



Can control activities boost efficiency?

- **Poor functioning control activities use excessive resources and may lull management into a false sense of security.**
- **Well designed, effective, and current control activities boost efficiency without consuming an inordinate amount of resources.**

Can control activities boost efficiency? It depends. Some believe that control activities slow everything down and therefore always have a negative effect on efficiency. Others believe that every business process could do with additional control activities—the more the better—and never take efficiency into account. In reality a control activity's effect on an organization depends on the control activity's design, effectiveness, and maintenance.

To understand why, let us begin by defining control activities. The widely used COSO internal control framework defines control activities as policies and procedures that help ensure that management directives necessary to address risk are carried out. In other words, control activities help an organization achieve its goals by mitigating risks, and should therefore be good for the organization. Examples of control activities include approvals, authorizations, reviews, analyses, reconciliations, and the separation of incompatible duties.

However, not all control activities function equally well. While some help propel the organization to greater heights, others create inefficiencies. Thankfully, it is possible to tell the good from the bad.

The ideal control activity has three features: a carefully thought-out design, effective operation, and frequent updates. A good understanding of the underlying business process, obtained by performing a risk assessment with participation of staff directly involved in the business process, are critical to the creation of well-designed control activities. Control activities, especially those dependent on human actions, are effective only if they are operating when they should, as they should. Finally, subjecting business processes to periodic risk assessments keeps the related control activities current for changing circumstances. The results—fewer errors, and less rework, fraud, waste, and abuse—allow

management and staff to focus resources on the organization's primary goals.

Design, effectiveness, and maintenance are particularly important for key control activities—those that address the most significant risks to the organization. They are also important with redundant control activities (e.g., multiple computer firewalls).

Control activities that stray from the ideal often disrupt the underlying business process and cause operational bottlenecks. In some instances, a flawed control activity, such as a non-functioning or proverbial dog-that-does-not-bark control activity, becomes apparent from the resulting workflow disruptions or excessive rework. A non-functioning control activity is particularly dangerous because it can lull management and staff into a false sense of security. Clearly, poor functioning control activities are inefficient because they use excessive resources and distract management from the organization's primary goals.

In conclusion, well designed, effective, and maintained control activities boost an organization's efficiency by helping the organization achieve its goals without consuming an inordinate amount of resources.

Suggested Action Steps: Consider performing a risk assessment on a business process in your area to identify key risks and control activities. Are the key control activities designed and functioning effectively?

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