Auditing Culture – Building Culture from the Ground Up

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Agenda

Culture:
- What?
- Why?
- How did I do it?
Polling Question #1

How familiar are you with auditing culture?

– Never heard of it
– Heard of it but not sure what to do with it
– We audit culture on a regular basis
Culture – What?

A set of processes in an organization that affects the total motivation of its people (How Company Culture Shapes Employee Motivation, HBR, Nov 25, 2015)

Organizational atmosphere that pervades the way people work (Emergenetics.com)

The way that the values and actions of managements and employees create a unique business environment. (The Relationship Between Corporate Culture and Performance, WSJ, Feb 21, 2016)

The “How” we do things to accomplish the “What”
Culture – Why?

Culture is the reason why great organizations have sustained success. Culture drives expectations and beliefs. Expectations and beliefs drive behavior. Behavior drives habits. Habits create the future.

- Jon Gordon
Culture – Why?

If we are truly about making the organization better, we will care deeply about culture.
Culture – How?

My Story

Public Accounting

Talent development

Organizational Culture

Change Agent
Culture – How?

Audit team

Know your culture

Relationship building

Tactical execution
Start With Your Own Team

Hire
• Build a high performance team
• Rigorous screening process
• Look for specific competencies

Train
• Basic audit knowledge
• Tools to be successful
• Rules for your team

Educate
• What is culture?
• How do you identify trends?
• Critical thinking skills

Define It
• What is the culture you want for your team?
• Clear expectations

Live It
• Be transparent
• Build goals and objectives around it
• Evaluate on it & reinforce it
Polling Question #2

How defined is the culture for your audit team?

- We don’t have a defined culture
  – We talk about our culture but it’s not written down or formalized.
  – We have a defined culture and our team is evaluated on how they live it out.
Know Your Culture

What does a good culture look like for you?
For your organization?

- Accountability
- Tone at the Top
- Tone in the Middle
- Existence of policies & procedures
- Integrity & ethics
- Do things right the first time

- Transparency
- Decision-making
- Risk-taking
- Compensation structure
- Customer centric
- Sense of urgency
Relationship Building

Organization
- Seat at the table
- Water cooler conversations
- Be aware of what’s happening
- Attend staff meetings

Senior Management
- Buy in from CEO
- In line with ERM & Compliance (2nd line)
- Provide training

Audit committee
- Regular discussion
- Transparency

TRUST
Relationship Building

- Trust
- Perspective
- Relationship
- Patterns
- Knowledge
Tactical Execution

- Risk Assessment
- Internal Control Environment Report
- Entity Level Controls Report
- Audit Projects
Risk Assessment

- Audit universe
- Risk criteria – 10 utilized
  - Quantitative
    - ERM risk surveys
    - Financial impact
    - Impact to customers
  - Qualitative
    - Management meetings/concerns
    - Quality of personnel
    - Results of last audit
    - Control environment
“Annual assessment of the adequacy of the company’s system of internal controls”

“Reviewed self assessments and certifications from management”

“Consideration of testing performed in conjunction with external audit”

“Placed reliance on the work of external audit”

“Completed audits of key business processes”
Entity Level Controls Report

- Annual audit project
- Culture related controls reviewed
  - Exit interviews
  - Code of Conduct, Conflict of Interest
  - Compensation policies
  - Job Descriptions
  - Training & certifications
  - Strategic Plan
  - Governance Committees
  - Risk management policies, reporting and oversight

“The Ameritas entity level controls have a pervasive effect on controls at the business, application, and transaction level, and define an organization’s corporate culture.”
Polling Question #3

We provide the following reports to the audit committee annually:

– Internal control environment assessment
– Entity level controls assessment
– Both
– Neither
Audit Projects

Planning
- History
- Known items
- Compliance concerns

Fieldwork
- Observe
- Interact
- Evidence

Reporting
- Issue reporting
- Management action plans

Post audit
- Surveys
- Corrective action
  - Timely
  - Quality
Things to Think About

- **Mismatch**
  - Corporate values versus actions of specific departments/business areas
  - What senior management or board expects and what is actually happening

- **Patterns**
  - Keep a list of things that cause you to pause
  - Look for patterns & know when something becomes a red flag

- **Know when to speak up**
  - Don’t raise issues too early
  - Make sure you have facts and evidence
  - Escalate to the appropriate person

- **Consistency**
  - Be consistent across business areas
  - Communicate regularly the expectations for your team
  - Know that it doesn’t happen overnight but stick with it
Summary

• Start with yourself and your team
• Know the culture of your organization
• Be a trusted advisor & build relationships
• Consider culture as you execute your audit work
Questions?

Ameritas

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