

# TECHNICAL NEWSLETTER



## UNDERSTANDING ORGANISATIONAL CULTURE AND RESPONSIBILITIES

OVERVIEW OF CULTURE, KEY ELEMENTS, AND GOVERNANCE ROLES



### INTRODUCTION

Organisational culture refers to the set of principles, standards, and beliefs that direct how employees behave within a company. This culture establishes the norms for interaction, influences decisions, and shapes daily work practices. A unified and robust culture helps the workforce act consistently and lays a solid foundation for behaviour across every level of the organisation.

### KEY ELEMENTS OF ORGANISATIONAL CULTURE

Several core elements contribute to organisational success:

- Integrity: Upholding honesty and ethics.
- Teamwork: Collaborating to reach goals.
- Transparency: Ensuring open communication.
- Accountability: Taking responsibility for actions and outcomes.

A positive culture encourages accountability, high performance, and ethical decision-making. On the other hand, a negative culture increases risk and can erode stakeholder trust. When culture aligns with business strategy, it supports long-term success and enhances the organisation's reputation.

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## **RESPONSIBILITIES OF MANAGEMENT, BOARD, AND INTERNAL AUDIT**

Leadership plays a crucial role in shaping and maintaining culture. Management is charged with creating and sustaining the desired culture and conduct risk practices. Their duties include defining, communicating, and enforcing the organisation's values and behaviours. The board is responsible for oversight, ensuring management acts according to the organisation's set principles.

The influence of culture touches all areas of governance, compliance, ethics, and performance. A strong culture reinforces accountability, transparency, and trust with stakeholders. Aligning culture with business strategy is vital for meeting long-term goals and building a strong market reputation.

Internal auditors have a significant role in upholding ethical standards. According to Domain II Standard 1.2, internal auditors are expected to understand, respect, meet, and contribute to the ethical expectations of the organisation, as well as identify behaviour that does not meet those standards.

Additionally, Domain IV Standard 9.2 requires the chief audit executive to fully understand the organisation's governance, risk management, and control processes. This understanding is critical for developing effective audit strategies that support ethical conduct and sound governance.

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## ORGANISATIONAL BEHAVIOUR TOPICAL REQUIREMENT: IMPLEMENTATION AND AUDIT CONSIDERATIONS



### ISSUANCE AND SCOPE

The Organisational Behaviour Topical Requirement was issued on December 15, 2025, and will take effect on December 15, 2026. This requirement sets a minimum standard and provides a structured approach for auditors to evaluate both the design and effectiveness of controls related to organisational behaviour. It specifically guides the assessment of governance, risk management, and control processes that shape behaviour within organisations.

### GOVERNANCE OF BEHAVIOURAL RISKS

Within the governance framework, the Board and Senior Management must define and oversee clear roles, accountabilities, and governance of behavioural risks. Their responsibility is to ensure that desired behaviours align with organisational objectives and are integrated into daily operations.



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## ASSESSMENT OF CONTROL PROCESSES

Internal auditors are required to evaluate whether control processes effectively identify, communicate, and reinforce expected behaviours. This includes assessing mechanisms that encourage and protect the reporting of behavioural concerns, and ensuring incentives, training, and talent practices are in line with organisational objectives and regulatory requirements. Auditors are also responsible for ensuring that behavioural misalignments are promptly identified, corrected, and escalated as required.

## INTERNAL AUDIT RESPONSIBILITIES

Internal auditors play a pivotal role in this area. They must assess whether key behavioural risks and expectations are clearly defined, actively monitored, and reported in a timely manner. Auditors also evaluate whether behavioural gaps and their root causes are communicated, addressed, tracked, and ultimately closed, involving stakeholders as needed throughout the process.



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For guidance on these assessments, refer to the Organisational Behaviour Topical Requirement User Guide, which covers the application of Topical Requirements throughout the audit lifecycle.

Once a risk is considered significant and a Topical Requirement applies, internal auditors should use it consistently during the planning and performance of their engagements.

## Audit Planning

When a risk is deemed significant and a Topical Requirement is relevant, internal auditors are expected to apply the requirement throughout both the planning and execution phases of the audit. According to Standard 9.4, significant risks linked to Topical Requirements should be addressed through dedicated audits or as part of integrated engagements. These risks must be referenced in the audit universe, risk assessments, and planning documents for transparency and alignment with organisational priorities.

## Engagement Performance

During the engagement performance stage, internal auditors should use professional judgment to adapt the Topical Requirement to the specific characteristics of each risk. In line with Standard 13.3 Engagement Objectives and Scope, auditors must consider the underlying causes of risk and determine which governance, risk management, or control aspects are most relevant to how the risk is manifested and its impact on the organisation.

Only requirements relevant to the defined engagement scope and objectives are applied. Any exclusions must be based on risk, proportionate, and clearly documented in engagement work papers. Fieldwork should provide enough evidence to support conclusions on the applicable requirements, ensuring focused and meaningful audit coverage.

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## CONCLUSION

Effective auditing of organisational culture and behaviour supports ethical conduct, good governance, and sustainable performance by reinforcing clear expectations, strong controls, and accountability. When culture aligns with strategy and is subject to effective oversight, organisations are better positioned to manage behavioural risks, build stakeholder trust, and achieve long-term success.

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