



Risk Advisory - Ethics and Culture

Risk Culture

Helping you achieve a strong risk culture

RISK CULTURE ASSESSMENT

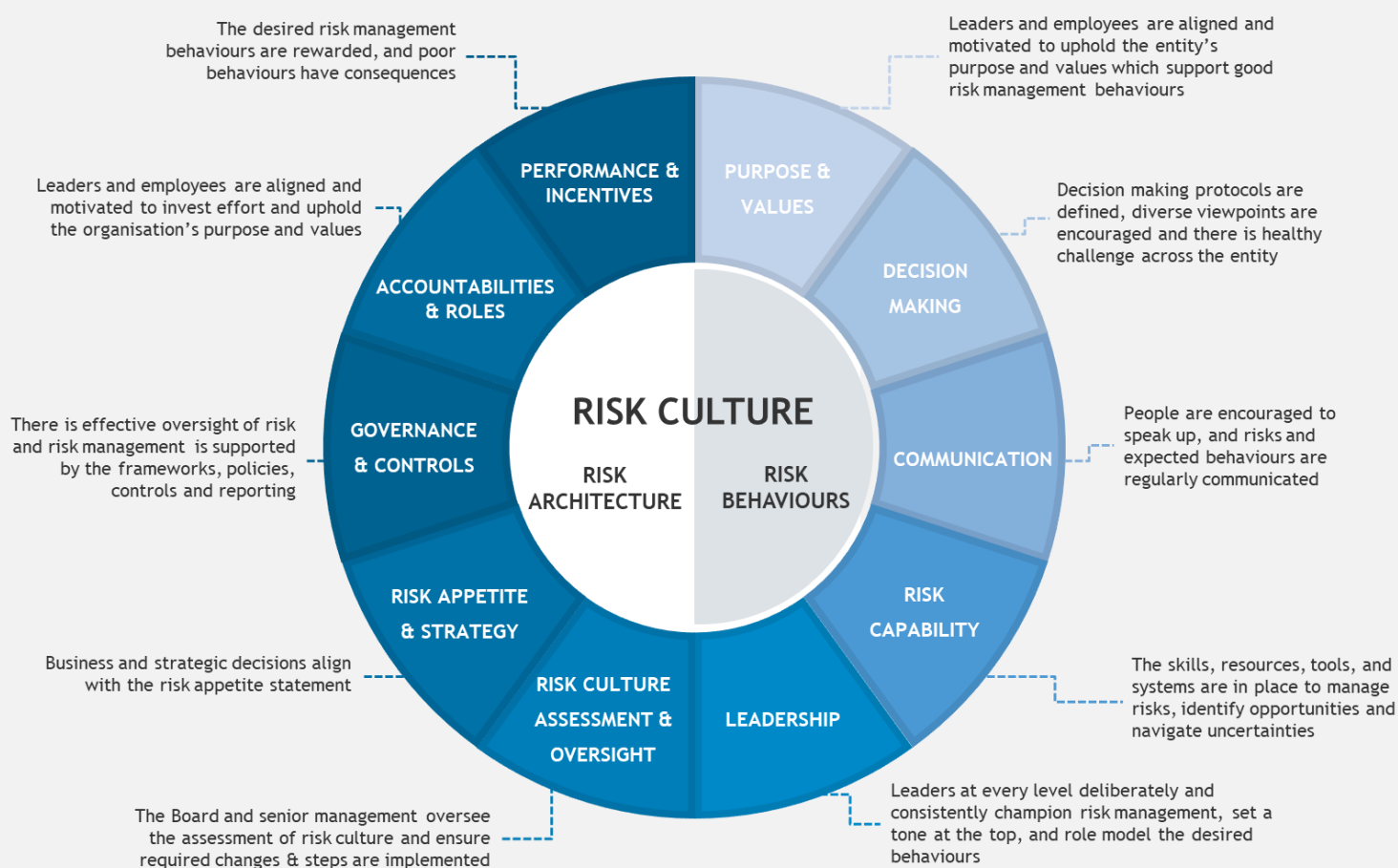
A strong risk culture shapes an organisation's ability to handle potential threats and opportunities effectively. Risk Culture does not operate in a vacuum and is a subset of an organisation's broader culture.

Risk culture is an organisations attitudes and behaviours towards risk management. It is observed in the behavioural norms and practices of both individuals and groups that shape the way in which they identify, understand, discuss, escalate and act on current and emerging risks. Assessing risk culture is an essential aspect of FRC guidance¹; "How has the Board assessed whether employees have the knowledge, skills and tools to manage risks effectively".

An effective risk culture produces an environment where employees are comfortable to speak up and voice concerns with leaders. It produces better decision-making as a broader range of views are considered and enables ideas that present heightened risks to be challenged. It incentivises senior executives to prioritise effective risk management. In doing these things, a strong risk culture helps drive better business and customer outcomes for organisations.

OUR METHODOLOGY

Risk culture is driven by two mutually reinforcing elements that the Australian Prudential Regulation Authority (APRA)² model describes as risk behaviours and risk architecture. Risk behaviour is the observable actions and behaviours in role modelling, operating practices and symbols. Risk architecture is the formal structures which provide the framework for these risk behaviours to be encouraged and supported - this includes systems, policies, procedures and governance structures.



The drivers of risk culture are multifaceted and formed over time. There can be various sets of shared norms and behaviours within one organisation, therefore, consideration must be given to how these interact with each other and impact the way the organisation as a whole perceives and manages risk.

BDO'S RISK CULTURE ASSESSMENT TOOL

Our risk culture assessment has been built from years of experience of working with a wide range of organisations across industry sectors. We adapt our risk culture assessment to help our clients understand their risk cultures. This may include the root cause of non-compliance with policies, slow decision making, repetitive Internal Audit or management monitoring findings, leading to a holistic and measurable assessment of both risk behaviour and architecture.



Our approach is tailored to each clients' unique context, requirements, regulatory requirements and objectives. Our assessment looks at both risk behaviour and risk architecture by assessing existing data, reviewing documentation, and conducting primary engagement through a combination of focus groups, interviews and surveys. Our services include:

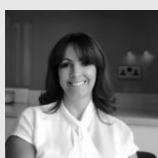
- Behavioural risk culture review, applying findings to key risk areas across organisations
- Integrated risk architecture and risk behaviours review across high-risk business activities or geographies (e.g., anti-bribery and corruption, fraud, social investment)
- Risk culture pilots informed by insight from behavioural risk culture reviews.

We bring an independent and fresh perspective, providing challenge to organisation's status quo to bring insights of best practice and how organisations can achieve this. Our team includes specialists who have first-hand experience in senior compliance and culture roles in industry and in developing and strengthening risk culture.

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