

Public Consultation Draft Organizational Behavior Topical Requirement



The Institute of
**Internal
Auditors**

The 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. Not all individual requirements may 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.

Organizational Behavior

Organizational behavior is the observable actions, decisions, and interpersonal dynamics of individuals and groups within an organization. This behavior influences performance and the achievement of strategic objectives. Simply put, organizational behavior is “the way we do things.”



Organizational behavior that does not support the achievement of strategic objectives or meet stakeholder expectations can lead to poor outcomes for organizations, their customers and employees, and society, even when the organization has good intentions. Control activities should be designed, operated, reviewed, and assessed to ensure the risks related to organizational behavior are appropriately managed, just as they are with other risks.

Internal audit practices in this area are still evolving. This document seeks to apply a traditional risk-based audit approach to organizational behavior by articulating governance, risk management, and control practices that all organizations can apply to managing the risk of misaligned organizational behavior.

Evaluating and Assessing Organizational Behavior Governance, Risk Management, and Control Processes

This Topical Requirement provides a consistent, comprehensive approach to assessing the design and implementation of governance, risk management, and control processes related to organizational behavior. The requirements represent a minimum baseline for assessing behavior in an organization.

GOVERNANCE

Requirements:

Internal auditors must assess the following aspects of the governance of organizational behavior:

- A. The board and senior management structure roles and responsibilities to avoid unintended consequences such as conflicts of interest or inadequately defined decision-making processes.
- B. The board and senior management establish and maintain accountability for behavioral expectations, ensuring roles and responsibilities are owned, understood, and aligned with strategic objectives.
- C. Governance processes are in place to ensure regular monitoring, evaluation, and challenge of the alignment between behavioral patterns and strategic objectives as well as action on any misalignments.
- D. Policies and procedures addressing behavioral risk protocols are established and periodically reviewed for relevance and accuracy. These policies and procedures are effectively communicated and integrated into the business operations and decision-making processes.

RISK MANAGEMENT

Requirements:

Internal auditors must assess the following aspects of risk management of organizational behavior:

- A. The organization's behavioral risk management process is appropriately defined and includes the behavioral attributes that are critical to meeting strategic objectives.
- B. The monitoring of organizational behavior is adequate and timely, with results communicated to key stakeholders.
- C. Gaps between behavioral expectations and actual behaviors, along with associated root cause analyses, are effectively communicated to key stakeholders.

- D. Gaps between behavioral expectations and current practices are resolved with input from relevant stakeholders. The resolutions are tracked to completion and effectively measured to ensure that sufficient actions are taken.

CONTROLS

Requirements:

Internal auditors must assess the following aspects of the control processes related to organizational behavior:

- A. Behavioral risk reviews are used to identify and mitigate patterns of behavior that may pose risks to the achievement of strategic objectives within the organization. Examples include performance reviews and operational risk retrospective reviews.
- B. The organization sets a clear and consistent tone regarding expected behaviors and communicates these expectations through trusted and accessible channels. A structured feedback mechanism is maintained to assess employees' understanding and support and enable changes when necessary.
- C. Processes are established to encourage the reporting of organizational behavior that conflicts with the achievement of strategic objectives. The processes include protection and resolution protocols.
- D. Incentive programs, including monetary remuneration and nonmonetary rewards, are in place, communicated, and aligned with strategic objectives and regulatory requirements. Disincentives and consequences for improper organizational behavior are also included.
- E. A process is in place to manage issues, including identifying and correcting behavioral patterns not aligned with strategic objectives and escalating issues when necessary.
- F. Training and awareness programs designed to ensure compliance with strategic objectives are periodically and effectively delivered.
- G. Talent acquisition and onboarding processes align with organizational expectations for behavior and incorporate behavioral competencies.

About The Institute of Internal Auditors

The Institute of Internal Auditors (The IIA) is an international professional association that serves more than 260,000 global members and has awarded more than 200,000 Certified Internal Auditor® (CIA®) certifications worldwide. Established in 1941, The IIA is recognized throughout the world as the internal audit profession's leader in standards, certifications, education, research, and technical guidance. For more information, visit www.theiia.org.

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