



Statewide Internal Control Guidance

Section: Information and Communication	Issued Date: 01/31/2017
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Overview

Information and communication is intertwined with the other internal control components, and therefore, is vital for an organization to achieve their objectives. Pertinent information must be identified, captured, and communicated in a form and timeframe that enables people to carry out their responsibilities. All personnel must receive a clear message from top management that internal control responsibilities must be taken seriously. Everyone must understand their role in the internal control system, as well as how individual activities relates to the work of others. There also must be communication with external parties, such as customers, suppliers, regulators, and shareholders. Effective communication must occur in a broader sense, flowing down, across, and up the organization and to external users as well.

Component	Principles	Attributes
Information and Communication	13. Management uses quality information to achieve the organization's objectives.	13.1 Identification of Information Requirements
		13.2 Relevant Data from Reliable Sources
		13.3 Data Processed into Quality Information
	14. Management internally communicates the necessary quality information to achieve the organization's objectives.	14.1 Communication throughout the Organization
		14.2 Appropriate Methods of Communication
	15. Management externally communicates the necessary quality information to achieve the organization's objectives.	15.1 Communication with External Parties
15.2 Appropriate Methods of Communication		

13. Management uses quality information to achieve the organization’s objectives.

13.1. Identification of Information Requirements

Concept

Information requirements consider the expectations of both internal and external users, and are identified in a continual and ongoing process.

Management Responsibilities

- Management designs a process (using the organization’s objectives and related risks) to identify the information requirements needed to achieve the objectives and address the risks.
- Management defines the information requirements at the applicable level and in necessary detail for the appropriate personnel.
- Management changes information requirements as needed based on changes in the organization and the objectives and risks. These changes allow the organization to meet modified objectives and address modified risks.

Key Importance to Internal Control

Identification of information requirements occurs throughout an effective internal control system, and helps the organization achieve their objectives.

Examples¹

- Management identifies information requirements specific to their organization’s objectives and related risks, which could include:
 - Determining data needed
 - Determining reports needed
 - Determining policies and procedures needed
 - Determining who will perform the internal control responsibilities
- Some tools to assist in determining information requirements could include:
 - Completing and evaluating the Risk Assessment/Control Activities template
 - Brainstorming with internal and external users

13.2. Relevant Data from Reliable Sources

Concept

Relevant data have a logical connection with, or impact upon, the identified information requirements, and sources of data can be operational, financial, or compliance related. Reliable internal and external sources provide data that is reasonably free from error and bias, and represent what they claim to represent.

Management Responsibilities

- Management evaluates both internal and external sources of data for reliability.
- Management obtains relevant data from reliable internal and external sources, based on the identified information requirements. This data is obtained in a timely manner, by management, to be useful for monitoring.

¹ The examples provided throughout this framework are intended to be a minimum starting point and not an all-inclusive list.

Key Importance to Internal Control

Relevant data that is obtained from reliable sources, on a timely basis, is used for effective monitoring of the internal control system, and helps the organization to achieve their objectives and address risks.

Examples¹

- Management identifies relevant data specific to their organization’s objectives and related risks, which could include:
 - Determining specific data needed, and for what time frame
 - Determining specific reports needed, and for what time frame
 - Determining policies and procedures needed
- Some tools to assist in determining relevant data could include:
 - Completing and evaluating the Risk Assessment/Control Activities template
 - Brainstorming with others
- Some tools to assist in determining reliable internal and external sources could include:
 - Considering the source such as:
 - directly extracted from Teamworks vs. manually prepared spreadsheets
 - report internally prepared vs. newspaper article
 - data internally prepared vs. from another organization
 - Confirming data with other sources, as considered necessary
 - Reviewing (and possibly testing) the internal control system relating to data obtained outside of the organization

13.3. Data Processed into Quality Information**Concept**

Quality information meets the identified information requirements when relevant data from reliable sources are used. This involves processing data into information, and evaluating the processed information so that it is quality information. Additionally, quality information has the characteristics of being appropriate, current, complete, accurate, accessible, and provided on a timely basis.

Management Responsibilities

- Management processes the obtained data into quality information that supports the internal control system.
- Management also processes relevant data from reliable sources into quality information within the organization’s information system².
- Management evaluates processed information by considering the above characteristics, and the information processing objectives, and makes revisions when necessary so that the information is quality information.
- Management uses the quality information to make informed decisions and evaluates the organization’s performance in achieving key objectives and addressing risks.

Key Importance to Internal Control

Management uses the quality information to support the internal control system in achieving key objectives and addressing risks.

¹ The examples provided throughout this framework are intended to be a minimum starting point and not an all-inclusive list.

² An information system is the people, processes, data, and technology that management organizes to obtain, communicate, or dispose of information.

Examples¹

- Some tools to assist in processing quality information could include:
 - Completing and evaluating the Risk Assessment/Control Activities template
 - Brainstorming with others
 - Considering the reliability of the source such as:
 - directly extracted from Teamworks vs. manually prepared spreadsheets
 - report internally prepared vs. newspaper article
 - data internally prepared vs. from another organization
 - Reviewing (and possibly testing) the internal control system relating to data obtained outside of the organization
- Management processes the data into quality information specific to their organization, which could include generating certain reports, such as:
 - General Ledger Reports from the accounting records data
 - Balance Sheet Reports from the accounting records data
 - Income Statement Reports from the accounting records data
 - Performance Measures Reports from the statistical data

14. Management internally communicates the necessary quality information to achieve the organization's objectives.**14.1. Communication throughout the Organization****Concept**

Quality information is communicated down, across, up, and around reporting lines to all levels of the organization.

Management Responsibilities

- Management uses established reporting lines for communications.
- Management communicates quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. In these communications management assigns the internal control responsibilities for key roles.
- Management receives quality information about the organization's operational processes that flows up the reporting lines from personnel to help management achieve the organization's objectives.
- Management informs personnel of separate reporting lines³, how they operate, how they are to be used, and how the information will remain confidential. Laws and regulations may require organizations to establish separate lines of communication, such as whistleblower and ethics hotlines, for communicating confidential information.
- The oversight body receives quality information that flows up the reporting lines from management and personnel. Information relating to internal controls communicated to the oversight body includes significant matters about adherence to, changes in, or issues arising from the internal control system.

¹ The examples provided throughout this framework are intended to be a minimum starting point and not an all-inclusive list.

³ Personnel use separate reporting lines to go around upward reporting lines when these lines are compromised.

Key Importance to Internal Control

Communication of quality information supports the internal control system at all levels, and is necessary for the effective oversight of the internal control system.

Examples¹

- Management receives and communicates quality information throughout the organization, such methods could include:
 - Having periodic meetings and other communications with personnel
 - Reviewing data and related analysis
- Quality information received and communicated throughout the organization, could include:
 - Job descriptions detailing internal control responsibilities
 - Financial reports
 - Operational reports
- Management establishes separate reporting lines, which could include:
 - Reference to the formal fraud reporting link in the Resource Center section on the Team GA website which links to the Office of the Inspector General
- Some possible ways the oversight body receives quality information could include:
 - Having periodic meetings and other communications with management or personnel
 - Receiving complaints directly from the separate reporting lines

14.2. Appropriate Methods of Communication**Concept**

Some factors to consider for appropriate communication include:

- Audience – the intended recipients of the communication
- Nature of information – the purpose and type of information being communicated
- Availability – information readily available to the audience when needed
- Cost – the resources used to communicate the information
- Legal or regulatory requirements – requirements in laws and regulation that may impact communication

Management Responsibilities

- Management selects appropriate methods to communicate internally, by considering the factors previously identified, such as a written document (in hard copy or electronic format) or a face-to-face meeting.
- Management periodically evaluates the organization's methods of communication so that the organization has the appropriate tools to communicate quality information throughout and on a timely basis.

Key Importance to Internal Control

Appropriate methods of communication support the internal control system and assists in achieving the objectives and in addressing risks.

¹ The examples provided throughout this framework are intended to be a minimum starting point and not an all-inclusive list.

Examples¹

- Some methods of communication could include:
 - Sending emails
 - Using shared file drives (such as sharepoint or intranet)
 - Having meetings
 - Establishing written policies and/or procedures
 - Posting to social media
- Some factors impacting appropriate methods of communication, could include:
 - Considering the tone and non-verbal cues or cultural, ethnic, and generational differences relating to the audience
 - Considering the need for privacy depending on the nature of information or legal and regulatory restrictions
 - Considering the need for long term retention and availability, as well as related costs
 - Considering time sensitivity relating to data availability (for example, text or emails are readily available but may not have long-term retention)

15. Management externally communicates the necessary quality information to achieve the organization's objectives.**15.1. Communication with External Parties****Concept**

External parties include suppliers, contractors, services organizations, regulators, external auditors, government entities, and the general public.

Management Responsibilities

- Management communicates with, and obtains quality information from, external parties using established reporting lines⁴, so that external parties can help the organization achieve their objectives and address related risks.
- Management includes in these communications information relating to the organization's events and activities that impact the internal control system.
- Management evaluates external information received against the characteristics of quality information and information processing objectives, and takes any necessary actions so that the information is quality information.
- Management informs external parties of the separate reporting lines, how they operate, how they are to be used, and how the information will remain confidential. External parties use separate reporting lines when external reporting lines are compromised. Laws and regulations may require organizations to establish separate lines of communication, such as whistleblower and ethics hotlines, for communicating confidential information.
- The oversight body also receives information through reporting lines from external parties. Information communicated to the oversight body includes significant matters relating to risks, changes, or issues that impact the organization's internal control system.

¹ The examples provided throughout this framework are intended to be a minimum starting point and not an all-inclusive list.

⁴ Open two-way external reporting lines allow for this communication.

Key Importance to Internal Control

Information communicated includes significant matters relating to risks, changes, or issues that impact the organization's internal control system. This communication with management and the oversight body is necessary for the effective operation of internal controls.

Examples¹

- Management receives and communicates quality information with external parties, by using a variety of methods, such as:
 - Having periodic meetings and other communications
 - Posting information on the organization's website
 - Releasing press and news releases
 - Posting information using social media
- Management establishes separate reporting lines, which could include:
 - Referencing a link to the Resource Center section on the Team GA website which links to the Office of the Inspector General.
- Some possible ways the oversight body receives quality information could include:
 - Having periodic meetings and other communications with management
 - Receiving complaints directly from the separate reporting lines

15.2. Appropriate Methods of Communication**Concept**

Some factors to consider for appropriate external communication include:

- Audience – the intended recipients of the communication
- Nature of information – the purpose and type of information being communicated
- Availability – information readily available to the audience when needed
- Cost – the resources used to communicate the information
- Legal or regulatory requirements – requirements in laws and regulation that may impact communication

Management Responsibilities

- Management selects appropriate methods to communicate externally, by considering the factors previously noted, such as a written document (in hard copy or electronic format) or a face-to-face meeting.
- Management periodically evaluates the organization's methods of communication so that the organization has the appropriate tools to communicate quality information throughout and outside of the organization on a timely basis.
- Management considers the appropriate methods when communicating with such a broad audience. For example government organizations not only report to the head of the government, legislators, and regulators but to the general public as well.

Key Importance to Internal Control

Appropriate methods of external communications support the internal control system and assists in achieving the objectives and in addressing risks.

¹ The examples provided throughout this framework are intended to be a minimum starting point and not an all-inclusive list.

Examples¹

- Some methods of communication could include:
 - Sending emails
 - Having meetings
 - Establishing written policies and/or procedures
 - Posting to social media
- Some factors impacting appropriate methods of communication, could include:
 - Considering the tone and non-verbal cues or cultural, ethnic, and generational differences relating to the audience
 - Considering the need for privacy depending on the nature of information or legal and regulatory restrictions
 - Considering the need for long term retention and availability, as well as related costs
 - Considering time sensitivity relating to data availability (for example, text or emails are readily available but may not have long-term retention)

¹ The examples provided throughout this framework are intended to be a minimum starting point and not an all-inclusive list.