

Outsourcing risk management

Risks from outsourcing business activities to third parties can take a variety of forms and impact firms in different ways. From disrupting a critical business process, exposing confidential employee or client data, or even damaging a firm's reputation and goodwill, outsourcing risks can have a severe and lasting effect on firms if not effectively monitored.

The Central Bank of Ireland (Central Bank) in its recently published report, 'Outsourcing - Findings and Issues for Discussion November 2018', noted the importance of ensuring that outsourcing risk is a core risk management priority for regulated firms. The Central Bank identified a number of areas of weakness across the financial services sectors, including board awareness of net risk and complexity arising from outsourcing, and inadequate governance, risk management and business continuity management practices both at inception and throughout the life-cycle of the arrangement. The Central Bank also restated its common supervisory expectations for intra-group and third party outsourcing. It is expected that against this background outsourcing will remain a key area of focus for the Central Bank in 2019.






Key concerns for firms

- Have I assigned the right risk severity or have I missed some critical due diligence?
- Am I being consistent in my due diligence or will I miss critical third party changes?
- Am I properly evaluating the correct third party controls or do I lack adequate skills?
- Do my business partners understand my approach or do they think I am a barrier?
- How do I strike the right balance? To be effective without exposing my organisation or driving business inefficiency.

We understand these challenges

At Grant Thornton, we understand these challenges and believe the solution starts with a strong risk culture and the ability to communicate outsourcing risk in business terms. It is about getting on the same page with your business partners who understand the criticality of their relationships and the potential negative impacts they could have on the overall organisation.

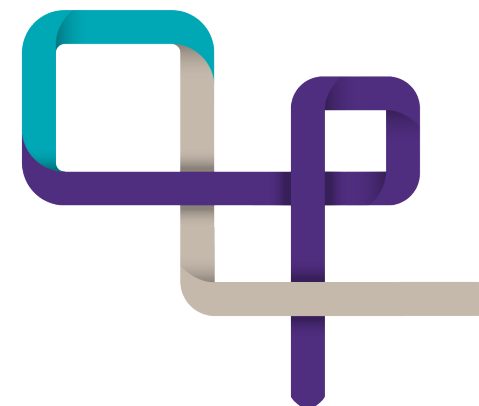
Best practices from forward thinking firms

-  1 Address regulatory expectations by understanding guidelines and proactively identifying areas of weakness.
-  2 Drive automation to increase programme accuracy and consistency.
-  3 Improve data analytics to develop risk planning and forecast issues.
-  4 Optimise resources based on risk criticality and eliminate wasteful oversight.
-  5 Improve threat intel by integrating daily news feeds, information security and financial ratings to complement ongoing monitoring processes.

Firms that are forward thinking tend to strike the right balance between building an outsourcing risk programme that is effective without driving business inefficiency. At Grant Thornton, we help firms protect value today, to seize opportunities in the future.

Leading practices

As firms risk leaders mature their programmes, are they truly efficient and sustainable? Outsourced services are not created equal, nor generate the same severity of risk. Knowing where to focus your skills and resources will put your money where the risk is.



Key drivers for our clients



Regulatory compliance - Does my programme address the expectations of my regulators - Am I proactive in identifying areas of weakness?



Programme effectiveness - How effective is my risk programme in protecting our most vital assets?



Programme efficiency - How efficient do we execute our risk programme?



Automation - Is my technology effective in supporting my processes and increasing the programme's accuracy and consistency?



Cost reduction - Am I optimising the use of my resources on the right areas of risk? (eg eliminating wasteful oversight and redeploying to areas of need)

Our services



Outsourcing risk management programme strategy and design

Getting the basics right - what is my vision and strategy?

1. third party identification and segmentation;
2. governance and organisation;
3. policy and standards; and
4. holistic program development.



Risk modelling

Outsourcing execution - how can I be effective?

1. process and procedures;
2. risk assessments;
3. on-going monitoring;
4. services type modelling; and
5. managed services.



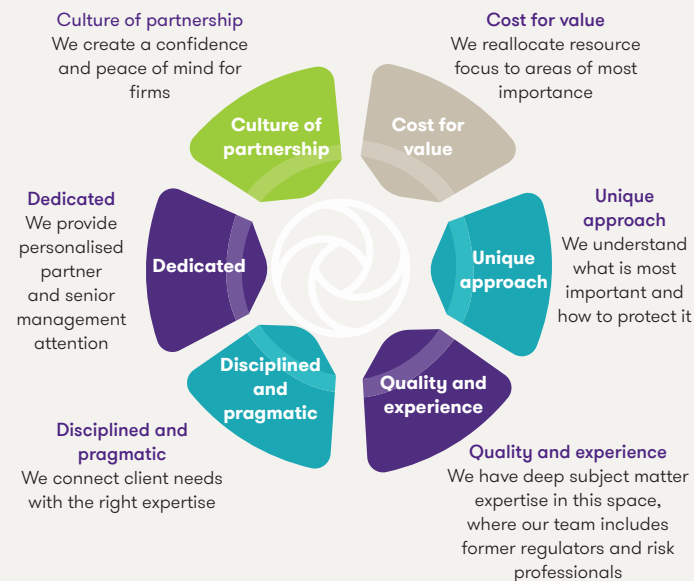
Technology automation

How can I be more efficient and consistent?

1. right business coverage;
2. maximised user interface;
3. workflow;
4. reporting and dashboards; and
5. systems integrations.

Although the third party threat landscape is broad it is still finite. Proper planning will determine what risks play an important role in your organisation and what mitigating controls are required. Without proper risk management oversight, these third parties may cause harm to their client's operations, reputation and ultimately, their financial viability.

What differentiates Grant Thornton?



Contact

Our dedicated Business Risk Services team, can provide you with information on how your peers are tackling similar issues in evaluating, monitoring and effectively responding to risks and outside threats. Please contact a member of our team for further details.

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