

Co-sourcing your Internal Audit Function

As an internal auditor you need to understand all aspects of your company's business in order to be credible with senior management and provide an effective report on the company's internal controls. It may be difficult and/or cost inefficient to maintain internal auditors for specialized areas such as treasury, income taxes or research and development. Co-sourcing is an important consideration for expanding the capabilities of the internal audit group while keeping control over the end product.

During the yearly audit planning and budgeting process gaps in staffing, experience and skill sets will be identified. These gaps should be discussed with the audit committee to gain acceptance of the need to co-source and to determine corresponding budget requirements. Preparing a request for proposal ("RFP") for the co-sourcing may be a cumbersome but a worthwhile pursuit. The RFP will solidify for the chief internal auditor and audit committee the strengths and weaknesses of internal audit group resources. Depending on the nature of the work to be co-sourced, the audit committee may need to authorize the RFP and approve the co-source parties. Consideration should be given to contracting for successive years to maximize benefits as the co-source party will derive improved insights into the specific areas on their subsequent audits.

A critical issue will be to ensure that the work is co-sourced to an independent party so no possible conflict of interests with the external auditors occurs. The co-source parties should be prepared to adhere to your internal audit policies and procedures wherever practical. The audit working papers should remain the property of the internal audit group, including the final report presented.

The co-source party should have the appropriate credentials, experience, references and cultural fit for the work involved. Consider asking for individual resumes of the staff that would be assigned to your project – too often resources assigned may be junior and you may be paying to train consultants. This defeats the rationale for co-sourcing the audit.

The Claret Partners Limited

As an independent consultancy we can assist you with the following type of internal audit work.

- Drafting mandates, policies and procedures for internal audit processes.
- Perform testing in areas of expertise such as income taxes, treasury and investment processing (back office) functions.
- Performing quality assurance reviews on internal audit's working papers.

The Claret Partners Limited is a consulting firm dedicated to providing the best in regulatory compliance, tax, risk and governance services as consultants and project managers creating workable and practical solutions. For more information please contact us at

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