



Key control activities rule!

- **Management cannot devote the same amount of attention to all control activities.**
- **Key control activities could mitigate either the organization's 'show-stopping' risks or multiple lesser risks.**
- **Management should identify and focus initial attention on key control activities.**

It's settled. Organizations cannot operate successfully without control activities—the actions management takes to mitigate risk. But in the state, there are dozens if not hundreds or thousands of control activities. Management simply cannot devote the same level of attention to all of them.

Key controls mitigate the organization's 'show-stopping' risks. A risk is anything that would prevent the organization from achieving a particular goal. The risk assessment process is used to identify, catalog, and rank risks, and as a means to identify controls, including key control activities.

Key control activities are not limited to addressing the highest ranked risks; they may also mitigate multiple lesser risks. Like control activities generally, key control activities can be either preventive—that is, they operate on the front-end of a transaction to ensure proper processing or to prevent errors—or detective, operating after the fact. Examples of preventive control activities include system passwords and prior approvals. Reconciliations are common detective key control activities.

Because management operates with limited resources, it must triage its attention to control activities. The initial focus should be on key control activities, the failure of which would place the organization at substantial risk, before ensuring that other control activities are operating effectively.

One way to illustrate the need to focus on key controls is by looking at how homes are kept safe. Many homes have four common layers of defense: lockable doors

and windows, alarm systems, the police, and the neighborhood watch. All four are control activities, as they all help secure property and ensure personal safety. While each activity needs some attention, homeowners undoubtedly pay far more attention to the operation of doors and windows than to the neighborhood watch. The doors and windows are key controls, the first and often most critical line of defense to mitigate the risk of bodily harm or loss of property. The three other layers of security also require attention, but usually not as frequently as the doors and windows.

In conclusion, it is essential for management to assemble—through the risk assessment process—a catalog of control activities within the organization or a specific business process. From there, key control activities can be identified. Because of their significant role in mitigating risk, key control activities should receive heightened management attention to ensure they are in place and functioning effectively.

Suggested Action Steps: Consider performing a risk assessment in your area of operations to identify risks and related control activities. From your ranking of risks, can you identify key control activities? Are these key control activities functioning effectively and as intended?

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