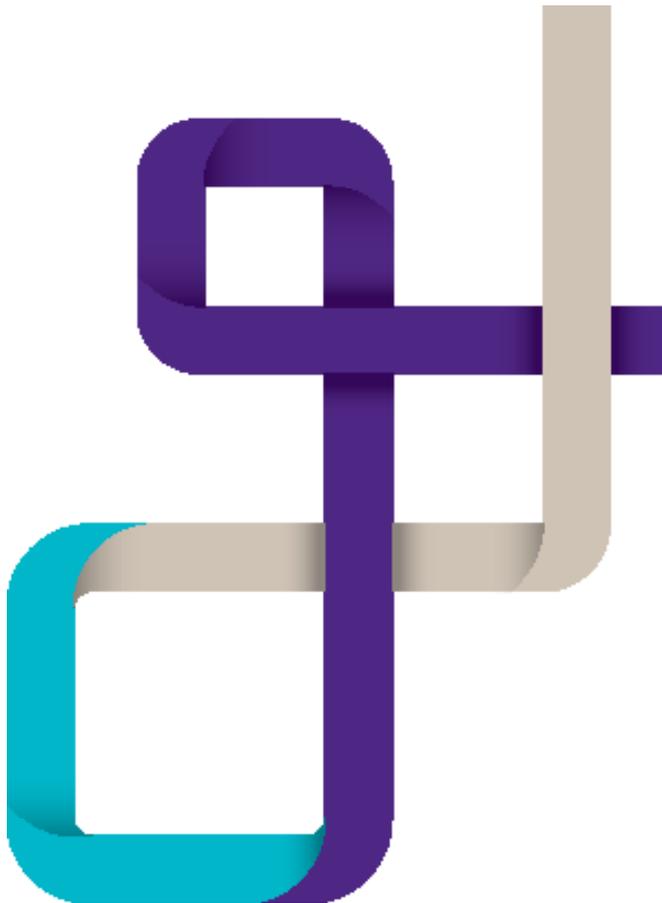


Third party assurance

Risk managing your service providers



The current third party service provider environment

Corporate Ireland has been transformed in recent years. Against the backdrop of increasing commercial and in some cases regulatory burdens and in the face of dynamic and challenging markets, tough competition, resource pressures and increased IT complexity, organisations are facing the challenge to improve performance.

The use of third parties can introduce operational and financial improvements but can, if not managed properly, also magnify risk.

The current corporate environment has increased the emphasis on outsourced service providers working with their clients and their clients' auditors, to show that the risks associated with the outsourced service are being appropriately managed.

Our third party assurance services can assist user organisations in managing their third party risk and can also provide assurance to senior management and other stakeholders.

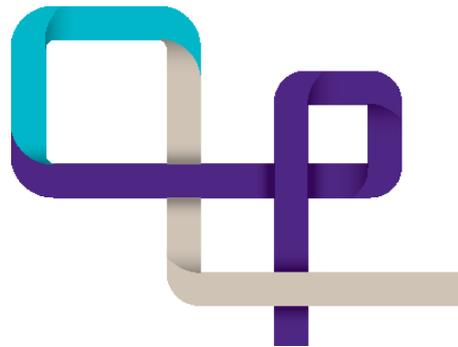
Grant Thornton's third party assurance services include:

- outsourcing risk management services;
- service auditor reports (SOC 1/SOC 2/SOC 3);
- third party supplier operational and security risk assessments; and
- third party contract reviews and customised vendor management audits.

With increasing concern about systemic failures and failures within individual firms, the business community have long been concerned about what some refer to as 'outsourcing risk'.

In a regulatory context businesses may be required to maintain their own internal capability which can recommence the outsourced activity in the event of a service failure for designated critical functions.

Most regulators today require firms to undertake regular risk assessments focussed specifically on outsourced functions and the outsourcing service provider.



Outsourced services

For many years the volume and diversity of services outsourced to third parties has increased across all industries. Many organisations outsource basic functions like security, cash movement, cleaning, maintenance and transportation and increasingly, are outsourcing core functions as well. This started with IT, spread to call centres and today includes core processing activities as well. Consequently, many organisations today often depend on a vast number of service providers for support.

The challenge

While outsourcing offers many established benefits, the current corporate environment presents users of outsourced services with the very significant challenge of incorporating good governance and risk oversight practices over these functions, as well as demonstrating compliance.

In the current commercial world 'doing the right thing' is often not enough. A service organisation also needs to demonstrate that they have an effective operating and internal control environment.

Responding to stakeholder concerns

Although organisations outsource the performance of key services, they still retain responsibility for their risk management, oversight and legal/regulatory requirements. They are also responsible for ensuring that the control environments supporting their business processes are operating effectively, regardless of who is managing them.

Organisations need to ensure that outsourced processes are migrated in a structured manner and that procedures are in place to monitor and manage risks associated with the third party services provided. Service providers can work with user organisations in several ways to provide this assurance by:

- completing an independent review of compliance with security and privacy requirements;
- using internal auditors to test the effectiveness of the outsourced control environment;
- using a strong contractual and legal framework;
- obtaining a service auditor report (SOC 1/SOC 2/SOC 3) from the outsourced service provider; and
- establishing detailed service level agreements with strong monitoring protocols.

User organisation



Human resources and payroll



Custody and securities administration



Shared service centres including: financial accounting, financial reporting, management accounting and data analytics.



Information technology services including: hosting, cloud computing, Software as a Service (SaaS) and Infrastructure as a Service (IaaS).



Pension administration



Investment management and administration

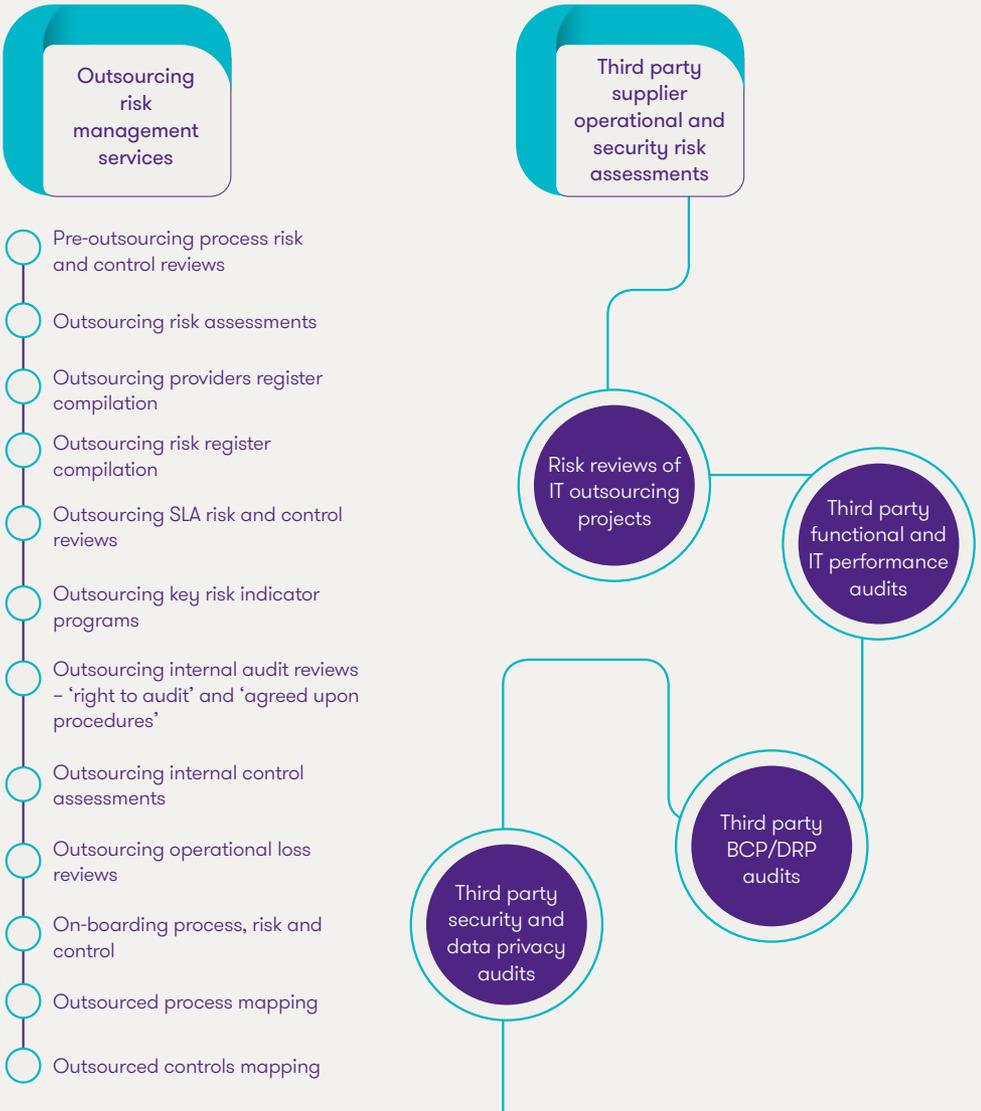


Fund management

Our third party assurance services

There have been a number of high profile instances of third parties not properly controlling their client data. This has resulted in data loss, reputational damage and, in some instances, fines for failing to establish an appropriate control environment. There are many risks associated with use of third parties not least, financial, operational, regulatory and unfortunately in many cases reputational.

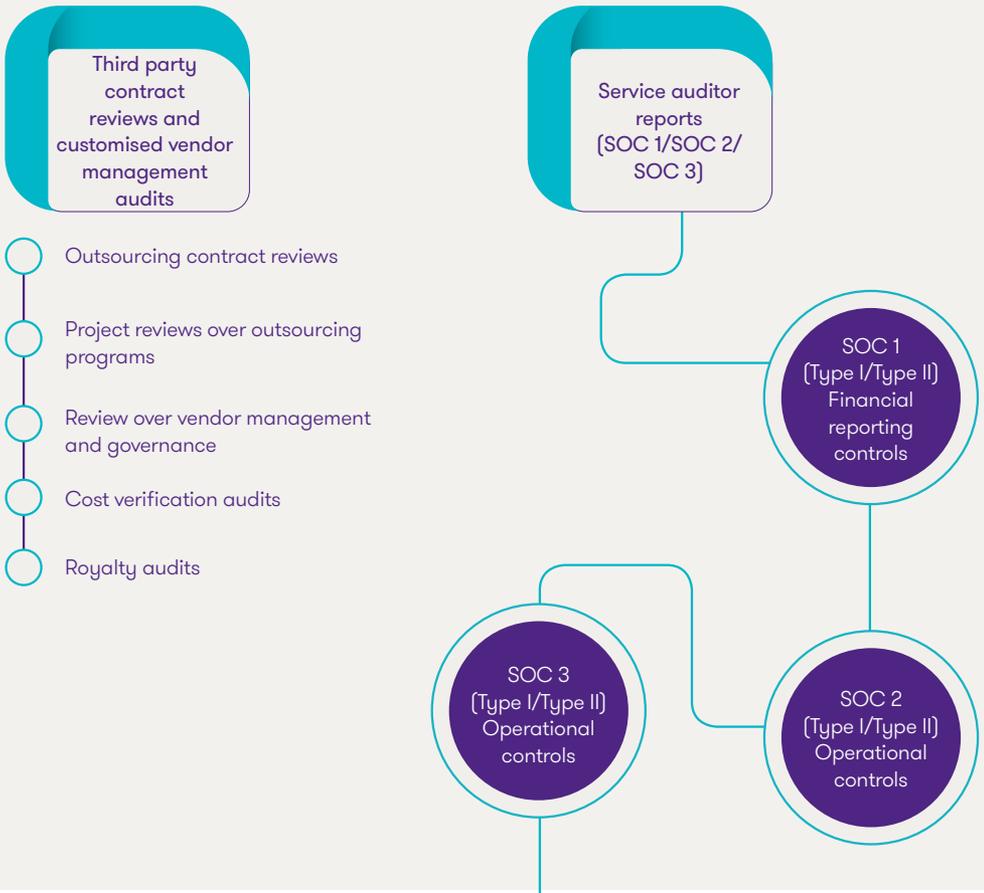
Our third party assurance team have undertaken a range of third party audits of outsourced arrangements and operational third party contracts helping to identify risk exposures and potential solutions.



Benefits our third party assurance services

Our third party assurance services can be availed of as stand-alone services or as part of a program of services that clients can avail of to help them manage their 'third party risk' and outsourced relationships. Our clients have benefited in many ways from using this menu of services which have ultimately provided assurance to senior management and boards in their management and oversight of the below arrangements:

- provide assurance on outsourced activities;
- protect inherent value of the business;
- assure customer satisfaction and loyalty;
- leverage as a marketing tool;
- enhance efficiency of outsourced service provision;
- identify IT security and data protection concerns;
- identify operational risk management/internal control concerns;
- monitoring of SLA performance and service levels;
- assure continuity of service;
- reputation risk management;
- cost control; and
- contract negotiation.



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