


# Internal Audit Co-sourcing

Enhancing the value of your Internal Audit function whilst keeping you in control

The PwC Internal Audit



As a business that's going places, we believe you can and should expect more from Internal Audit and a co-sourced approach can help you achieve this. Co-sourcing makes sense when you are struggling to retain specialist resources or fill particular skills gaps or where you need to respond to digital or transformational disruption.

Your own function will, almost certainly, have moved on and evolved over the years. So too, has the wider profession. It's time to consider whether co-sourcing can both support you to develop your staff's potential and also provide the necessary skills and experience that no in-house function can maintain alone.

## What's on your mind?

**How can a co-source 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 to drive forward an enhanced quality of corporate governance and respond to calls for increased and embedded risk management and control.

**How do I best evaluate co-sourcing to understand if it's cost effective and right for my organisation?**

If this is your first foray into co-sourcing, you may require some support and advice as you explore this new approach.

**Is co-sourcing, outsourcing via the back door?**

You'll want to give reassurance to your Internal Audit function. The right co-source partner will respect that it's not about them and present themselves as an integrated member of the in-house team. Whilst you get access to their skills and experience, the real value comes from combining this with the deep understanding of the business that your in-house team brings.

**Won't this just be additional cost?**

Co-sourcing inevitably has a price and specialist resource can be difficult to attract and retain. You will want to only pay for the skills you need.

**How do I get the right cultural fit?**

You want to ensure that the co-source provider will be sympathetic to, and compatible with, your style and ways of working.

**How responsive will my co-source provider be? Will they really be there when I need them?**

It's important to feel confident in your co-source provider's ability to respond immediately. You need them to demonstrate that they have adequate staff resources as and when required.

**How do I make sure a co-source provider isn't just paying lip-service to knowledge transfer?**

You want to make sure your own key talent will be supported to get the most out of their career and that your co-source provider sees it as a priority to ensure the transfer of skills and experience to develop in-house capability.

*"Internal Audit functions today are facing unprecedented disruption and demand for their services. Co-sourcing doesn't just make good sense, the injection of talent, insight and specialist knowledge is essential to meet the demands of your stakeholders who are expecting more."* **Geraldine Rutter**  
PwC Partner

## Our point of view

**Be brave** – do a thorough evaluation of co-sourcing, in particular focusing on the skills you have within your team against those that you need. 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.

**Take control** – you call the shots and have flexibility in how you use your co-source provider. They will use your methodology, working papers and their reports will be yours. Set out the operating protocols you expect the co-source provider to meet at the outset and stick to them.

**Focus on what matters** – don't overplay the need for your co-source provider 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 as well as in your Internal Audit practices and ways of working. Make sure you challenge them to offer their views.

**Trust** – you need to trust in your co-source provider's competence to deliver a co-source, 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 are considered in making your decision. The relationship between your Head of Internal Audit (HIA) and the co-source provider's lead is key – they should give the HIA constructive challenge, acting as a sounding board for innovative ideas and value seeking initiatives.

**Push and pull** – in a co-source arrangement it's important to know when to 'push' the way you want things to be done and take control and when you want to 'pull' from the specialist expertise your co source provider brings.

**Lessons learned** – it's often claimed that the knowledge transfer promised by co-source providers doesn't materialise as originally hoped. Be clear on what mechanisms will be used to tap into the knowledge and experience of your co-source provider and audit what knowledge transfer is taking place.

**Stick to the knitting** – co-source providers need to be clear that they are there to help you. Make sure they are not using their access as a means for seeking out additional work. Agree a mechanism by which they will share what they are doing outside of Internal Audit in advance.

## 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.



Working with a co-source provider to supplement your in-house team will enable you to access the skills and experience you need. They can also support you in reaching your aspirations across each of the eight attributes, bringing broader industry and Internal Audit profession insights and expertise.

- ✓ You have an Internal Audit function focusing on the risks that matter to your organisation, both current and emerging.
- ✓ You will always have access to individuals with the skills needed to deliver credible and relevant assurance. You can trust in your core co-source team to bring in specialists as and when you need them.
- ✓ Your Internal Audit function is efficient and cost effective. Through the flexibility this model provides, you only pay for the skills you need, eliminating recruitment, training and employment costs of specialist resource, which can be challenging for an in-house team to sustain.
- ✓ You have access to your co-source provider's tools and work plans and they are in active use. Where necessary, you co-develop solutions and audit programmes together.
- ✓ The HIA is supported in building the profile and credibility of the Internal Audit function across the organisation and has strong voice around the boardroom table.
- ✓ You are provided with a relevant service and valuable insights by specialists with experience advising a range of businesses facing similar issues, with access to extensive knowledge and networks inside and outside the Internal Audit profession.
- ✓ You will agree mechanisms to evaluate and measure the execution, quality, engagement and added insight of your co-source partnership.

## 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 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.

## 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 are dissatisfied with the current level of assurance you get over your key business risks.
- ✓ When your business is highly regulated and requires up to date industry or subject knowledge.
- ✓ When your Internal Audit function is doing its best but struggling to provide the challenge and assurance the business really needs.
- ✓ When you feel your Internal Audit function would benefit from an external view on its ways of working, tools and methodology. You're concerned that things have become a bit stale.
- ✓ When you are undergoing a period of significant business change (e.g. major systems implementations, growth/acquisitions) and you want some additional assurance that risks are being appropriately managed during this period of change but lack the subject matter expertise in-house.
- ✓ When you struggle to attract and retain the right level of talent in to your Internal Audit function.
- ✓ When your HIA wants to be better connected with access to broader market experience and insight, with the opportunity to bounce ideas off a 'critical friend'.
- ✓ 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 your current co-source provider is under-performing.
- ✓ When your Internal Audit co-source provider becomes your External Auditor.

## What you gain

### Relevance

You will have a blended team with the right skills and experience to help you identify, prioritise and gain assurance over the current and emerging risks that matter most to your organisation.

### Innovation

You have an Internal Audit team with a forward-looking approach, benefiting from the significant investment your co-source provider continuously makes in the very latest tools and technology, informed by leading thinking, which generates deep insight for you.

### Alignment

You will have an Internal Audit team that remains a strong fit with your culture but is now able to respond in a more agile, flexible and cost-effective way to changes in your business strategy. It delivers Internal Audit solutions that are tailored to your needs, bringing broader industry insight and experience.

### Confidence

You have an Internal Audit team with an enhanced and credible combination of skills, subject matter experience and knowledge of the business. You can trust them to give you and your stakeholders the level of assurance needed to grow sustainably whilst exploiting the opportunities presented by an expanding risk landscape.

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