. 18 and Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Integrated Control – Integrated Framework*, (New Jersey: American Institute of Certified Public Accountants, 1994 edition), pg. 59 and 67.