Cultural assurance
Internal Audit. Expect More.
Auditing culture – our point of view

There is no ‘one size fits all’ approach to auditing culture
It is important to use a robust framework designed to work for your organisation.

Clarify your cultural aspiration
Define what you are auditing (e.g. culture, speak up climate, tone at the top) and be clear on what you are assessing against (e.g. values, behaviours, strategic priorities, leadership framework, risk behaviours). Apply these principles consistently.

Alignment of behaviours is key
Focus on assessing the alignment between your cultural aspiration, how the organisation has set itself up to achieve this and how people behave.

Take a risk based approach
Incorporate cultural risk into your annual planning risk assessment to focus your attention of areas of the organisation that are subjected to greater inherent cultural risk or show signs of other cultural risk.

Utilise a combination of audit approaches
To get coverage across your high cultural risk areas, utilise a combination of approaches including discrete culture reviews, thematic reviews and/or incorporating a cultural component into regular audits.

Draw on a variety of data from different sources
Use a combination of qualitative and quantitative data gathering techniques to provide greater breadth and depth of evidence.

Pull it all together
Analyse all culture outputs from the discrete, thematic and component reviews to provide the Board and Audit Committee with an overview of the culture of the organisation (e.g. within the Annual Summary or Integrated Report).
Changing business environment

The business environment is rapidly changing. Technological breakthroughs are colliding with other megatrends of demographic, social and political change (e.g. economic uncertainty, increasing debt, slow productivity growth, etc.) and are disrupting the world we live in. Organisations are needing to adapt and change the way they work to stay competitive.

Furthermore, demands are growing for organisations to be purpose driven, aligning personalised employee and customer experiences to stand out in an uncertain and ambiguous market.

New ways of working

Organisations recognise that to tackle the changing business environment, they need to transform to think and behave differently. This is resulting in greater strategic focus on innovation, diversity, agility and resilience.

Culture is the sum of behaviours. Getting behaviours right underpins these strategic goals; this does not happen by itself and needs investment and continuous commitment.

It is the Board’s role to define the culture it wants across the organisation.

82% of respondents answered somewhat or extremely concerned about the uncertainty of economic growth

69% of CEOs say it's harder for businesses to sustain trust in the digital age

PwC 20th CEO survey

Innovation is an area CEOs most want to strengthen in order to capitalise on new opportunities

In the context of an increasingly digitalised world, 92% of CEOs agree it’s more important to have a strong corporate purpose, that’s reflected in our values, culture and behaviours

PwC 20th CEO survey

56% Strongly Agree

36% Agree

77% of CEOs worry that skills shortages could impair their company's growth

20th CEO survey

PwC 12
## Where are you?

Organisations are at different stages of maturity with regards to auditing culture. Where are you and what do you need to think about next?

<table>
<thead>
<tr>
<th>What do you need to think about next?</th>
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<tbody>
<tr>
<td>Behind</td>
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<tr>
<td>• No attempt to audit culture</td>
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<tr>
<td>Foundation</td>
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<tr>
<td>• Conduct one-off/ad-hoc culture reviews</td>
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<tr>
<td>Evolving</td>
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<tr>
<td>• Developed a framework for auditing culture (e.g. discrete or component culture reviews)</td>
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<tr>
<td>• Invested in upskilling the team</td>
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### Thought leading

- An embedded framework incorporating discrete, thematic, component reviews and consolidation
- Specialist team dedicated to culture
- Fully integrated approach towards culture with other lines of defence

- Developed a framework for auditing culture (e.g. discrete or component culture reviews)
- Invested in upskilling the team
- Conduct one-off/ad-hoc culture reviews

- What are the key measures of success?
- As this topic is evolving, how can I learn from others?
- How can I provide more insight to the business?
- How do I collaborate more effectively with the other lines of defence?
- How do I determine what to include on the audit plan?
- What skills do I need in my team?
- How do I gain management buy-in and establish the mandate?
- What do I assess against and what is in scope?
- Where is there cultural risk?
Internal Audit’s role in auditing culture

Boards are looking for assurance that they have the culture they need and are increasingly looking to their Internal Audit functions. Internal Audit is best placed to provide this as it:

- Has access to cultural insights across the whole organisation.
- Understands the organisation and interacts with the business day-to-day.
- Has the ability to get under the surface to understand the cultural issues.
- Can uncover behavioural root causes, looking at the ‘why’, not just the ‘what’.

The value to the business

Auditing culture provides significant value to the business. Internal Audit is able to:

- Identify where behaviours are having a positive or detrimental impact on the business.
- Drive business performance by ensuring behaviours are being embedded through all layers of the organisation.
- Provide comfort to the Board and Management that they have a culture which is aligned to their strategic objectives.

73% of CAEs reported that they plan to or are already auditing culture  
CIIA July 2016

85% of CAEs believe that professional judgement is needed to audit culture and behaviours  
CIIA July 2016

“Well-positioned Internal Audit leaders are able to comment on the behaviours and culture of the organisation, and engage in strategic initiatives at the onset to provide timely advice that allows the business to change course if needed.”  

PwC 2016 State of the Internal Audit Profession Study
1. Perform culture diagnostic
   - High level exercise to understand your cultural set up and help determine where to start.
   - Propose what to audit and assess against and identify potential areas of focus.

2. Build a strategic framework for auditing culture
   - Develop a holistic framework to audit culture across your organisation.
   - Provide supporting stakeholder management, methodology, guidance and upskilling.

3. Perform inherent cultural risk assessment
   - Determine what culture audit(s) to include in your plan to ensure you have the audit coverage you need.
   - Take a risk based approach, focusing on areas where there is a higher inherent cultural risk as well as areas that show signs of other cultural risks.

4. Deliver your culture audits
   - Co-source arrangement using culture assurance specialists to deliver the culture audits as defined in your audit plan.

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