Information and Communication

The presence of effective information and communication systems is a key component of a strong internal control structure. Effective communication of relevant, accurate, and timely information is required to meet your agency’s objectives, including reliable financial reporting, efficient and effective operations, and compliance with laws and regulations. Well-functioning information and communication systems generate better decision making by managers, more engaged employees and fewer problems. They also help you comply with state laws and policies.

This guidance:

- Discusses the internal control integrated framework component of information and communication as developed by the Committee of Sponsoring Organizations (COSO) in *Internal Control – Integrated Framework*;
- Illustrates examples of good and poor communication;
- Suggests ways to improve information and communication within your agency; and
- Addresses information and communication concerns specific to Minnesota state government.

Information and communication is critical to internal control, and by extension, critical to the proper functioning of all the other activities in your organization. It is more than just talking, it is all the messages you send, from your organization’s mission statement, to formal employee evaluations, to regular staff meetings, to the policies and procedures your organization follows. A thoughtful review of information and communication can not only encourage more effective communication and information flow, it will improve the effectiveness of internal control in your organization and help your organization meet its business objectives.

Information and Communication in the COSO Framework

Information is commonly understood as a fact or collection of facts about something or someone, while communication is the imparting or exchange of these facts between people. For the purposes of this guidance, *data* and *information* are considered interchangeable terms. The COSO definition of information and communication is not distinctive from the commonly understood definition; however, COSO has further developed the concept of information and communication as one of five integrated components of its theoretical internal control framework. More information on the five components of the COSO framework can be found at Internal Control Framework ([http://www.mmb.state.mn.us/ic-framework](http://www.mmb.state.mn.us/ic-framework)).

The COSO framework component of information and communication does not stand alone, but rather is involved in every other part of the internal control framework, such that none of the other components is effective without it. This is why information and communication touches every other component in the COSO pyramid in Figure 1.
In a high functioning system of internal control, relevant and timely information relating to every other component of the COSO framework is communicated up, down, and across an organization.

The diagram in Figure 2 is an alternative view to the pyramid-style illustration of the COSO framework.

![Diagram of the COSO framework with information and communication enabling a constant cycle of risk assessments, control activities, and monitoring within the control environment.](image)

In it, information and communication enables the achievement of a constant cycle of risk assessments, control activities, and monitoring; all within the context of the control environment.

Note that the control environment, risk assessment, control activities, and monitoring objects in the figure above all overlap to some degree. This demonstrates the practical reality of the framework components, where often the internal control functions performed could be categorized as multiple framework components at once.

In the table below are examples of actions that take place inside the other framework components that involve information and communication.
Information and Communication – Relationship to Other COSO Components

<table>
<thead>
<tr>
<th>Information component</th>
<th>Communication component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control Environment</td>
<td>A written ethics policy.</td>
</tr>
<tr>
<td>Risk Assessment</td>
<td>Documentation produced from a risk assessment.</td>
</tr>
<tr>
<td>Control Activities</td>
<td>Written policies and procedures for entering transactions into an accounting system.</td>
</tr>
<tr>
<td>Monitoring</td>
<td>A written plan to review a sample of transactions to test a control.</td>
</tr>
</tbody>
</table>

### Good and Poor Information and Communication

The effects of poor communication or information in a process may seem less tangible than an ineffective control activity, but they are no less detrimental to an organization’s success. Poor communication can affect an organization through increases in errors or mistakes, productivity losses, and increased fear and stress among employees. On the other hand, effective communication of accurate and timely information can be a catalyst for success. Getting the right information to the right people at the right time is how all organizations achieve their strategic and operational business objectives, including the objectives of internal control.

Poor information and communication can take on many forms. Here are some common examples that you may have seen or experienced before:

- **Too Much Information** – Trying to communicate too much information can be just as harmful as no communication at all. The usefulness of information can be diminished as key pieces are lost in a sea of extraneous data. A group may produce and send out hundreds of exception reports in an effort to cover every possible contingency in a process, only to find that no one involved is reading them.

- **Poor Timing** – Most information is helpful only when it is received in a timely manner by the people who need it. Managers must have up-to-date information to make the right decisions.

- **Destination/Accessibility Problems** – Is your valuable information buried five hyperlinks deep on a website? Are all of your constituents able to access the information? Are your documents compliant with the Americans with Disabilities Act? Simply making your information available on the Internet may not be enough to ensure the right people are receiving it.

- **Quality Issues** – Is the report difficult for its intended audience to understand? Are there formatting or aesthetic problems that cause users to not take the information seriously? Is the information you are trying to communicate accurate?
There are countless examples of good communication throughout Minnesota state government. Here are just a few:

- **A manager with an “open door” policy** – Managers can create an atmosphere where employees can communicate their concerns easily, without fear of reprisal. To accomplish a true open door policy, managers must be conscious of the subtle cues they send employees and try hard not to associate negative sentiments with the messenger, regardless of the message.

- **Established and promoted channels for reporting potential wrongdoing** – An infrastructure for free information flow, especially when reporting questionable actions or misconduct is effective in promoting a strong control environment and preventing fraud. It should allow for anonymity and the reporting channels should be separate from management’s reporting structure to prevent any potential barriers to the reporting of wrongdoing.

- **An established ethics policy** – Establishing clear expectations of employee conduct and fostering a culture where ethical behavior is seen as critical is a fundamental tenet of internal control. One of the ways these ideas are communicated throughout an organization is through an established ethics policy. Minnesota statutes 43A.38 Code of Ethics for Employees in the Executive Branch ([https://www.revisor.mn.gov/statutes/?id=43a.38](https://www.revisor.mn.gov/statutes/?id=43a.38)) establishes a broad base of expectations regarding ethical behavior of all executive branch employees. The MMB Statewide Code of Conduct policy ([http://www.mmb.state.mn.us/code-conduct](http://www.mmb.state.mn.us/code-conduct)) requires that through words and actions, each agency head must establish an organizational culture that promotes honesty and accountability, and is conducive to preparing reliable financial information for decision-makers.

- **Internal control responsibilities are regularly communicated by management** – Effective communication ensures employees understand their internal control responsibilities relative to the larger organization. Management should ensure that all employees understand their control responsibilities.

**Policies and Procedures**

Policies and procedures are a method for communicating important information about management’s expectations for a process. Procedures should articulate the distinct responsibility and accountability of each individual involved in the process. To ensure that required actions are reasonable, policies must also be deployed thoughtfully and conscientiously. The related procedures lose effectiveness unless they are performed consistently, by qualified personnel who have been properly trained, and with a continuous focus on the risks to which they are directed.

**Data Practices**

Data and information systems containing government data with certain classifications must be treated with special care. The foremost danger is the inappropriate dissemination of not-public information. More guidance on data practices can be found on the Minnesota Department of Administration’s Information Policy and Analysis Division website ([http://www.ipad.state.mn.us/](http://www.ipad.state.mn.us/)).

**Evaluating and Improving Information and Communication**

Since information and communication is so critical to the process of internal control, it is important to periodically reflect on the effectiveness of information flow throughout your organization. It may be
helpful to categorize your evaluation into manageable segments. COSO describes Information and Communication using four principles:

1. **Financial Information**
   This principle is practiced when pertinent information is captured, used at all levels of the organization, and distributed in a form and timeframe that supports the achievement of financial reporting objectives. Good financial reporting systems completely and accurately capture data in a timely manner. This ensures the right information is getting to the right people for decision making.

2. **Internal Control Information**
   This is information needed to facilitate the functioning of other control components. It ensures the right information is available to the right people at the right time for personnel to carry out their internal control responsibilities. It also ensures that personnel understand why the control activities they perform are important.

3. **Internal Communication**
   Internal communication enables and supports understanding and execution of organizational objectives and individual responsibilities at all levels of the organization. Communication must flow down, up, and across all levels of an organization to be effective. This includes not only emails, office memorandums, and staff meetings; but also more formal communications like position descriptions, employee evaluations, and agency and statewide policy and procedures. It is critical that employees understand organizational objectives, including internal control objectives, and their specific role in achieving them.

4. **External Communication**
   An important part of this principle focuses on matters affecting the achievement of objectives in financial reporting to outside parties. Government entities have a responsibility to maintain open communication with citizens and oversight groups to determine if services are being provided effectively and efficiently.

Using these principles, you can include information and communication in your thought process when you perform a risk assessment. When assessing internal controls, some potential questions to ask about information and communication are the following:

- Does our agency communicate effectively, both internally and externally?
- Do the right people within our organization get the right information at the right time?
- Does our agency get the information it needs from both internal and external sources?
- Is information delivered in a form that is easily understood and used?
- Is information received timely?
- Does our agency identify, capture, process, and communicate the information that others need, accurately and timely?

More information on the risk assessment process is available in the Guide to Risk Assessment and Control Activities [http://www.mmb.state.mn.us/risk-assessment] on the Internal Control and Accountability website. There are also many elements of effective communication and information incorporated in the Control Environment Self-Assessment Tool [http://www.mmb.state.mn.us/ic-control-env].