



Internal Audit Outsourcing

Managing change and creating opportunity

The PwC Internal Audit



As a business that's going places, we believe you can and should expect more from Internal Audit and an outsourced approach can help you achieve this. An outsourced team, aligned to your strategy, relevant to the issues you're facing and armed with innovative techniques and technology, is capable of providing the insights, comfort and confidence you need to deliver against your objectives. Your own function will, almost certainly, have moved on and evolved over the years. So too, has Internal Audit outsourcing. It's time to reconsider whether outsourcing can provide the agility and specialist resources necessary to help you manage change and make the most of the opportunities presented.

What's on your mind?

How can an Outsourced Internal Audit function help me meet the growing demands of my stakeholders in an expanding risk landscape? Tapping into experience and insights from the wider market will help you respond to calls for increased risk management and transparency. How do I best evaluate outsourcing to understand if it's cost effective and can add value to my organisation? If this is your first foray into outsourcing, you may require some support and advice as you explore this new area.

How do I compensate for the cycle of experience that my in-house Internal Audit provides? The loss of your Internal Audit function as an effective incubator of future finance talent may be a daunting prospect. You need confidence in how this can be accommodated.

How do I retain control with an Outsourced Internal Audit function? Outsourcing inevitably requires the relinquishing of some control but how much is too much? How do I get the right cultural fit?

You want to ensure that the outsourced provider will be sympathetic to and compatible with your organisation's style and ways of working.

How quickly can I transition to an outsourced model? You'll want to avoid having a period where you have no assurance support. The right outsourced partner should be able to hit the ground running and offer a range of options to assimilate knowledge transfer.

How responsive will my Outsourcer be? Will they really be there when I need them? It's important to feel confident in your Outsourcer's ability to respond immediately to any crisis that happens.

How can an Outsourced Internal Audit function protect me from unwelcome surprises? If you have had unexpected controls failings you will want an outsource partner who will focus on your priorities and find the right skills to ensure this does not happen again.

"Your business is unique and so the assurance you need will also be unique. Outsourcing is an important option to consider when determining what works best for your particular circumstances."

Andrew Paynter
UK Internal Audit Leader

Our point of view

Drawing on our experience supported by extensive research, we have identified the eight attributes that we have observed characterise leading Internal Audit functions.

Be brave – do a thorough evaluation of outsourcing. If it's not right for you, you will have a fact based story to back up your decision and justify it to your stakeholders. You will also have a better understanding of what the alternative options are for a progressive Internal Audit function.

Focus on what matters – don't overplay the need for your Outsourcer to get up to speed with your business at the cost of embracing the power of an external perspective. Their insights can be a catalyst for encouraging fresh thinking on current and emerging risks in your organisation.

Board level credibility – it's not always easy as an outsider to gain the confidence of the board but your outsourced Head of Internal Audit (HIA) is likely to have done this many times before. Make sure you give your outsourced HIA the opportunity to do this early.

Trust – you need to trust in your Outsourcers competence to deliver an Internal Audit function, their experience in having done this before and their values which are aligned to your best interests. You need to make sure all three elements of trust are considered in making your decision.

More for less – outsourcing is often assumed to be a more expensive option. Done correctly, it can offer an efficient and cost-effective solution that may even result in cost savings e.g. reduction in training costs, technology costs whilst also applying a flexible resource model where you only pay for the time spent auditing.

Telling you how it is – whilst your outsourced HIA will be immersed in your business, they will not lose their objectivity and you need to ensure they are constantly encouraged to engage/challenge as this is one of the most valuable assets they can bring to your business.

What does good look like

Drawing on our experience supported by extensive research, we have identified the eight attributes that we have observed characterise leading Internal Audit functions.

What does good look like

We are proud of the fact that we have the broadest base of Internal Audit practitioners with access to deep subject matter and industry experts.

These skills together with the investment we are making in leading edge tools and techniques mean we can provide an unparalleled innovative Internal Audit partnership.

- We can help you **evaluate** whether co-sourcing is for you.
- We can help you **create the case for change** to broader stakeholders.
- We can support you through the **transition to a co-sourced function**, sensitively managing any concerns your in-house Internal Audit staff may have.
- We can provide you with a co-sourced Internal Audit function **tailored to your specific needs bringing you:**
 - A **'flexible not fixed' approach** that means you stay in control. We align our way of working to fit with yours whilst still sharing the benefit of our breadth and depth of experience in your industry and the Internal Audit profession.
 - A **multi-competency team** with global reach that can be mobilised when and where you need them. An experienced partner and 'critical friend' who'll act as a sounding board for your HIA, providing constructive challenge and bringing innovative ideas and value seeking initiatives, from their extensive network. They will also bring an objective perspective, market experience and seniority necessary to support your HIA and give them a broader, comparative view of how the Internal Audit function is doing.



- A **team that will 'supercharge' your Internal Audit function.** Bringing you fresh and varied thinking, specialist skills and broader business insight that extends beyond the traditional focus on controls. A team who will communicate proactively and transparently with your Internal Audit team and stakeholders helping to facilitate positive change in the business.
- **Access to the latest thinking and market insights** – through a full suite of thought leadership offering industry, specialism and governance perspectives.
- A **variable cost model** that will help you maximise your budget. An optimal blend of skills and experience means you only ever pay for the resources you need, eliminating recruitment, training and employment costs of specialist resource, which no in-house team can maintain.
- A **focus on what's in it for your in-house Internal Audit team**, effectively transferring knowledge and skills and providing a range of development opportunities tailored to your needs e.g. joint delivery of audits with knowledge transfer objectives agreed up front, technical updates, structured training, mentoring and personal development plans.

How can we help?

We are proud of the fact that we have the broadest base of Internal Audit practitioners with access to deep subject matter and industry experts. These skills together with the investment we are making in leading edge tools and techniques mean we can provide unparalleled innovative Internal Audit solutions.

- We can help you **evaluate** what the right Internal Audit model is for you.
- We can help you **create the case for change** to broader stakeholders.
- We can help you **evaluate your current** outsourced provider.
- We can **support you through the transition** to an outsourced function, sensitively managing any transfer of an in house team or helping you manage a small retained in house function.
- We can provide you with an Outsourced Internal Audit function **tailored to your specific needs bringing you:**
 - An **experienced HIA** commercially focused and credible at the boardroom table.
 - A **team that will 'supercharge' your Internal Audit function** with fresh and varied thinking and commercial and strategic advice extending beyond the traditional focus on controls.
- A **team that will communicate proactively and transparently** with key stakeholders helping to facilitate positive change in the business.
- A **'flexible not fixed' approach** that gives us the agility to adapt our way of working to fit with yours taking complex processes and an expanding risk landscape in our stride.
- A multi-competency team with global reach that can be mobilised when and where you need them.
- **Immediate access** to dedicated industry internal auditors and specialists.
- A **'critical' friend to increase your credibility with key stakeholders.** A HIA who can step back bringing you the objective perspective, market experience and seniority necessary to support you and provide a broader, comparative view.
- **Access to the latest thinking and market insights** through a suite of thought leadership offering industry and specialist perspectives.

- ✓ You have an Internal Audit function focusing on the risks that matter to your organisation, both current and emerging.
- ✓ You always have access to individuals with the skills needed to deliver credible and relevant assurance, by deploying the right specialist resource in the right place and at the right time.
- ✓ You are confident, through the evaluation you have done, that your outsource provider is independent, objective and aligned to your business needs now and in the future. They have a credible voice at the Board table.
- ✓ You have an Internal Audit function that has a tried and tested auditing methodology supported and differentiated by cutting edge technology and a suite of innovative tools and techniques.
- ✓ Your Internal Audit function is efficient and cost effective through the flexibility this model gives you where you only pay for the internal audits you need. An outsourced model also enables management to spend less time co-ordinating the function.
- ✓ You are working with an outsourced HIA who gives Internal Audit a strong, objective and credible voice within the organisation and in particular at Board level, working collaboratively with all key stakeholders, both internal and external.
- ✓ You are provided with relevant and valuable insights and opportunities by specialists with experience of businesses facing similar issues and access to extensive knowledge and networks inside and outside the business.
- ✓ Your Internal Audit function is constantly innovating and evolving in order to remain relevant and aligned to your needs, enabling you to move faster and take advantage of opportunities presented in today's changing risk landscape.

When to act

An Internal Audit function is a critical line of defence protecting an organisation from the unthinkable. If any of the following factors apply to your business you should consider an outsourced approach to Internal Audit.

- ✓ When you have a complex and/or global structure which requires Internal Audit to visit different locations, understand different cultures/languages and get to grips with intricacy and complexity quickly.
- ✓ When your business is highly regulated and requires up to date industry or subject knowledge in a rapidly changing environment.
- ✓ When your Internal Audit function is doing its best but struggling to provide the challenge and assurance the business really needs.
- ✓ When you have limited or no assurance at the moment and need an Internal Audit function you can just 'plug and play' to give you assurance and peace of mind over the core foundation of activities of your business and beyond.
- ✓ When you need a HIA with broader market experience, the independence and objectivity to act as a 'critical' friend and the gravitas to deliver difficult and challenging messages to management and the Audit Committee.
- ✓ When you are dissatisfied with the current level of assurance you get over your key business risks.
- ✓ When you want the Internal Audit function to be a centre for talent development where staff obtain a broader knowledge of the business and develop an understanding of risk management, governance and internal control in addition to the development of softer skills.
- ✓ When you have unexpected control failures that make you question the effectiveness of your current Internal Audit function or makes you recognise you may need to establish one.

What you gain

Relevance

Your team has the right skills and experience to help you identify, prioritise and gain assurance over the current and emerging risks that matter most to your business.

Innovation

Your team has a forwardlooking approach in which they invest continuously to ensure it is delivered using the very latest tools and technology, is informed by leading thinking and generates deep insight.

Alignment

Your team is a strong fit with your culture and is able to respond in an agile, flexible and cost-effective way to changes in your business strategy, delivering Internal Audit solutions that are tailored to your needs.

Confidence

Your team is independent, highly skilled and experienced. You can trust them to give you of assurance needed to grow sustainably whilst exploiting the opportunities presented by an expanding risk landscape.

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