How to grasp the dynamics of culture during your audits?

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With you today

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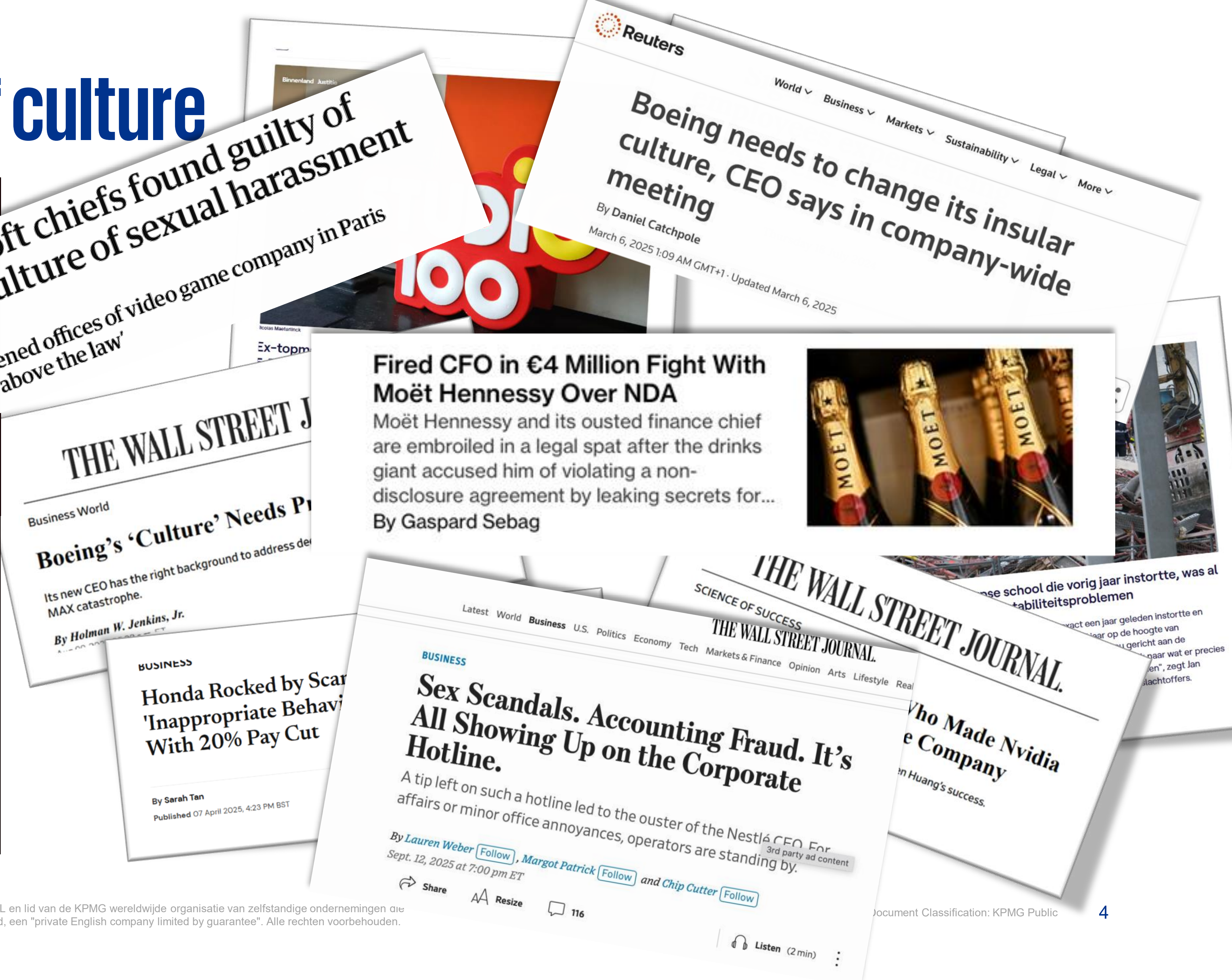
Manager Risk & Assurance
KPMG Belgium

“How important is culture and behavior for the control environment of your organization?”

Importance of culture



“Is auditing culture or behavior formally embedded in your internal audit approach?”

Agenda for this session

01

IIA Topical Requirement on Organizational Behavior

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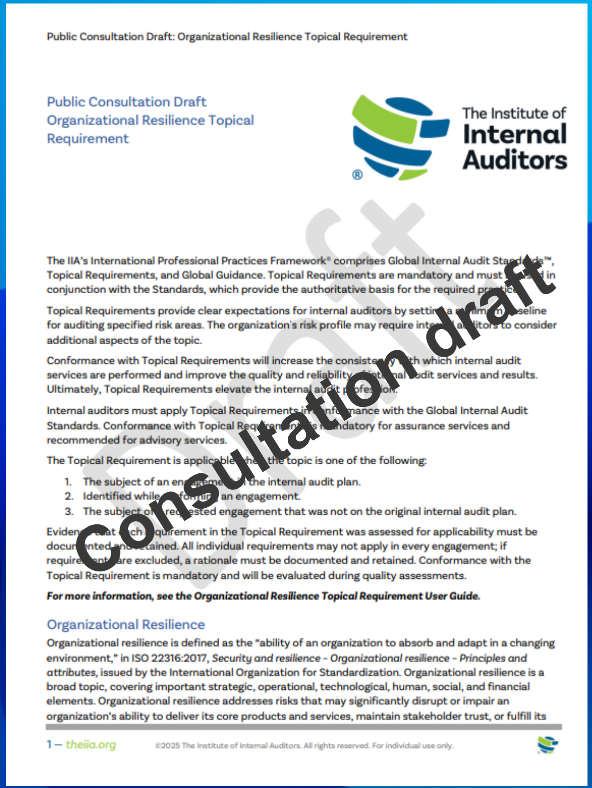
Public Consultation Draft: Organizational Resilience Topical Requirement

Public Consultation Draft
Organizational Resilience Topical
Requirement

The Institute of Internal Auditors®

Consultation draft

The IIA's International Professional Practices Framework® comprises Global Internal Audit Standards™, Topical Requirements, and Global Guidance. Topical Requirements are mandatory and must be used in conjunction with the Standards, which provide the authoritative basis for the required practices.

Topical Requirements provide clear expectations for internal auditors by setting a minimum baseline for auditing specified risk areas. The organization's risk profile may require internal auditors to consider additional aspects of the topic.

Conformance with Topical Requirements will increase the consistency with which internal audit services are performed and improve the quality and reliability of internal audit services and results. Ultimately, Topical Requirements elevate the internal audit profession.

Internal auditors must apply Topical Requirements in conformance with the Global Internal Audit Standards. Conformance with Topical Requirements is mandatory for assurance services and recommended for advisory services.

The Topical Requirement is applicable when the topic is one of the following:

1. The subject of an engagement in the internal audit plan.
2. Identified while performing an engagement.
3. The subject of a requested engagement that was not on the original internal audit plan.

Evidence that each requirement in the Topical Requirement was assessed for applicability must be documented and retained. All individual requirements may not apply in every engagement; if requirements are excluded, a rationale must be documented and retained. Conformance with the Topical Requirement is mandatory and will be evaluated during quality assessments.

For more information, see the Organizational Resilience Topical Requirement User Guide.

Organizational Resilience

Organizational resilience is defined as the "ability of an organization to absorb and adapt in a changing environment," in ISO 22316:2017, *Security and resilience – Organizational resilience – Principles and attributes*, issued by the International Organization for Standardization. Organizational resilience is a broad topic, covering important strategic, operational, technological, human, social, and financial elements. Organizational resilience addresses risks that may significantly disrupt or impair an organization's ability to deliver its core products and services, maintain stakeholder trust, or fulfill its

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Will establish minimum mandatory requirements that internal auditors are expected to assess whenever organizational behavior is included in the scope of an assurance engagement as a result of the risk assessment process.

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The Topical Requirements are a key element of The IIA's broader International Professional Practices Framework® (IPPF®), complementing the Global Internal Audit Standards™ and Global Guidance.

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While not mandating inclusion of the risk topics in audit plans, they set a minimum baseline for auditing these areas.

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"By framing organizational behavior as a risk to be actively managed, this Topical Requirement helps equip the profession with clearer expectations and stronger tools to provide assurance in an area that's increasingly critical to sustainable success."

Key elements of requirements

The requirements establish a consistent baseline for assessing how organizational behavior aligns with strategic objectives through governance, risk management, and control processes.

01

Governance

- Clear roles and responsibilities
- Behavior aligned with strategy and culture
- Monitoring and adjustment of behavior patterns
- Policies on behavior embedded in processes

02

Risk Management

- Identification and monitoring of behavioural risks
- Reporting on deviations and root causes
- Coordinated response and issue follow-up

03

Controls

- “Tone at the top“ and role modelling
- Feedback channels and reporting mechanisms
- Rewards and incentives aligned with desired behavior
- Training, hiring, and onboarding focused on behavioral competencies

02

Introduction to soft controls and auditing culture

Soft controls and risk management

Business risks

Including integrity and fraud risks

Hard controls

- Procedures
- Segregation of duties
- Measures
- Risk analysis
- (Physical) security
- Internal control

Soft controls instruments

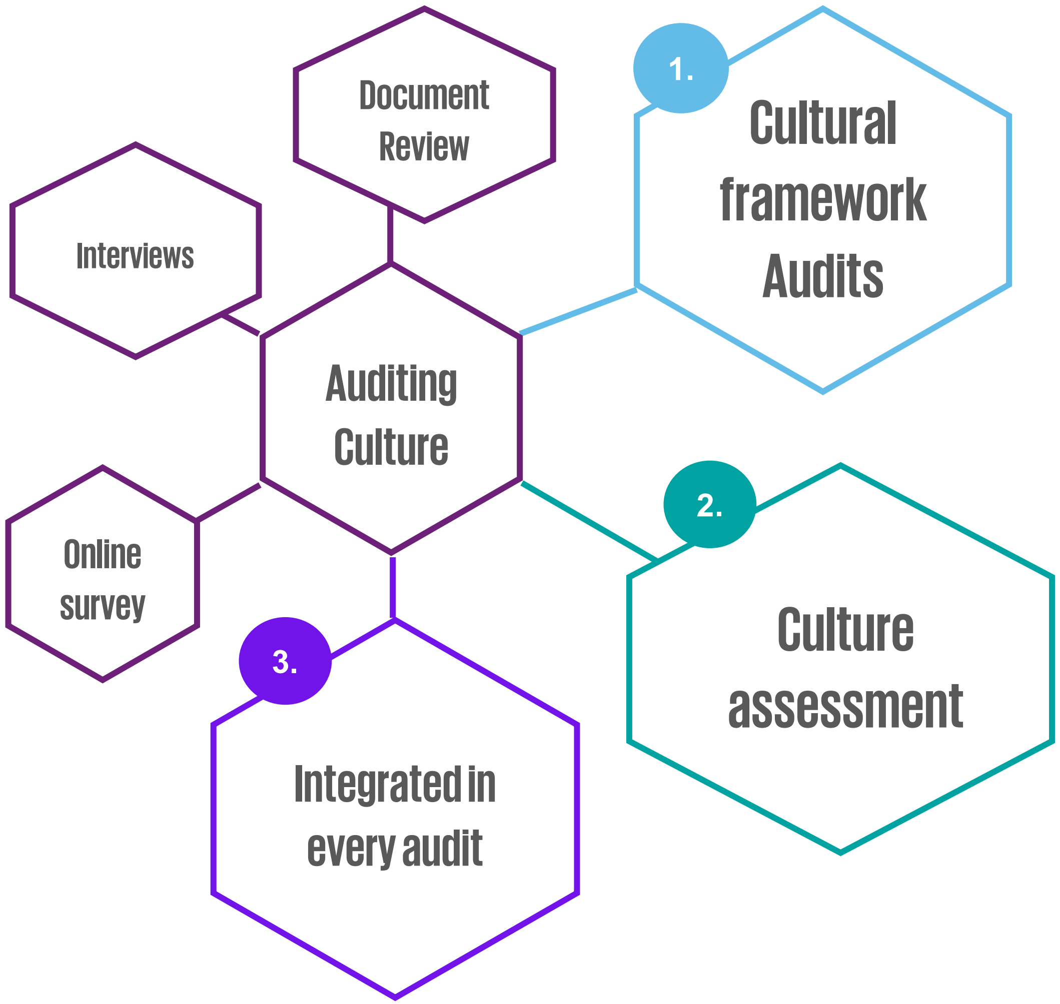
- Training
- Monitoring
- Whistleblower guidelines
- Safety net
- Code of conduct
- Performance reviews
- Raising awareness

Soft controls

Fundamental for every organization is:

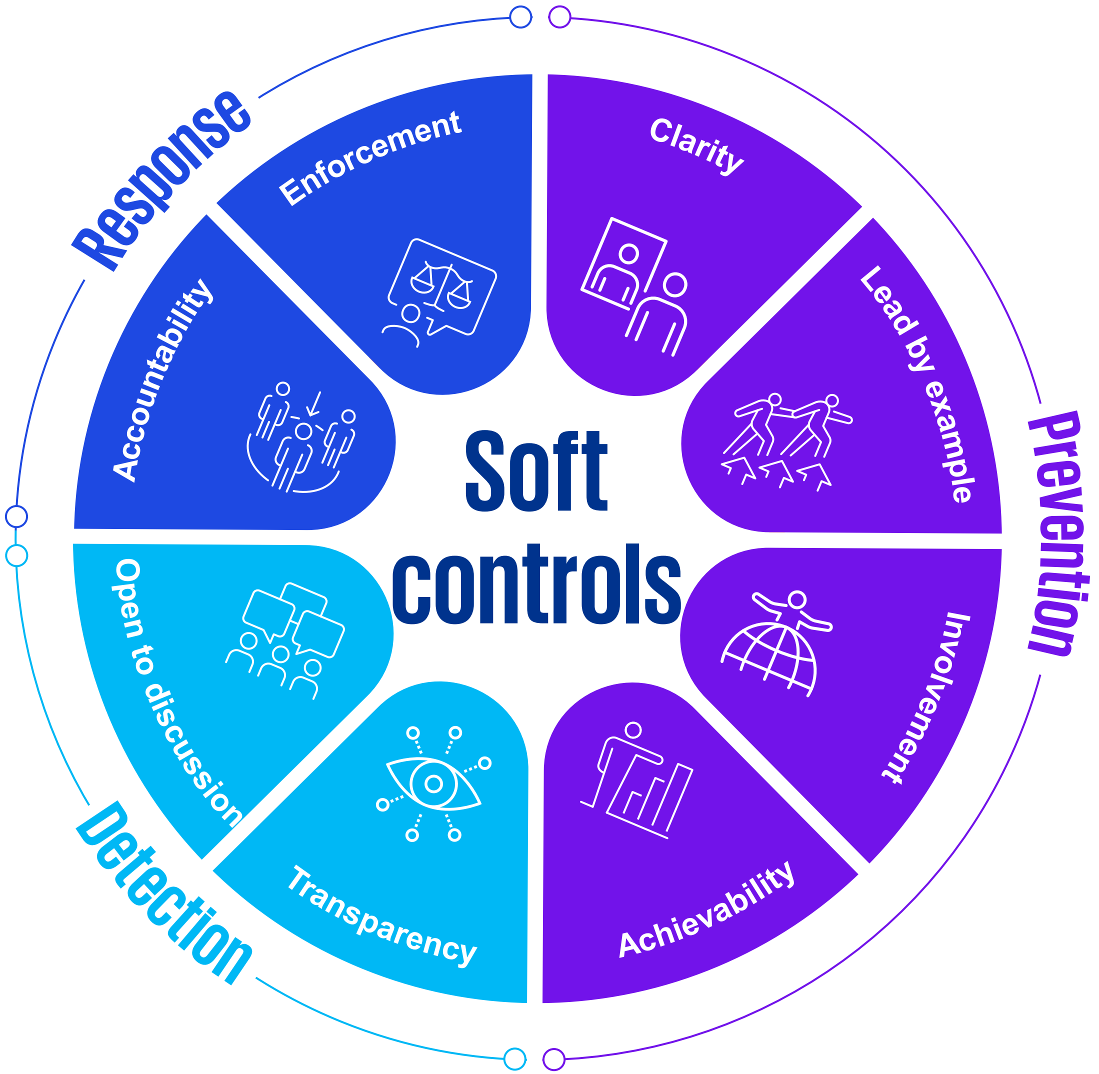
behavior of its employees and management

3 Complementary audit approaches regarding Culture



- Choose the approach that fits your audit objective
- Gain multiple perspectives on culture
- Translate cultural observations into actionable audit insight
- Embed cultural reflection in ongoing assurance work

KPMG Soft controls model



Clarity


Clarity
LOST
CONFUSED
UNSURE
UNCLEAR
PERPLEXED
DISORIENTED
BEWILDERED


Too Little
Balanced
Too Much
Clarity
Normless
Clarity
Paternalism

Lead by example

Too Little | Balanced | Too Much

Role Modelling
Bad role model

Role modelling
Self-important / pompous

Involvement

Too Little | **Balanced** | **Too Much**

Commitment
People do not feel responsible to adopt the desired behavior

Commitment
People only feel responsible for being compliant

Achievability

Too Little	Balanced	Too Much
Achievability Pressure		**Achievability** Leisure

Transparency

Too Little | **Balanced** | **Too Much**

Transparency
Invisible

Transparency
Unaccountability

Open to discussion

Too Little | Balanced | Too Much

Discussability
Taboo

Discussability
Dependent

Accountability

Too Little — Balanced — Too Much

Call someone to account
Avoidant

Call someone to account
Meddlesome

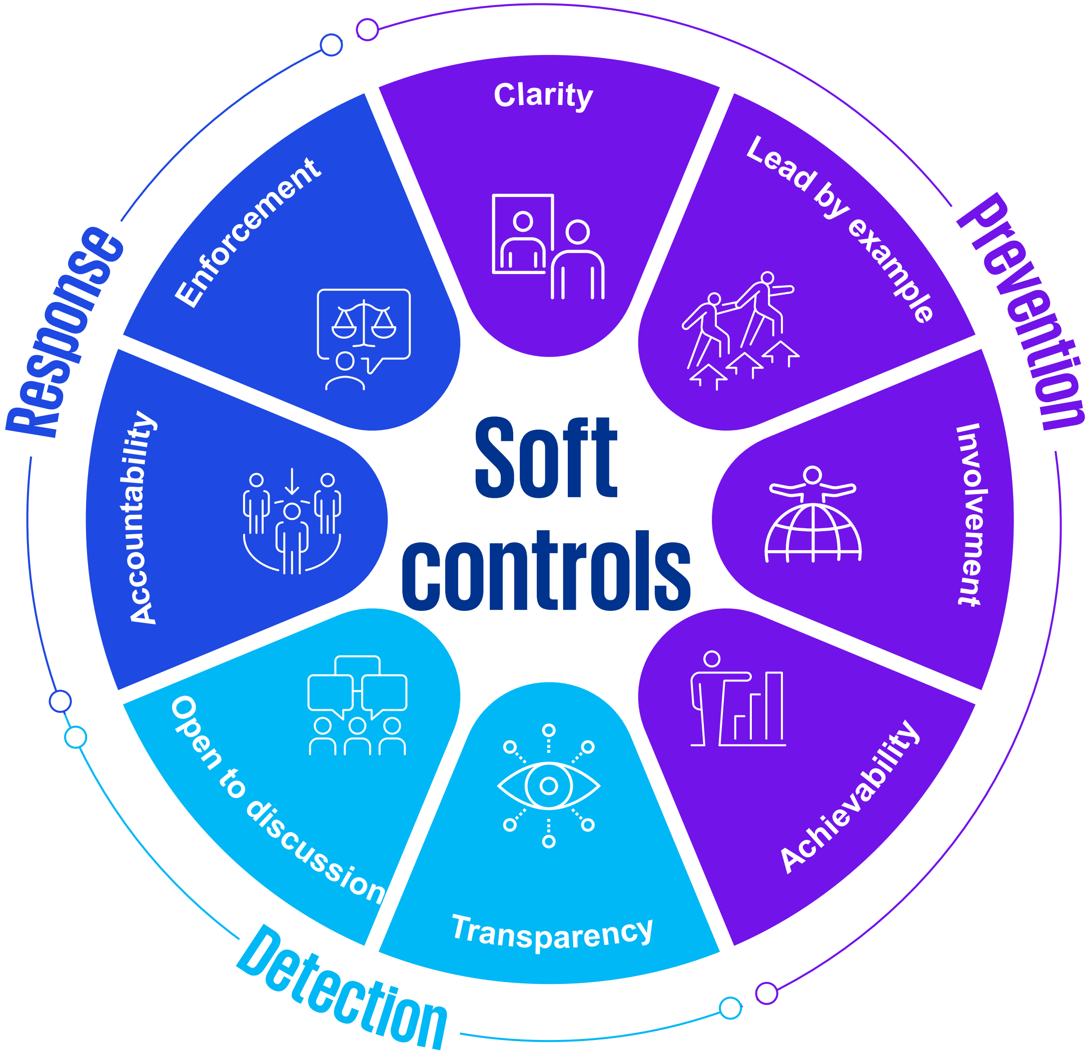
Enforcement

Too Little | Balanced | Too Much

Enforcement
Tolerant

Enforcement
Ruthless

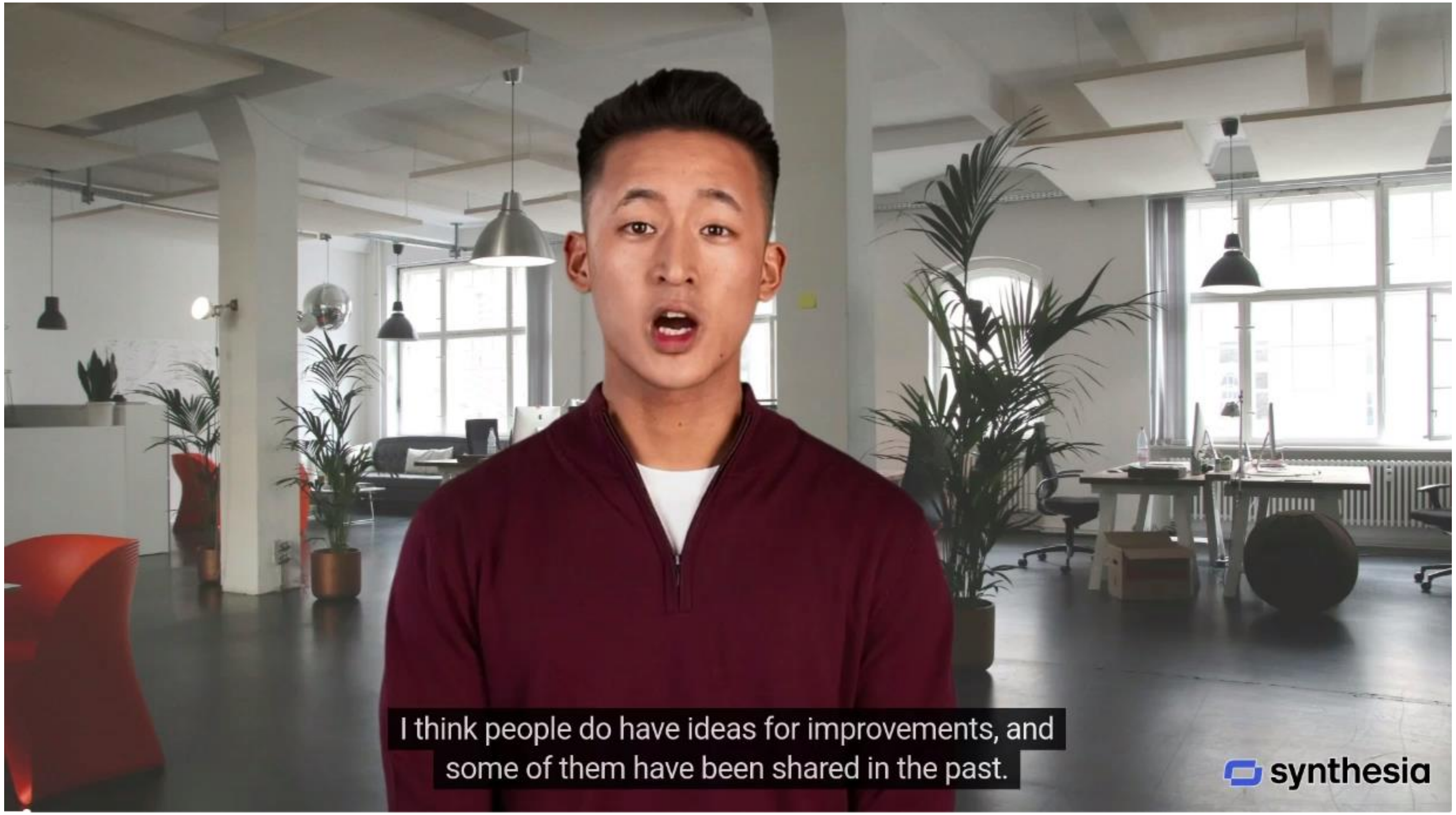
Soft controls model



03

Time to Exercise - Practical cases

Practical Case Study 1 – Employee perception on idea sharing & Feedback



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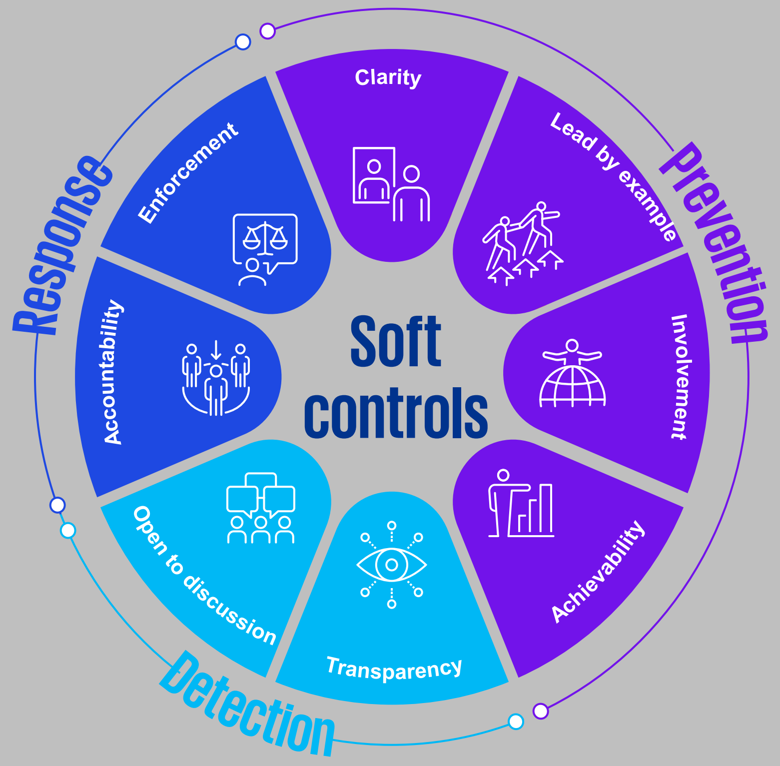

1. What behaviors or attitudes in the video stood out to you, and how do they relate to the concept of soft controls?

2. Have you ever experienced something similar in your own organization or during an audit? How would you tackle it?

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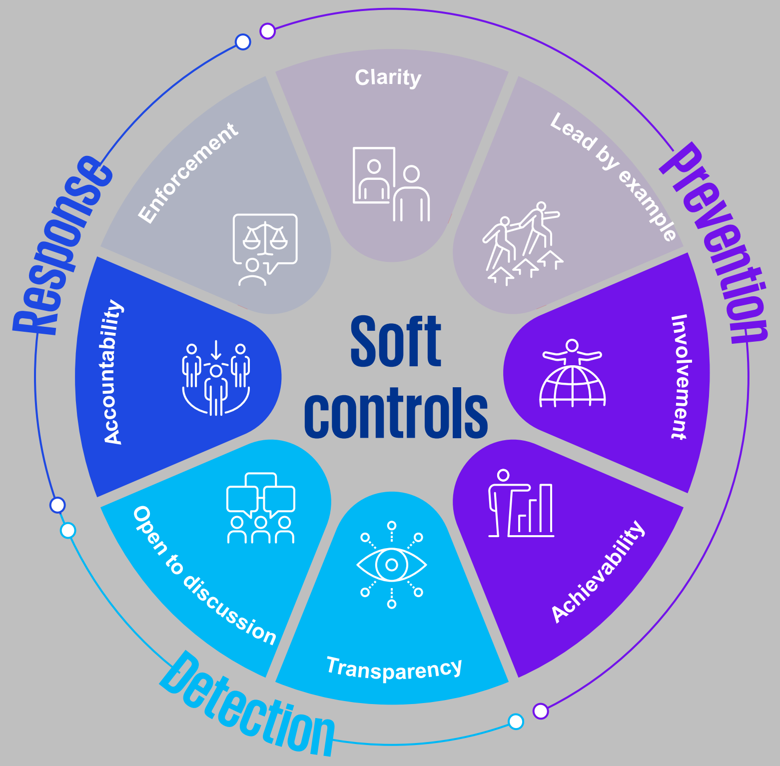

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Practical Case Study 2 – Email from Senior Leadership

Re: Findings from the Internal Audit

Summarize

Control, Dirk

To Organization XYZ

Reply | Reply All | Forward

do 9/10/2025 19:30

Dear team,

I've reviewed the audit report, but honestly, I don't see why we're making such a big deal out of these points. Everyone knows we don't have time to follow every procedure to the letter — what matters is that the results are there at the end of the quarter.

If the auditors want to document something for compliance reasons, that's fine, but please don't involve me in rewriting processes or extra follow-ups. We have more important priorities right now.

Let's just make sure next time the auditors don't pick up on these things.

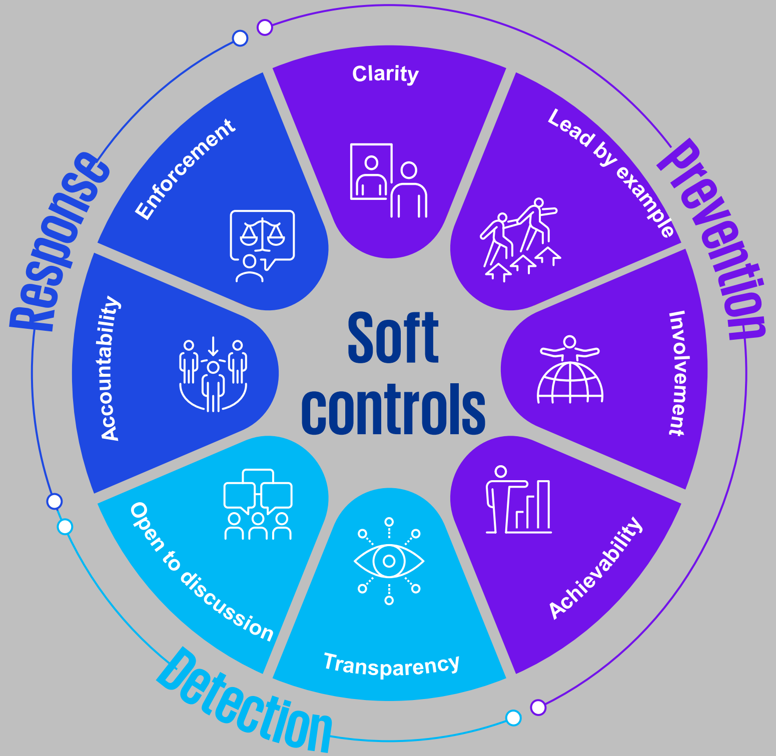
Kind regards,

Dirk Control
Head of Operations

Dirk Control

Head of Operations
Organization XYZ

Practical Case Study 2 – Email from Senior Leadership



1. **Which soft controls do you think are most at risk in this situation, and how could this message affect the organization's overall control culture?**

2. **If you were the auditor, how would you address this situation — and what practical recommendations could strengthen the soft controls?**

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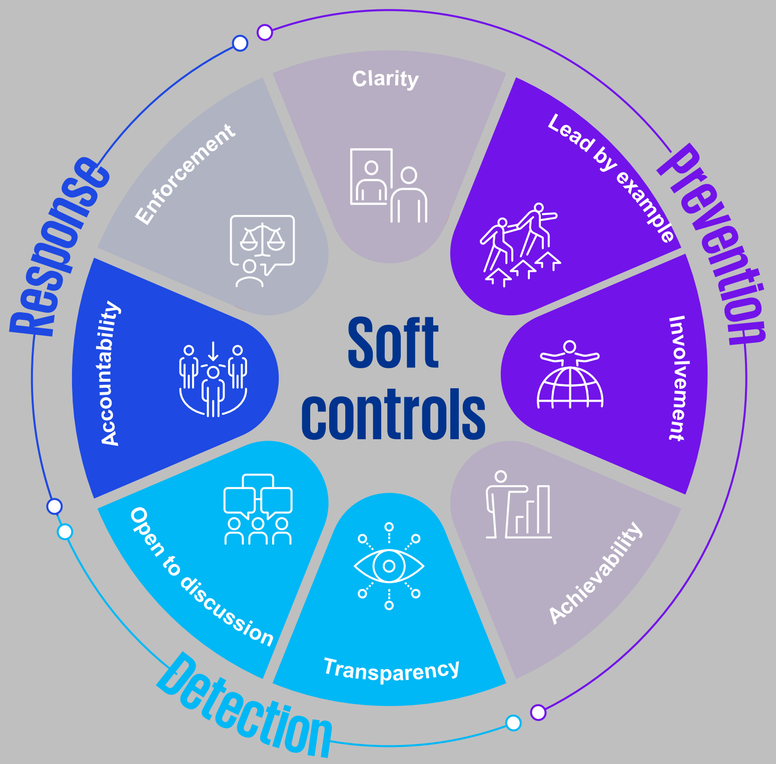

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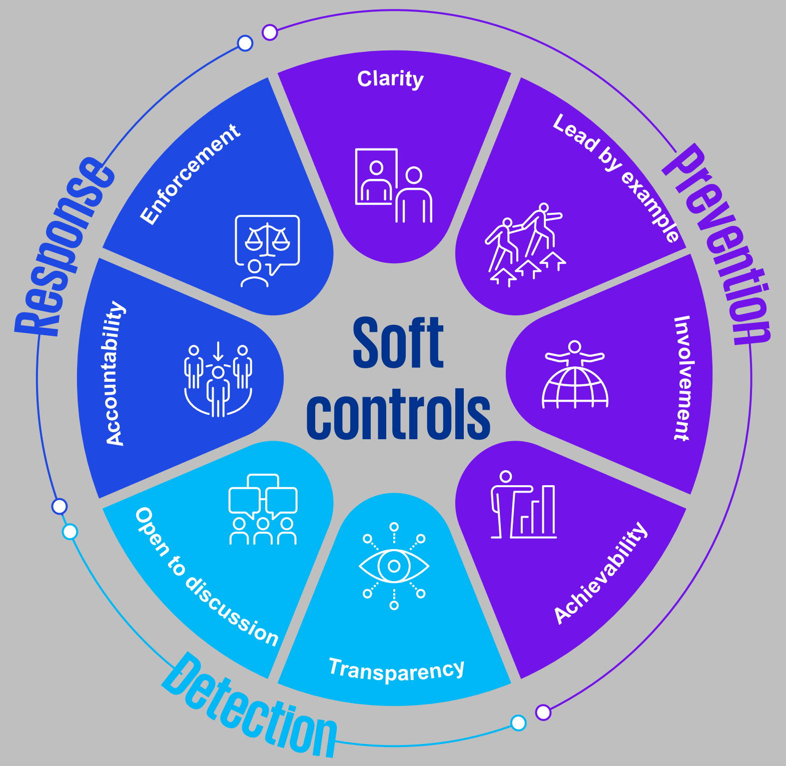
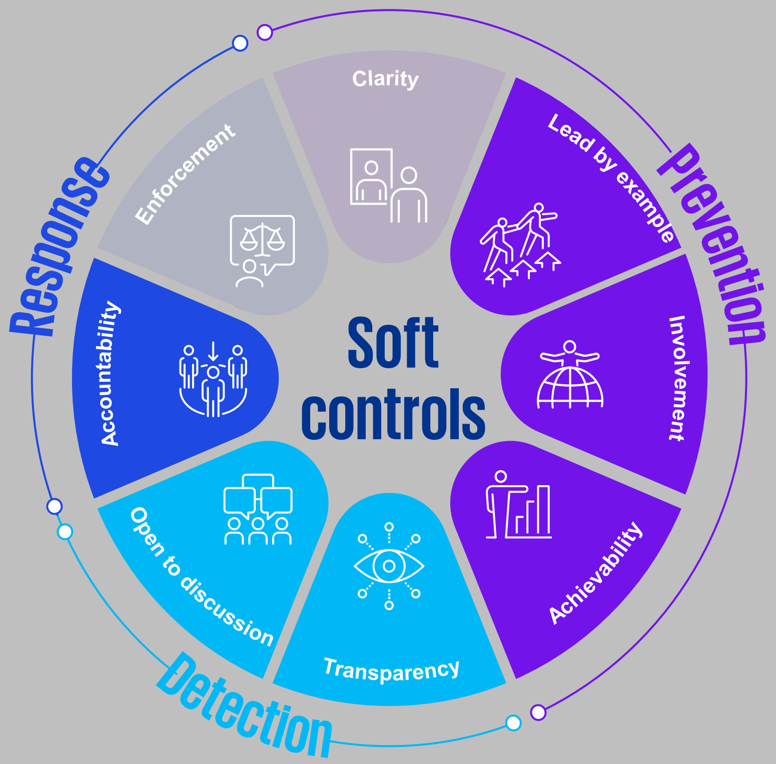


1. **Which aspects of the soft controls framework are under pressure in this situation?**
2. **How could auditors use this conversation to assess the maturity of soft controls within the sales process?**
3. **What actions could strengthen the soft controls under pressure here?**

Practical Case Study 3 – Audit Interview



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Summary: How to deal with cultural red flags

01

Recognize cultural reactions as insight, not resistance – don’t ignore them

Such responses reveal how risk and control are truly experienced within the organization.

02

Don’t jump too quickly to a conclusion – try to dig deeper

Explore patterns and validate signals through multiple sources before forming conclusions.

03

Engage leadership constructively and demonstrate professional courage

Use cultural insights to foster reflection on tone and behavior — staying factual, balanced, and independent.

04

Include tone and cultural indicators

You can record these as separate findings, contextual evidence and/or root causes that helps explain control performance, as well as formal deficiencies.

04

Key takeaways

Key takeaways - Auditing Culture

01

Culture and behavior are critical for effective control environments.

02

Auditing culture requires courage and objectivity.

03

Link cultural insights to risk and performance.

04

Use multiple audit approaches for culture.

05

Embed cultural reflection in ongoing assurance work.

Thank you