



Effective communication, the underappreciated control component

- **The importance of effective communication in an internal control system is not always evident.**
- **Communication must flow throughout the organization—downward, across, and upward.**
- **Management must not only communicate employee responsibilities downward, but must also be willing to listen to employee concerns.**

Information and communication make up one of the five components of the COSO Internal Control – Integrated Framework. It is the component that runs along the sides of the internal control pyramid, touching each of the other four components. This picture is very appropriate, as information and communication surround all other internal control elements and allow the organization's people to capture and exchange the information they need to conduct and control their activities.

While the importance of accurate and timely information is obvious, the need for effective communication in a strong internal control system may be less evident. Communication is essential to creating and maintaining both a constructive control environment and the effectiveness of the organization's control activities. To be useful, communication must flow throughout the organization—downward, across, and upward. Communication can take a variety of forms, including written, verbal, and even non-verbal body language.

Appropriate communication from upper management is necessary to send a clear message that control responsibilities must be taken seriously. Specific employee duties should be communicated through up-to-date position descriptions, complete policies and procedures, and appropriate supervision. Having well-defined employee expectations also provides management with a mechanism to assess employee performance and to hold them accountable for the control activities entrusted to them.

In addition, communication among employees is needed to help employees

understand how their responsibilities relate to the work of others. Employees are more likely to diligently carry out their control activities if they understand their role in the overall internal control system. If they are uncertain, employees should feel free to ask questions about the purpose and relevance of individual tasks or duties.

Finally, employees must have a means of communicating significant information upward. Front-line workers are usually the first to recognize problems or internal control deficiencies. They, and all employees, must have a retaliation-free method of communicating their concerns. Once concerns are voiced, management should also convey a sincere willingness to listen and to address the issues. Employees must believe that their superiors truly want to be informed of problems and concerns, and will deal with the issues promptly and effectively.

Suggested Action Step: Assess whether constructive and open communication channels (downward, across, and upward) exist in your organization. This might be accomplished through surveys, focus groups, or other means. Determine what opportunities for improvement exist and establish specific steps for enhancing personal or agency communication, if needed.

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