

Overview:

Successful Enterprise Risk Management (ERM) incorporates the principles of internal controls as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office (GAO) federal internal control standards. The underlying premise is management requires access to quality information to maintain its internal control system and reach its organizational objectives. Quality information is both relevant and reliable. To achieve the organizations' goals, the necessary quality information should be communicated both internally and externally.

The fourth component of the framework is Information and Communication.

Information and Communication is vital for an entity to achieve its objectives. Entity management needs access to relevant and reliable information related to internal as well as external events.

Information and Communication has three principles, and to help management and the oversight body achieve each principle, there are attributes pertaining to each of the three principles.

Principle 13- Use Quality Information:

"Management should use quality information to achieve the entity's objectives."

Attributes:

- Identification of information requirements
- Relevant data from reliable sources
- Data processed into quality information

Identification of Information Requirements:

Management must consider their objectives and related risks to identify the information required to achieve the organization's objectives. Because each organization's objectives and needs vary, management will need to customize their approach for identification and gathering of relevant information used to make those management decisions.

Management define the identified information requirements at the relevant level and requisite specificity for appropriate personnel. The process should also be flexible to changes in the organization, its objectives, and its risk.

Relevant Data from Reliable Sources:

Management must institute a process that obtains relevant data from reliable internal and external sources in a timely manner. The process should be repeatable and ongoing. The relevance of data is based on its logical connection with the information requirements. Not all data is relevant to

management’s decision–making process. Not all data will have a real impact on the achievement of the organizations’ goals.

Management must ensure that internal and external sources provide reliable data. That is, data that is reasonably free from error and bias. Management should continually evaluate both internal and external data for reliability.

Management must obtain data on a timely basis so that can be useful and effective for decision-making and monitoring purposes.

Examples of Information Sources:

Internal

Operations Committee Minutes
Personnel Time Reports
Production/Quality Reports

External

Industry Research Reports
Responses to Customer Surveys
Trade Shows

Data Processed into Quality Information:

Management’s processes for gathering data should provide quality information that supports the internal control system. Management must ascertain that the information is complete, accurate, accessible, and current to ensure that it is quality information.

Management’s information system includes not only the data, but the people, processes, and technology that management utilizes to obtain and communicate information.

Quality information is only beneficial when management uses it to make informed decisions, to address risks, and to evaluate the organization’s performance in achieving key objectives.

Examples of Quality Information Criteria:

Accessible	Relevant	Timely
Accurate	Secure	Valid
Current	Sufficient	Verifiable

Principle 14 –Communicate Internally:

“Management should internally communicate the necessary quality information to achieve the entity’s objectives.”

Attributes:

- Communication throughout the entity
- Appropriate methods of communication

Communication throughout the Entity:

Management should communicate quality information using established reporting lines throughout the entity. Timely communication of quality information enables personnel to perform effectively toward achieving objectives, addressing risks, and supporting the internal control system. Management should assign responsibilities for internal controls to key personnel.

Management should collect quality information about the organization's operational processes from personnel to assist in achieving the objectives.

An oversight body should be established to receive quality information that flows up the reporting lines from management and personnel. This includes significant information about compliance with the internal control system and enables the effective oversight of internal control.

Separate reporting options for communication, such as whistleblower and ethics hotlines, should be established and may be required by policy or law.

Several factors should be considered in selecting an appropriate method of communication. Some factors to consider are:

- Audience - intended recipients
- Purpose and type of information
- Availability of information when needed
- Cost of distribution
- Legal or regulatory requirements

Management should also select the most appropriate method(s) of communicating based on the consideration of those factors. Information may take the form of hard copy documents, electronic format, or face-to-face meetings.

Examples of Effective Communication Methods:

Emails and memos	Policies and procedures
Live and online training	Newsletters
Website postings	Performance evaluations

Management should periodically reevaluate the timeliness of communication for optimal effectiveness.

Examples of Effective Communication for Internal Controls:

Defined policies and procedures
Specific goals and objectives for desired outcomes
Benefits and importance of effective Internal Controls
Defined roles and responsibilities of management as well as staff
Clear expectations for performance behaviors
Clear channels of communication

Communication flowing down, up, and throughout the organization
Receptive and responsive management

Principle 15 –Communicate Externally:

“Management should externally communicate the necessary quality information to achieve the entity’s objectives.”

Attributes:

- Communication with external parties
- Appropriate methods of communication

Communication with External Parties:

Management should institute two-way communication with external sources to obtain, distribute and gather quality information. These sources may include:

- Customer
- Supplier
- Contractor
- Service organization
- Regulator and external auditor
- Other government entities
- The public at large

Communication exchanges should provide information externally that will assist the agency with achieving its objectives. Quality information should enable management to more efficiently and effectively establish internal controls and reduce risks.

Management receives information through reporting lines from external parties. Management should evaluate external information received against the characteristics of quality information and information processing objectives in order to take any necessary actions to ensure the information is quality information.

As with internal communications, separate reporting lines of communication, such as whistleblower and ethics hotlines, should be established and may be required by policy or law. Management must inform external parties of the purpose of these separate reporting options, how they operate, how they are to be used, and how the information will remain confidential.

Appropriate Methods of Communication:

Management should determine the most appropriate means of communication with external sources. Just as with internal communication, the factors for consideration should include:

- Audience - intended recipients
- Purpose and type of information
- Availability of information when needed

- Cost of distribution
- Legal or regulatory requirements

Management should also select the most appropriate method(s) of communicating based on the consideration of those factors. Information may take the form of hard copy documents, electronic format, or face-to-face meetings.

Examples of Effective External Communication Methods:

Inbound

Customer Service
Customer Surveys
Customer Complaints
Whistleblower/Hotline Calls

Outbound

Trade shows and conferences
Onsite Visits/Interviews
Website postings
Webinars

Management should perform periodic reevaluation of communication methods to determine that the agency uses the best tools to provide the best information on a timely basis.

These three principles of Information and Communication of the COSO Internal Control Framework are key in understanding how quantified/qualified data can be transformed into information that can assist management and internal parties with the formulation of goals and strategies to accomplish the objectives of the entity. Those objectives can then be communicated to the external parties, i.e. the board of directors and executive management communicating company objectives and results to shareholders through the annual proxy statements.