

# Assessing Risk Culture



## What role does Internal Audit play in assessing Risk Culture?

Building and embedding desired organisational culture and values has never been so important, with many failures and corporate scandals directly resulting from poor culture and behaviours.

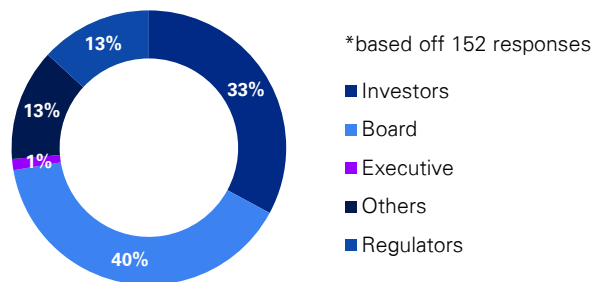
A sound approach to assessing risk culture provides confidence as to the quality of desired behaviours, both for internal and external stakeholders.

## A strategic approach

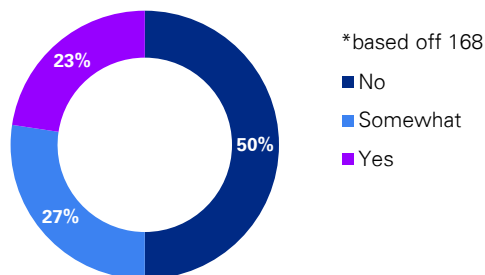
To successfully embed risk culture assessments, internal audit must first consider 4 key elements.

1. There is **alignment** between internal audit's risk culture approach and assessment dimensions, and the overall cultural direction of the organisation.
2. **Stakeholders** have been engaged and are supportive (including your Exec & HR).
3. A **consistent approach** is undertaken when assessing each area of the business.
4. Start with the end in mind, consider **what it is we want to be reporting, and to whom?**

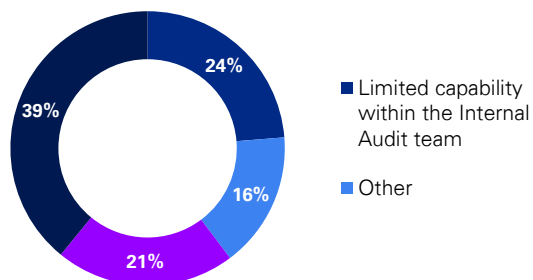
Insights from 150 internal audit executives in KPMG's recent Auditing Risk Culture webinar poll revealed that:



40% of respondents believe that their executive team are the main drivers for a focus on culture and behaviour.



Half of all respondents have not developed an approach to assess Risk Culture within their Internal Audit Function



The two main challenges organisations are facing with embedding assessments of Risk Culture are limited capability and clarity on how to implement it effectively

<sup>1</sup> KPMG Auditing Risk Culture Webinar 26<sup>th</sup> August 2021

# 01

## Define your risk culture assessment strategy and approach

- Agree in consultation with management, HR, Risk, Exec and Audit Committee the risk cultural dimensions to be assessed.
- Clearly articulate the roles and responsibilities of risk culture assessment across the second and third lines of defence.
- Define and agree method/s and extent to which risk culture assessments will be incorporated into your IA activities.
- Communicate!

# 02

## Embed your risk culture assessment approach

- Agree the techniques and approaches to assess risk culture.
- Incorporate your risk culture assessment approach into your Internal Audit methodology and tools.
- Identify and address capability gaps within the team.
- Decide how risk culture insights will be reported and presented per internal audit.

# 03

## Execute and monitor your risk culture approach

- Deliver and report risk culture assessments via the agreed method.
- Identify key learnings and reflect in enhancing the assessment approach.
- Theme risk culture insights on an ongoing basis and present to the Audit Committee, Risk and HR as appropriate.
- Use risk culture insights to inform focus areas on next year's IA plan.

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