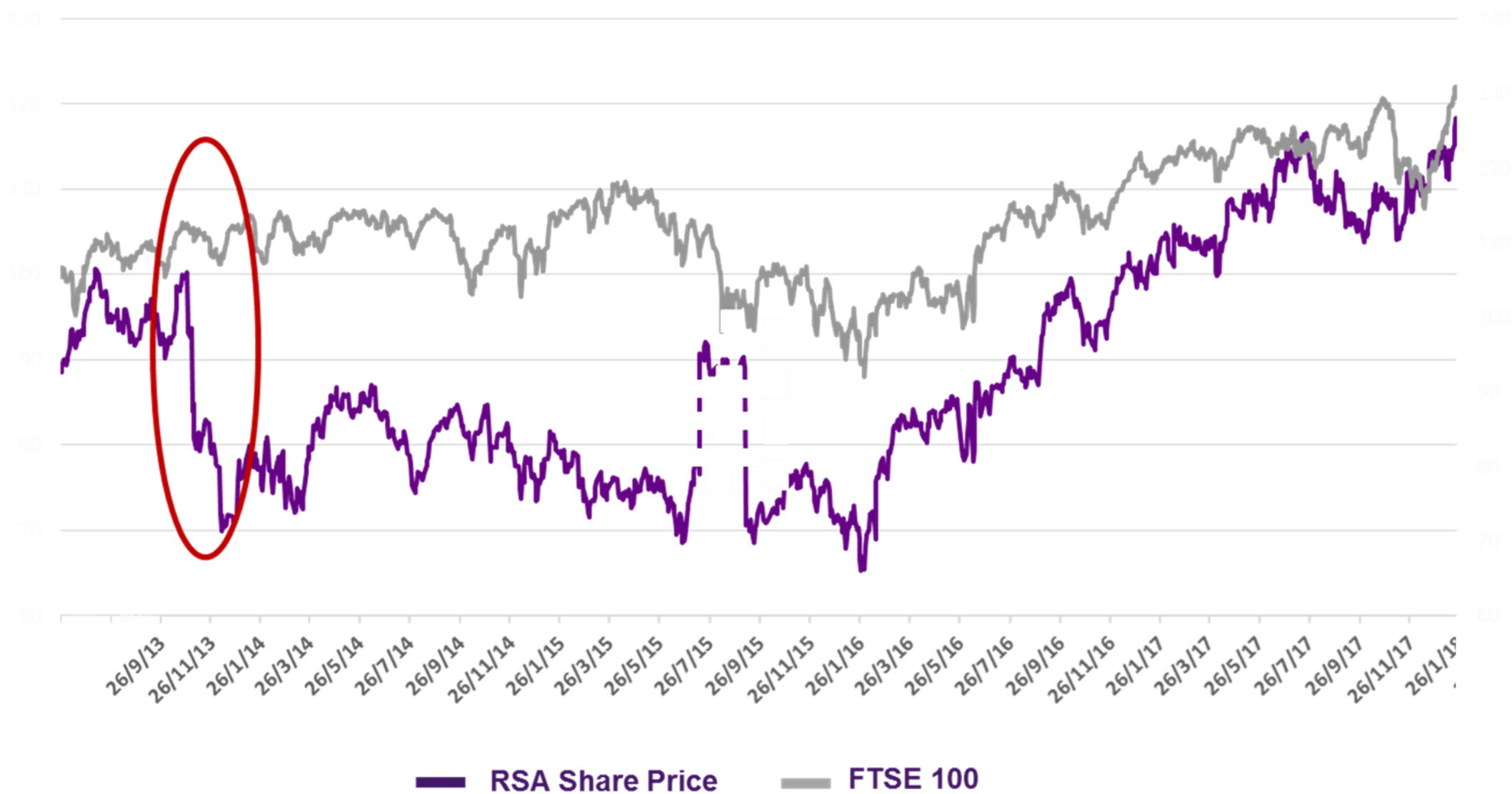




Reinventing Internal Audit & Changing our Mindset

The RSA Internal Audit Experience

Ralph Daals – Group Chief Auditor, RSA Insurance



— RSA Share Price — FTSE 100

**“In the end Internal Audit will be judged
by the things it misses.”**

Starting with our **Clients, Customers & Stakeholders** (i)

“It is for Internal Audit to draw attention, but ultimately for management and those charged with governance to decide what is acceptable.”

“I would like you to be able to tell me that the building is about to catch fire, as opposed to pointing me to it after the event.”

Starting with our **Clients, Customers & Stakeholders** (ii)

“I don’t know, that is your job.”

“Nothing but average, if at all.”

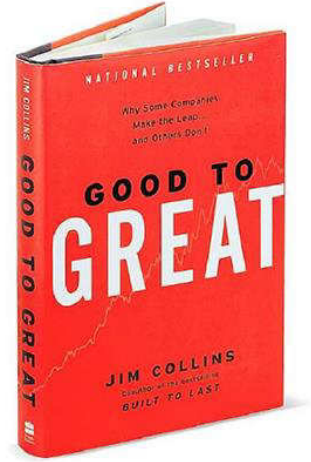
“Internal Audit needs to play its part.”

So what did this mean for us?

- Clarity of role and accountability – Two Killer Questions
- Get ahead of the company and anticipate the future
- Do more with less; constraint as a driver of innovation
- We had to do things differently; challenge the status quo
- Learn from the best, regardless of industry or function

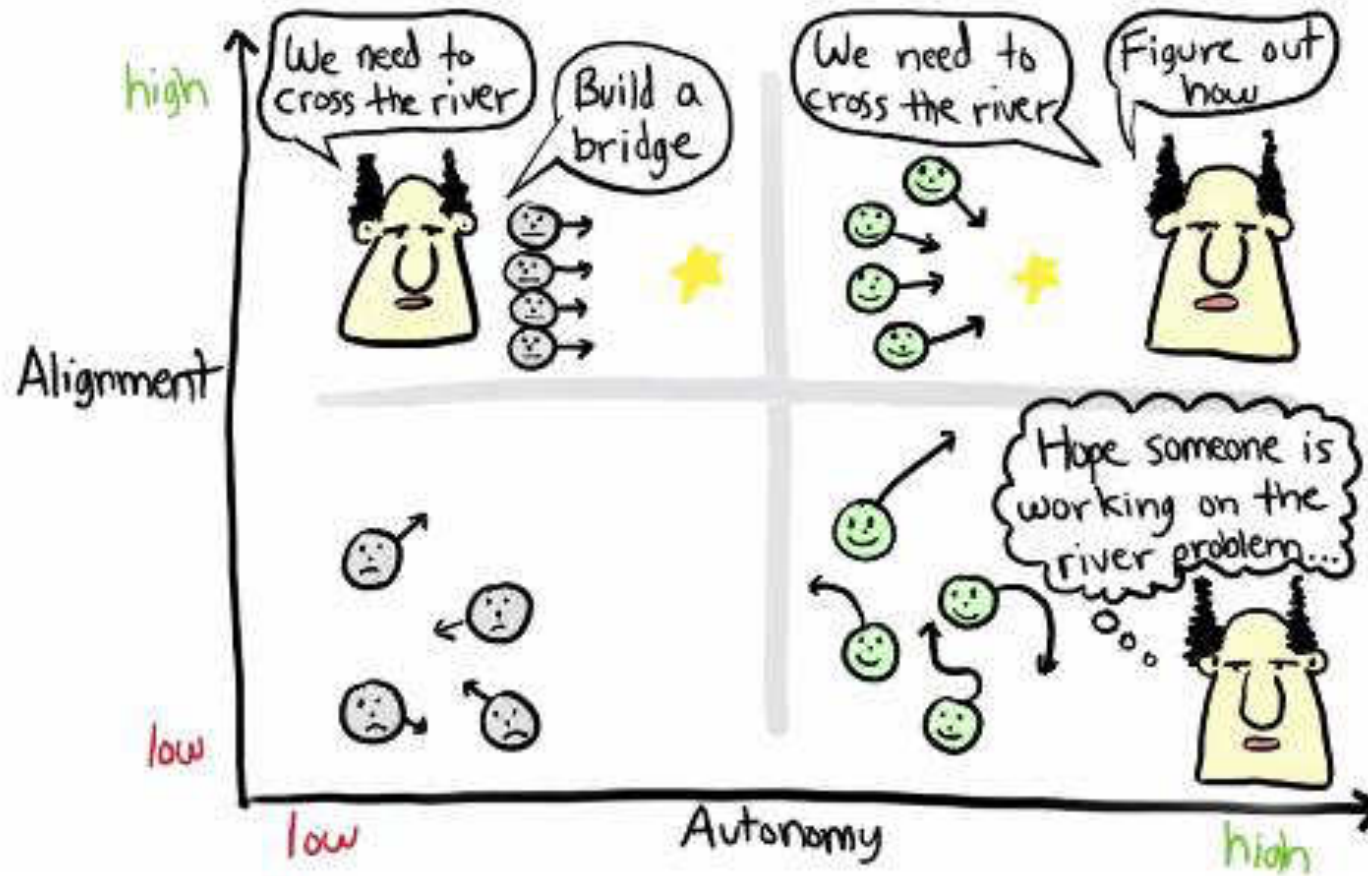
A philosophy was emerging (i):

- It's all about Purpose & People
- Self-motivated, self-disciplined people with “growth mindset”
- Give them **FREEDOM** within a **FRAMEWORK**
- Preserve core values; stimulate progress in everything else; innovation
- Tangible evidence of results; increasingly building momentum



Steve Jobs: *“It doesn’t make sense to hire smart people and then tell them what to do...”*

A philosophy was emerging (ii):



A behavioural approach to change

Ripple effect & contagion

- No project plans, committees, champions, or reams of documentation
- Take people on the journey and make change infectious
- Small iterative improvements driven by **OBSESSING** over the right things
- Short feedback loops – experiment: fail fast, learn fast, but never compromise on outcome
- Embed until “it’s just the way we do things”
- Role modeling, sharing and celebrating success

Inspiration: Cast the net wide - selecting and adapting



Four interconnected building blocks:

1. **Simplify & Standardise** what we do and how we do it
2. Increase **Relevance & Timeliness** of insights and interventions
3. Disrupt **Operating Structure** and optimise **Talent & Delivery Model**
4. Underpin with **High Performance Culture**

1) **Simplify & Standardise** what we do and how we do it

Focused, Simpler, Better

- Do more with less
- Take the waste out of the system
- Stop doing things; bonkers lists & leaning
- Keep it simple; real value to come from the core
- Create the stability from which to build agile

2) Increase **Relevance & Timeliness** of insights and interventions *Insightful, Forward-looking, Impactful*

- Flexible 6+6 rolling plan
- Three-year strategic outlook; audits and skills
- Plan delivery in line with reporting cycle; ‘fresh insights to stakeholders’
- Improved confidence to “have and express a view”
- Away from process: Perspective taking and influencing behaviours

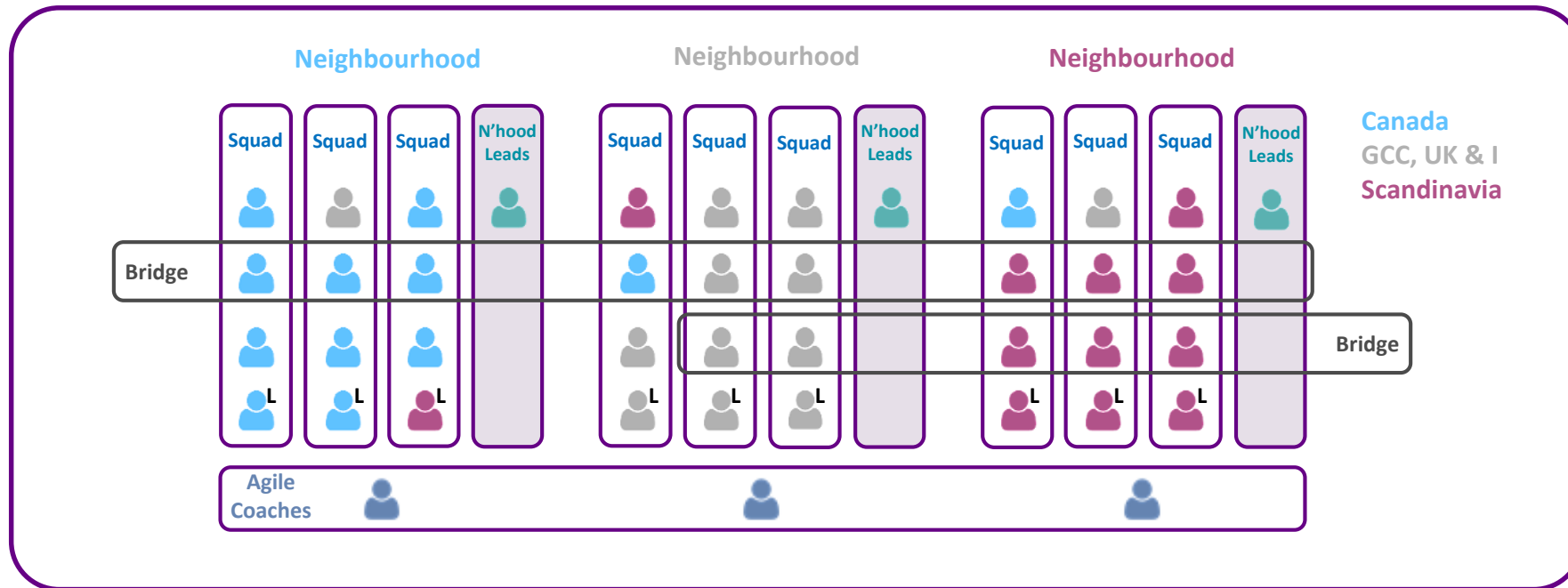
3) Disrupt **Operating Structure** and optimise **Talent & Delivery Model** (i)

- Environment to attract, develop and retain the best talent
- Optimise how we leverage skills and capabilities
- **‘AsOne’**; breaking down silo’s and hierarchies
- Moving away from reporting lines, job profiles and business alignment
- Increase connectivity and collaboration
- Move from roles to responsibilities; strengths focused
- There should always be an ‘UP’ opportunity

3) Disrupt **Operating Structure** and optimise **Talent & Delivery Model** (ii)

- Leveraging Spotify's agile culture
- Turn structure upside down – centered around people coming together
- Squads (self empowered teams), Bridges and Neighbourhoods
- Servant and inclusive leadership; becoming coaches and facilitators
- Supportive; allow people to fail and learn

3) Disrupt **Operating Structure** and optimise **Talent & Delivery Model** (iii)

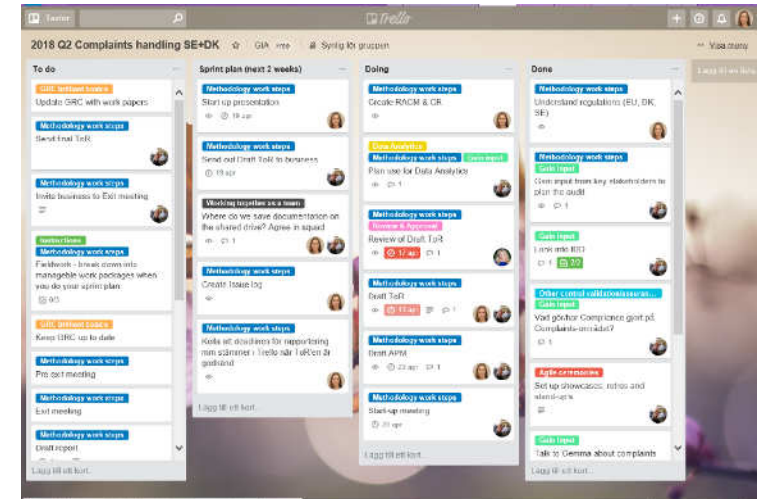


RSA Internal Audit's Operating Model

An ever evolving model with no fixed structure

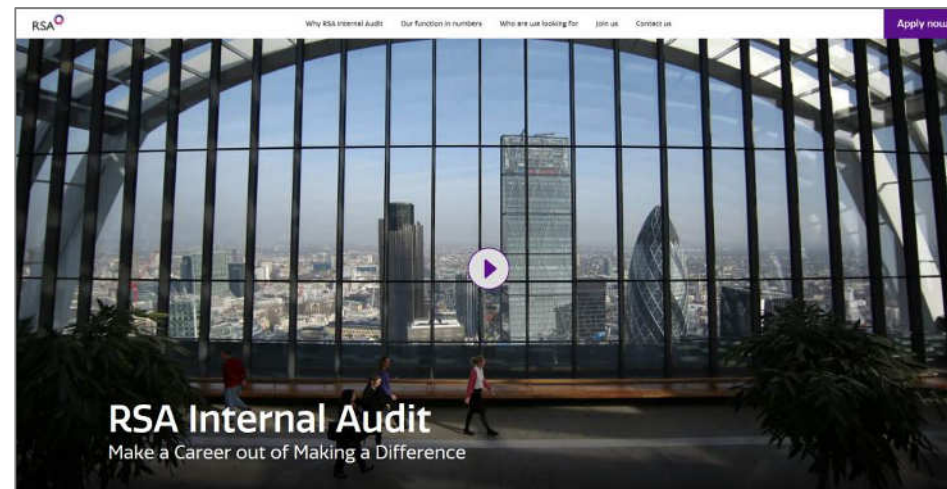
3) Disrupt **Operating Structure** and optimise **Talent & Delivery Model** (iv)

- Replacing traditional 'hierarchical' checks and balances and eliminating artificial milestones
- Momentum, focus, efficiency
- Stand-ups; Showcases; Retro's and sprints
- Supported by Kanban Tools/ Collaboration platforms: e.g. Trello



4) Underpin with a **High Performance Culture** (i)

- Learn from Google; recruitment our single most important activity
- The best talent – diversity of background, thought and experience
- Get future skills in now – don't wait until everybody wants the same
- Fully direct and in-Function; our people our ambassadors



<https://internalaudit.rsagroup.com/>

4) Underpin with a **High Performance Culture** (ii)

- The best we can be as a Function and as individuals
- Prepare and perform like top athletes
- Learning Fridays – no work allowed!
- Future experts – no silo's
- Becoming the auditor of the future is in your hands
- Taking away fear factor (e.g. Coding)
- Growth mindset – learning environment;
- Fail fast, learn fast, but never compromise on outcome!

Is it working?

- Our Two Killer Questions – Y/E appraisal Questions
- Financial & Operational Benchmarks
- Temperature Checks – Short feedback loops
- Recruitment
- Talent progression, within IA and RSA
- Enablement and Engagement...It's rewarding and fun!
- ...But, it clearly doesn't stop here!



Some reflections:

- Some tough decisions
- Don't be afraid to “put yourself out there”
- Resilience and adaptability
- Servant leadership & continuous role modelling
- Dealing with mediocrity
- Culture to allow for failing and learning – internal & towards business
- Communicate, communicate, communicate – all about context
- No formula for agile. Every journey is different.

“So far so good...

...but, we don't know what we don't know”

Interested in knowing more?

RSA Internal Audit's Micro website

- <https://internalaudit.rsagroup.com/>

'Agile Performer'

- <https://www.iaa.nl/actualiteit/nieuws/agile-performer>

Agile transformation: No formula, but common success factors

- <https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/digital-blog/agile-transformation>