The strategic value of internal audit cosourcing relationships

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Executive summary

In an era marked by rapid technological change, evolving regulatory requirements, and heightened stakeholder expectations, internal audit functions face unprecedented challenges. Traditional in-house internal audit teams often struggle with limited resources, skill gaps, and the need to keep pace with emerging risks. To address these issues and drive greater value, organizations are increasingly turning to internal audit cosourcing—a collaborative approach that blends the strengths of internal teams with the specialized expertise and scalability of external partners.

This paper explores the transformative potential of internal audit cosourcing. It outlines how cosourcing enables organizations to enhance quality, increase agility, access specialized skills, and focus internal resources on strategic priorities. By integrating external resources with in-house knowledge, cosourcing delivers a flexible, scalable, and highly customizable solution that adapts to the unique needs of each organization.

Key topics covered include:

- The evolving landscape of internal audit;

- A clear definition of the cosourcing model;

- The tangible benefits of a cosourcing model;

- Establishing and managing successful cosourcing relationships; and

- A practical overview of a value-driven cosourcing methodology.

By embracing cosourcing, organizations can build a more resilient, future-ready internal audit function—one that not only safeguards the enterprise but also delivers actionable insights and sustained value. This paper provides practical guidance for leaders considering cosourcing as a strategic lever to elevate assurance and support organizational objectives.
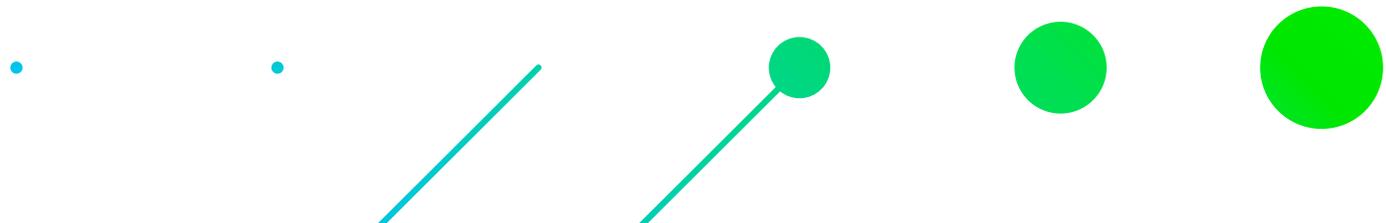
Introduction: The new risk landscape

Today's organizations operate in environments defined by constant change and increasing complexity. Emerging technologies, shifting regulatory expectations, global supply chain disruptions, and evolving cyberthreats are reshaping the risk landscape at an unprecedented pace. As a result, boards and executive teams are demanding more from their internal audit functions—not only to provide assurance over controls and compliance, but also to deliver insights that drive business performance and resilience.

Traditional internal audit models, however, are often challenged to keep up. Limited resources, skill gaps in specialized areas such as data analytics and cybersecurity, and the need for greater agility can hinder internal audit teams' ability to respond effectively to new and emerging risks. At the same time, internal audit is expected to add strategic value, anticipate future risks, and help the organization navigate uncertainty. To meet these rising expectations, internal audit functions must evolve. Embracing innovative approaches and flexible resourcing models—such as cosourcing—enables organizations to access appropriate knowledge, scale resources as needed, and position internal audit as a proactive, value-driving partner in the business.
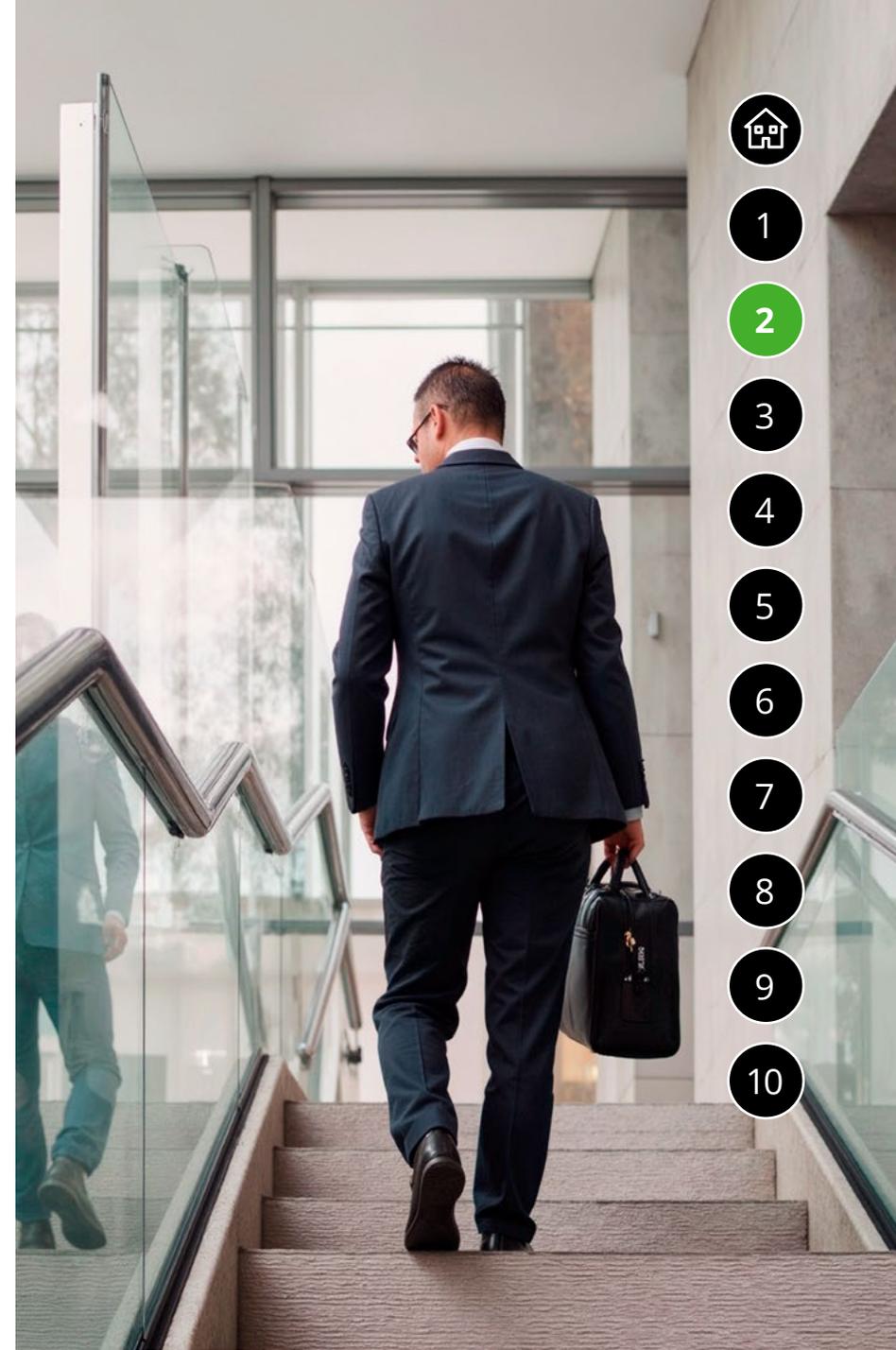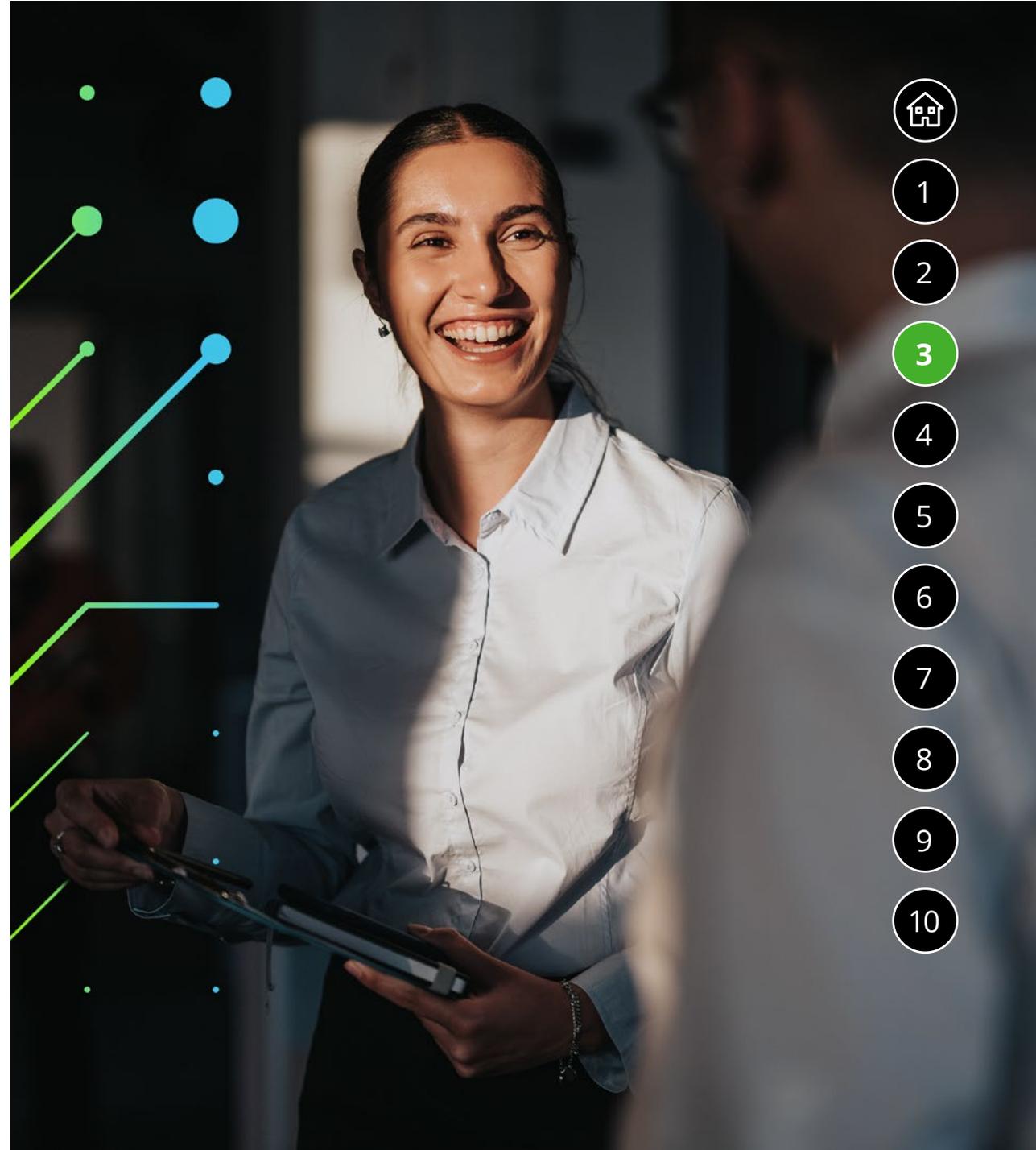
What is internal audit cosourcing?

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Internal audit cosourcing is a collaborative relationship model that brings together your organization's internal audit team and an external service provider to deliver a more robust, agile, and value-driven audit function. Unlike full outsourcing, where all audit activities are handled by a third party, cosourcing blends the deep institutional knowledge of your internal team with the specialized skills, experience, tools, and resources of an external partner.

Importantly, cosourcing is not a one-size-fits-all approach; it can take multiple forms to address diverse organizational needs. For example, aspects of cosourcing may include the integration of loan staff, where external professionals temporarily join internal teams to fill skill gaps, manage surge workloads, or support priority projects. This flexibility allows organizations to benefit from timely expertise and seamless knowledge transfer, all while retaining strategic oversight and direction.

In a cosourcing arrangement, internal and external teams have the opportunity to work side by side, sharing responsibility for planning, executing, and reporting on audit activities. This integrated approach allows organizations to maintain strategic direction and control, while benefiting from access to advanced methodologies, emerging technologies, and subject matter expertise in areas such as IT, cybersecurity,

Key features of internal audit cosourcing

Integrated teams

Cosourcing creates a unified team environment where internal and external professionals work collaboratively. This integration goes beyond simply supplementing staff; it fosters a culture of partnership, mutual respect, and shared purpose. External professionals become embedded within the organization's audit processes, aligning with internal protocols, culture, and objectives. This close collaboration can help ensure that audits are tailored to the organization's unique risk profile and business context.

Flexible support

One of the most significant advantages of cosourcing is its scalability. Organizations can quickly ramp up or scale down external support in response to evolving business needs, regulatory changes, or periods of volatile audit activity. This flexibility helps address temporary skill gaps, manage resource constraints, and provide surge capacity during peak times—without the long-term commitment or overhead of hiring full-time staff.

Shared responsibility

In a cosourcing model, oftentimes both internal and external teams share responsibility for the full audit life cycle, including planning, execution, and reporting. This joint ownership promotes accountability, transparency, and alignment with organizational goals. By working together, the teams can leverage diverse perspectives, challenge assumptions, and drive more comprehensive and insightful audit outcomes.

Knowledge transfer

Cosourcing is designed to be a two-way learning experience. External providers bring leading practices, industry insights, and technical know-how, while internal teams contribute deep organizational knowledge. Through ongoing collaboration, training, and joint project work, internal staff have opportunities to upskill and adopt new methodologies. This continuous knowledge transfer strengthens the internal audit function and builds long-term organizational capability.

Access to tools and technology

Partnering with an external provider gives organizations access to advanced audit tools, data analytics platforms, and automation technologies that may otherwise be cost-prohibitive or unavailable in-house. These resources enhance audit quality, efficiency, and coverage—enabling deeper insights, faster issue identification, and more effective risk management. External partners also help integrate these technologies with existing systems, minimizing disruption and maximizing value.

Leveraging the strengths of both internal and external teams, cosourcing empowers organizations to enhance audit quality, respond quickly to emerging risks, and deliver greater value to stakeholders.

Comparing audit delivery models

Comparing audit delivery models

Organizations have several options when structuring their internal audit function, each with distinct advantages and challenges. Understanding the differences between in-house, fully outsourced, and cosourced models is essential for selecting the approach that best aligns with your organization's needs, resources, and strategic goals.

	In-house internal audit	Fully outsourced internal audit	Cosourced internal audit
Overview	The organization's own employees and staff manage the entire internal audit function.	A third-party provider assumes full responsibility for planning, executing, and reporting on all internal audit activities.	A hybrid approach where internal audit responsibilities are shared between the organization's team and an external partner.
Advantages	• Deep institutional knowledge and understanding of company culture, processes, and risks • Direct control over audit priorities, methodologies, and reporting • Strong alignment with organizational values and long-term objectives	• Access to a broad range of specialized expertise and advanced audit tools • Ability to scale resources quickly to meet changing demands • Variable cost structures allow organizations to align spending with actual needs, providing greater financial flexibility and scalability • External perspective can drive innovation and challenge internal assumptions	• Combines internal knowledge with external experience and resources • Flexible resourcing to address skill gaps, peak workloads, or specialized audits • Ongoing knowledge transfer and upskilling of internal staff • Maintains organizational oversight and alignment with business objectives
Challenges	• Limited access to specialized skills and emerging technologies • Resource constraints may hinder responsiveness to new or complex risks • Managing fixed costs such as salaries and benefits can strain budgets and limit flexibility, especially when audit demand fluctuates • Potential for skill gaps in areas like IT, cybersecurity, or regulatory compliance	• Less direct control over audit processes and priorities • Potential disconnect from organizational culture and business context • Knowledge transfer and relationship-building may be limited	• Requires effective coordination and communication between internal and external teams • Success depends on a strong partnership and clear role definition • Careful assessment of these models enables organizations to select the audit delivery approach that best aligns with their risk management, compliance, and strategic objectives—while retaining the flexibility to adapt as needs change.

Benefits of cosourcing

Benefits of cosourcing

Internal audit cosourcing is more than a staffing solution—it is a strategic lever that helps transform the audit function into a proactive, high-impact partner to the business. By combining internal knowledge with external experience, cosourcing delivers a powerful set of benefits that drive organizational resilience, innovation, and value creation.

- **Elevate audit quality and assurance**
  Cosourcing brings access to world-class methodologies, advanced audit tools, and a network of subject matter advisers with deep industry and technical knowledge. This infusion of knowledge raises the bar for audit quality, helping to enable more robust risk assessments, sharper insights, and comprehensive coverage of complex areas such as cybersecurity and regulatory compliance. The result is a potentially higher level of assurance for boards and executives, increased stakeholder confidence,

and stronger protection against financial, operational, and reputational risks.

- **Achieve unmatched agility and scalability**
  In today's dynamic environment, risk profiles can shift overnight. Cosourcing empowers organizations to flexibly scale audit resources up or down in real time—responding rapidly to new regulations, business changes, or emerging threats. This agility helps to ensure the audit function remains responsive and relevant, able to address urgent priorities without the delays and costs of recruiting, onboarding, or training new staff. Organizations can confidently tackle peak workloads, special projects, or one-off investigations with the right expertise, exactly when and where it's needed.

- **Unlock specialized skills and innovation**
  The risk landscape is increasingly shaped by specialized and technical domains— think data privacy, cloud security, artificial

intelligence, and global regulatory frameworks. Cosourcing provides direct access to top-tier professionals that specialize in these areas, eliminating the need to build and maintain niche capabilities in-house. External partners also bring fresh perspectives and innovative approaches, introducing leading-edge practices and technologies that can help transform audit processes and outcomes.

- **Drive strategic focus and value creation**
  By entrusting routine or highly specialized audit activities to external advisers, internal teams are able to focus on what matters most—delivering strategic insights, supporting business transformation, and advising on risk-informed decision-making. Cosourcing enables internal audit to shift from a compliance-centric role to a true business partner, helping leadership anticipate risks, identify opportunities, and drive sustainable performance improvements.

Benefits of cosourcing (cont.)

- **Foster continuous learning and capability building**
Cosourcing is a catalyst for knowledge transfer and professional development. Through joint planning, execution, and review, internal staff gain exposure to new tools, techniques, and industry benchmarks. This ongoing collaboration accelerates upskilling, enhances internal capabilities, and embeds a culture of continuous improvement. Over time, the organization can become more self-sufficient and future-ready, with a stronger, more versatile audit team.

- **Maintain control, culture, and alignment**
Unlike full outsourcing, cosourcing allows organizations to retain ownership of the audit strategy, priorities, and outcomes. Internal teams remain at the helm, ensuring that audit activities are tailored to the organization's unique culture, values, and risk appetite. The cosourcing model is inherently flexible—organizations can determine the optimal mix of internal and external resources, adjust the relationship as needs evolve, and maintain full visibility and oversight at every stage.

By harnessing the full potential of cosourcing, organizations can transform internal audit from a traditional control function into a dynamic, value-driving force—one that not only safeguards the enterprise but also helps to accelerate innovation, supports strategic growth, and delivers lasting competitive advantage.

Key organizational traits
that drive success

Key organizational traits that drive success

As boards and executives steer their organizations through an era of unrelenting change, the effectiveness of internal audit, once viewed as a pure control function, now hinges on adaptability, specialist knowledge, and strategic foresight. Cosourcing has emerged as a powerful lever, but its true value is unlocked when it aligns to an organization's unique risks, resource pressures, and long-term ambitions.

So, what distinguishes the companies and circumstances in which cosourcing becomes not just beneficial, but transformative?

- **Facing complex and fast-changing risks**
  In sectors ranging from financial services to manufacturing, the risk landscape is in perpetual flux. Cybersecurity incidents, global regulatory reforms, and rapid advances in digital technology can leave traditional audit functions flat-footed. Here,

the case for cosourcing is clear: External partners bring depth and nimbleness, providing immediate access to specialized skills that are difficult to attract and retain in-house. Whether it's blockchain, ESG reporting, or artificial intelligence risk, the ability to tap bespoke knowledge gives companies an edge in both detecting and mitigating emerging threats.

- **Navigating fluctuating audit demands**
  The modern business calendar is punctuated by spikes in assurance needs—post-merger integrations, regulatory deadlines, or new system rollouts. Internal audit teams, however, are rarely staffed for peak loads. Cosourcing offers a solution that is as pragmatic as it is strategic: The workforce expands or contracts on demand, matching resources precisely to the needs of the moment.

- **Bridging critical skill gaps**
  As risk domains become more technical and specialized, many internal audit leaders acknowledge a persistent talent gap. Cosourcing isn't an admission of weakness; rather, it's a recognition that external providers offer a deep bench of domain advisers, enabling internal teams to meet heightened scrutiny and deliver more nuanced insights.

- **Retaining strategic oversight while adding innovation**
  Even as they outsource specialized capability, forward-looking organizations want to retain a firm grasp on their internal audit strategy. The appeal of cosourcing is the "best of both worlds": Companies maintain direction and governance while importing cutting-edge methodologies, digital tools, and global leading practices.

Key organizational traits that drive success (cont.)

- **Focusing internal talent strategically**
As audit committees seek higher-value insights aligned to strategic objectives, savvy organizations use cosourcing to redirect their best people to transformational projects. Routine or highly technical assignments are offloaded, freeing up capacity for the audits that have the most bearing on enterprise performance.

The signal is clear: Cosourcing is no longer a simple contingency plan or a quick fix for resourcing gaps. For organizations that thoughtfully assess their needs and clarify roles, it becomes a catalyst for superior assurance, greater agility, and continuous improvement. Savvy leaders recognize the importance of early self-assessment—where are the pain points, what capabilities are missing, and how can the relationship be architected to deliver not just support, but sustained advantage?

When these questions are answered with rigor and foresight, the cosourced internal audit model not only fortifies controls but positions internal audit as a strategic driver of trust, insight, and resilience for years to come.

Best practices for successful cosourcing

Best practices for successful cosourcing

To maximize the value of a cosourced internal audit model, organizations should adopt a set of best practices that foster strong collaboration, clear communication, and continuous improvement. Here are key recommendations for ensuring a successful cosourcing relationship:

- **Define clear roles and responsibilities**
  Establish well-defined roles, responsibilities, and expectations for both internal and external team members. Document these in a formal agreement or charter to prevent confusion, ensure accountability, and streamline decision-making throughout the engagement.

- **Foster open and ongoing communication**
  Create regular channels for transparent communication, including scheduled meetings, status updates, and feedback sessions. Encourage both teams to share insights, raise concerns, and collaborate on problem-solving to build trust and alignment.

- **Align on objectives and success metrics**
  Work together to set shared goals, key performance indicators, and success criteria. Aligning on what success looks like ensures both parties are working toward common outcomes and can measure progress effectively.

- **Leverage complementary strengths**
  Capitalize on the unique strengths of each team. Utilize internal auditors' deep organizational knowledge and external partners' specialized know-how, tools, and methodologies to deliver comprehensive, high-quality audits.

- **Prioritize knowledge transfer and training** Encourage ongoing learning by facilitating knowledge-sharing, joint training sessions, and cross-team workshops. This approach helps upskill internal staff, embeds leading practices, and strengthens the organization's audit capabilities over time.

- **Maintain flexibility and adaptability**
  Stay agile by regularly reassessing resource needs, priorities, and risk landscapes. Be prepared to adjust the mix of internal and external resources as business needs evolve, ensuring the cosourcing model remains effective and relevant.

- **Monitor performance and seek continuous improvement**
  Establish mechanisms for tracking performance, gathering feedback, and identifying opportunities for improvement. Regularly review the relationship's effectiveness and make adjustments to enhance collaboration, efficiency, and value delivery.

By following these best practices, organizations can build a strong, resilient cosourcing relationship that not only enhances audit quality and agility but also drives ongoing value and innovation for the business.

Addressing common challenges in cosourcing

Addressing common challenges in cosourcing

While cosourcing offers significant benefits, organizations may encounter challenges that can impact the effectiveness of the relationship if not proactively managed. Recognizing these potential pitfalls and implementing strategies to address them is essential for a successful cosourcing relationship.

	1 Ensuring seamless collaboration	2 Protecting confidentiality and data security	3 Maintaining consistent quality and standards	4 Managing change and resistance	5 Avoiding scope creep and cost overruns
Challenge	Differences in working styles, communication protocols, or organizational cultures can create friction between internal and external teams.	Sharing sensitive information with external partners can raise concerns about data privacy, intellectual property, and regulatory compliance.	Variations in methodologies or approaches between internal and external teams can lead to inconsistencies in audit quality and reporting.	Introducing an internal audit cosourcing model can raise concerns and skepticism not only among internal audit teams, but also across other functions in the business. Leaders and team members may worry about shifting roles, accountability, impacts on established ways of working, and the integration of external partners.	Without clear boundaries, the scope of work can expand beyond initial agreements, leading to budget overruns and strained relationships.
How to address	• Clearly explain the reasons and business value behind cosourcing to all impacted teams, building understanding and support • Involve representatives from across the business in the design and rollout of the cosourcing model to foster ownership and address concerns early • Define how responsibilities and workflows will adapt across internal teams and cosourcing partners to ensure smooth coordination • Regularly gather feedback from stakeholders to identify and address integration challenges while supporting a healthy working culture	• Implement robust confidentiality agreements and data protection measures • Limit access to sensitive information on a need-to-know basis • Utilize encrypted file transfer tools or secure collaboration platforms (approved by your organization) for all data exchanges with the cosourced provider • Regularly review security protocols and ensure compliance with relevant regulations and organizational policies	• Align on audit methodologies, templates, and reporting standards at the beginning of the engagement • Conduct joint training sessions to ensure consistency in execution • Perform regular quality reviews and calibrations to maintain high standards across all workstreams	• Clearly explain the reasons and business value behind cosourcing to all impacted teams, building understanding and support • Involve representatives from across the business in the design and rollout of the cosourcing model to foster ownership and address concerns early • Define how responsibilities and workflows will adapt across internal teams and cosourcing partners to ensure smooth coordination • Regularly gather feedback from stakeholders to identify and address integration challenges while supporting a healthy working culture	• Define and document the scope, deliverables, and timelines in detail before starting • Establish a formal process for managing changes to the scope, including impact assessments and approvals • Monitor progress and costs closely, and address deviations promptly

Next steps:
Getting started with
internal audit cosourcing

Next steps: Getting started with internal audit cosourcing

If your organization is considering internal audit cosourcing, the journey begins with a clear understanding of your unique business strategy, risk profile, and operational needs. Start by engaging key stakeholders to assess your current audit framework and identify areas where external expertise or advanced tools could add value. From there, work collaboratively to define the scope of cosourcing, establish roles and responsibilities, and set shared objectives for success. Prioritize open communication, transparency, and ongoing knowledge transfer to ensure both internal and external teams remain aligned and empowered. By taking a tailored, relationship-driven approach, you can build a more agile, resilient, and effective internal audit function—ready to navigate today's complex risk landscape and deliver sustained value.

Get in touch

We're here to help you strengthen your internal audit capabilities and achieve your strategic objectives. Whether you have questions about our cosourcing approach, want to discuss your organization's unique needs, or are ready to explore a relationship, our team is ready to connect.

Reach out to our Internal Audit specialists using the contact information below. We look forward to starting a conversation and supporting your journey toward audit excellence.

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