
Out Sourcing of Internal Audit

Pos and Cons

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Key Considerations

- Meaning of Out Sourcing
- Type of Organisation: Small – Medium – Large
- The need – Why ? What Considerations ? Is in-house ineffective? Keep regulator or stakeholder happy?
- IF IA exists – existing resources not sufficient / competent ?
- General Industry Or specialized niche market player?
- Any special job to be outsourced?
- Outsource to specialist IA
- Effectiveness and Objectivity under question ?
- In-house team under criticism ? Raise a new bar ?
Decide expected level of performance

Pros

- May cost less
- Quick start-up / already-developed methodologies and audit tools
- External expertise / Bringing in skills not available to in-house
- Access to a greater number and wider range of resources
- Potentially greater objectivity, effectiveness and independence
- Specialized services
- Core competence: different and out of the box view
- Avoids familiarity threats
- Best practices, current developments & refreshed skill set

Cons

- Internal people -more knowledge of business
- Employees are more open to internal people
- Higher Costs & Overheads
- Acceptance / Relationship / Frustration
- May not be available when u need them
- Business secrets / unwanted information
- Absence of loyalty and affiliation
- New / rotational staff less likely to find a big anomaly
- Process expertise is not within business
- Sustainable and long term audit effort
- Potential damage to morale in case of large scale out sourcing

Suggestions

- Match the IA model to Right Size & Requirement
- Outsourcing a small, existing function may be counterproductive
- If the key consideration is efficiency, outsourcing may not be the best option.
- Appropriate SLA can take care of Cons
- Rotational program for internal people
- Do not out source a problem, seek an outsourced solution – see what improvement can be done in-house.
- Outsourcing either a new function or a weak medium-to-large in-house audit function is often an effective solution.
- Getting the basket of performance measures right - Sterile Audit Service, Process based audit Vs Operational audits

Suggestions

- Small Entity – Out Source
- Medium (Lower side) Entity – Out Source
- Medium (Higher side) to Large - Co-Source
- If in-house Senior Management is effective, then co-source
- More than two co-source entities bring in cost effectiveness
- Control Self Assessment aligns well with Co-Sourcing

Thank you