

Connect › Support › Advance

Session 4B

Auditing Organisational Culture

Presented by

Mel Grantham PMIIA GradCertIA
Head of Group Assurance
Bendigo and Adelaide Bank Limited

Disclaimer



The paper and presentation represent the opinions of the author and presenter, and not necessarily those of Bendigo and Adelaide Bank limited.

The views and opinions expressed in this article/presentation/material are those of the author and do not reflect the official policy or position of any other organisation, employer or company. Assumptions and conclusions made in the material are not reflective of the position of any entity other than the author.

The contents are for general information only. They are not intended as professional advice and should not be relied upon for any purpose.

The author and presenter of this material expressly disclaims all liability to any person for loss or damage however arising in connection with the use or reliance upon the content of this paper or associated presentation.

Copyright: (not sure if this is required, or other actions inclusion of this wording causes, but the words seemed reasonable)

This paper and any associated recording or transmission of the presentation of this paper (and of which is 'Material') is subject to copyright. No part of the Material may be reproduced or copied or transmitted in any form or by any means (including, without limitation, graphic, electronic, mechanical, including photocopying, recording, taping or information retrieval systems or via the internet) without the prior written permission of the author. You must take all reasonable measures to ensure that unauthorised access to and use and copying of the Material cannot occur.

Agenda

- › Explore different methods of auditing organisational culture
 - including top-down and bottom-up approaches
- › Determine the skills needed by internal auditors to assess and review culture
- › Measuring and reporting on culture
- › Discuss different ways of providing an opinion on organisational culture and how this can be used to drive appropriate behaviours throughout the organisation

Definitions

APRA ¹

'Risk culture is the influence of organisational culture on how risks are managed in an organisation. It is how staff identify, understand, discuss and act on the risks an organisation confronts and takes. All organisations have a risk culture regardless of whether it is actively considered or managed'.

Australian Public Services Commission²

- Culture is consistent, observable patterns of behaviour in organisations.
- Culture is powerfully shaped by incentives.
- Culture is a process of “sense-making” in organisations.
- Culture is a carrier of meaning.
- Culture is a social control system.
- Culture is a form of protection that has evolved from situational pressures.
- Organisational culture is shaped by and overlaps with other cultures—especially the broader culture of the societies in which it operates.
- The cultures of organisations are never monolithic. There are many factors that drive internal variations in the culture of business functions and units.
- Cultures are dynamic. They shift, incrementally and constantly, in response to external and internal changes.

1. APRA <http://www.gtm.apra.gov.au/CrossIndustry/Documents/161018-Information-Paper-Risk-Culture.pdf>

2. APSC <https://www.apsc.gov.au/organisational-culture>

Definitions

Australian Securities & Investments Committee (ASIC)³

'An organisation's culture is its set of shared values or assumptions. It can be described as the underlying mindset of the organisation. Culture shapes and influences people's attitudes and behaviours towards, for example, customers and compliance. ASIC sees culture as a driver of conduct'.

Managing Culture – a good practice guide. IIA, Ethics Centre, The Governance Institute & Chartered Accountants⁴

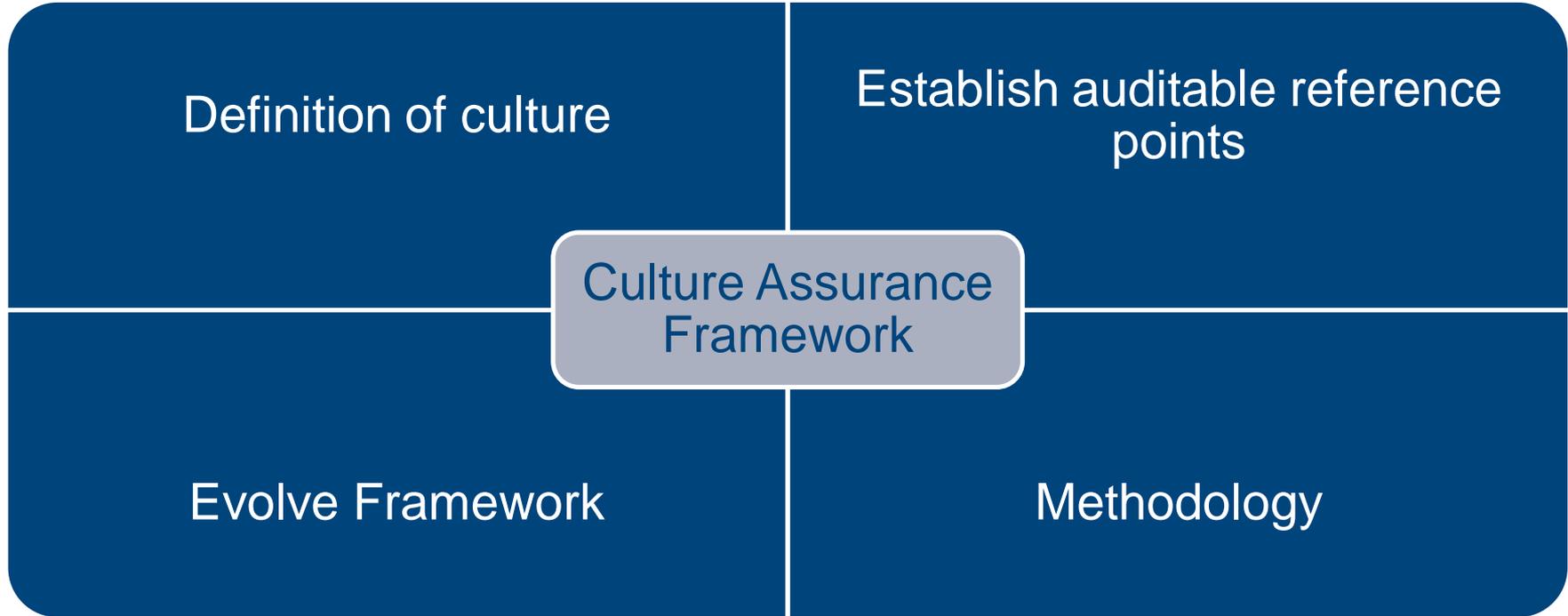
An organisation's culture is the sum of its shared values, principles and behaviours. A useful working definition is: 'a set of shared mental assumptions that guide interpretation and action in organisations by defining appropriate behaviour for various situations'.

A colloquial definition frequently heard in workplaces is 'the way we do things around here' or 'what we expect around here'. A formal legal definition of 'corporate culture' is provided in the Commonwealth Criminal Code 1995. It is 'an attitude, policy, rule, course of conduct or practice existing within the body corporate generally or in the part of the body'.

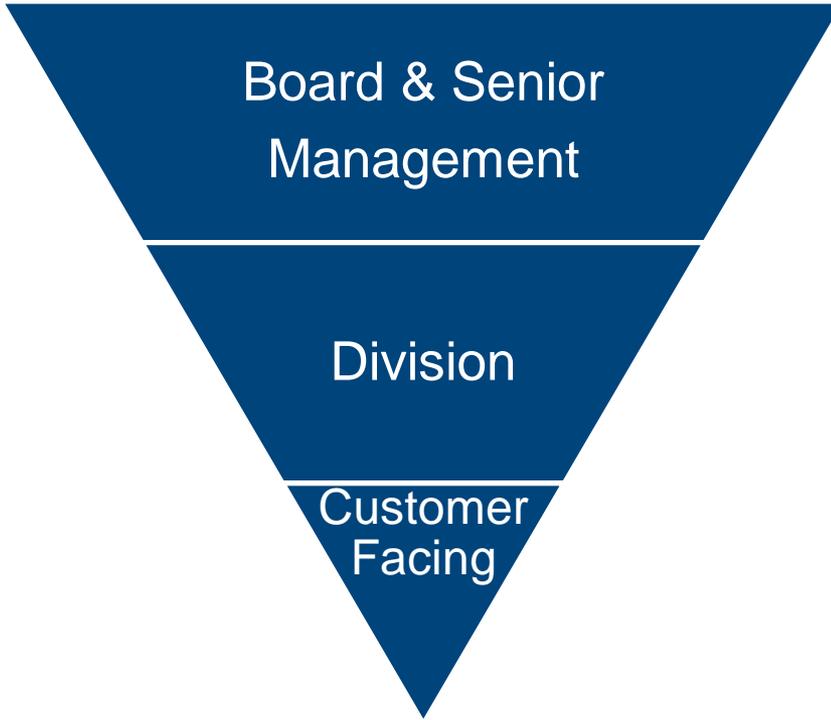
3. <https://asic.gov.au/regulatory-resources/corporate-governance/corporate-governance-articles/corporate-culture-corporate-values-and-ethics/>

4. <http://www.ethics.org.au/SJE/media/Documents/managing-culture-a-good-practice-guide-2017.pdf>

Assurance Framework



Audit Approach #1 – Top-down



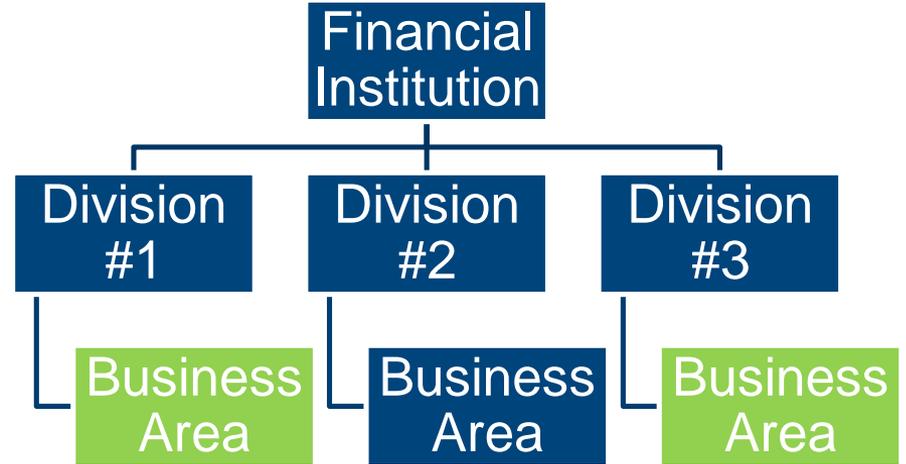
Board & Senior
Management

Division

Customer
Facing

- **‘Tone from the Top’**
- **Application across Divisions**
- **Practices of individual departments**

Audit Approach #2 – Target



Audit Approach #3 – Include in all audits

- **Observation on team &/or processes**
- **Consider a separate section of the report**

Audit Team – Skills

- **Line of enquiry**
 - Understand latest audit developments
 - What information is already available
- **Attributes**
 - Consideration & Courage

- **Presenting audit views on organisational culture**
 - Analytics removes subjectivity
 - Link audit observations to other available information where possible.
 - Engagement management prior to the review and throughout the engagement

Driving Change

Education

Balanced Audit Findings

- Comment on positive and improvements

Repeat audits

Links and Resources



The Institute of
Internal Auditors
Australia

1. APRA <http://www.gtm.apra.gov.au/CrossIndustry/Documents/161018-Information-Paper-Risk-Culture.pdf>
2. APSC <https://www.apsc.gov.au/organisational-culture>
3. ASIC <https://asic.gov.au/regulatory-resources/corporate-governance/corporate-governance-articles/corporate-culture-corporate-values-and-ethics/>
4. Managing Culture – a good practice guide <http://www.ethics.org.au/SJE/media/Documents/managing-culture-a-good-practice-guide-2017.pdf>