



The Extended Enterprise: Risk & Assurance Insights and Perspectives

Sydney 18 August 2016

ASIC puts outsourcing under spotlight

SHARE



ASIC is taking an “increased interest” in outsourcing in the financial services sector, following the investigation of a Sydney broker’s credit activities.

APRA releases information paper on outsourcing involving shared computing services, including cloud

APRA chairman tells lenders to keep close eye on brokers

by Julia Corderoy | 26 Aug 2015



The chairman of banking regulator APRA has warned lenders to keep a close eye on third-party distribution channels.



Prudential Standard SPS 231 Outsourcing

Australian Securities & Investments Commission (ASIC) reviews insurers’ outsourcing arrangements

Regulatory

by [Sophie Devitt](#) | 3 February 2015



ASIC has announced today that QBE has made changes to its outsourcing of ‘escalated complaints and dispute resolution’ to an Australian law firm following concerns raised by ASIC. This announcement highlights ASIC’s focus on ensuring that consumers have unfettered access to the dispute resolution process as required under the *Corporations Act*. ASIC Deputy Chairman, Peter

In the news...

Broker to be fined up to \$50m for leaking confidential information

Third party failed to effectively supervise its employee to prevent theft from occurring

Rio Olympics officials apologise after Chinese flag mix-ups.

Rio committee is working with the "third-party supplier" responsible to source replacement flags

Census: Survey back online as angry Malcolm Turnbull warns 'heads will roll'

The census now back online, almost two days after it was shut down...IBM implicated in the debacle

Hackers Breach Hundreds of Thousands of Cash Registers

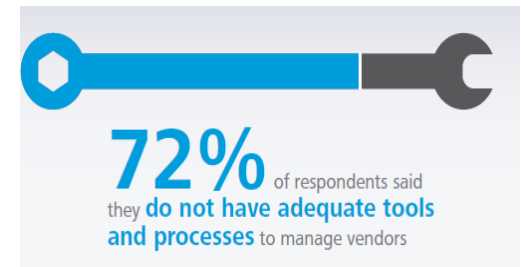
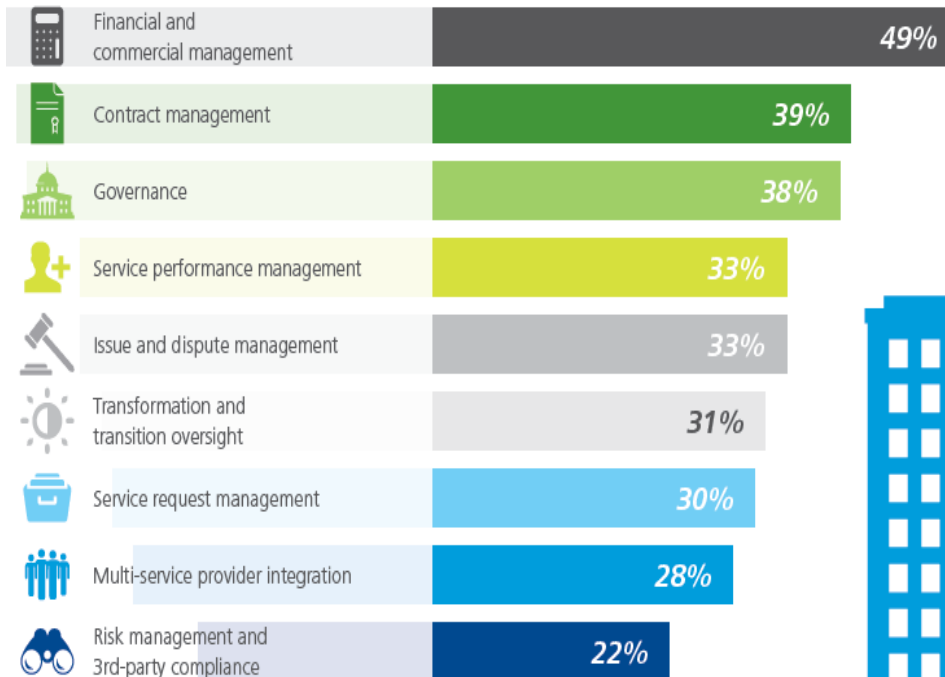
Third parties point-of-sales devices were vulnerable; impacting retailers around the world

Survey Results

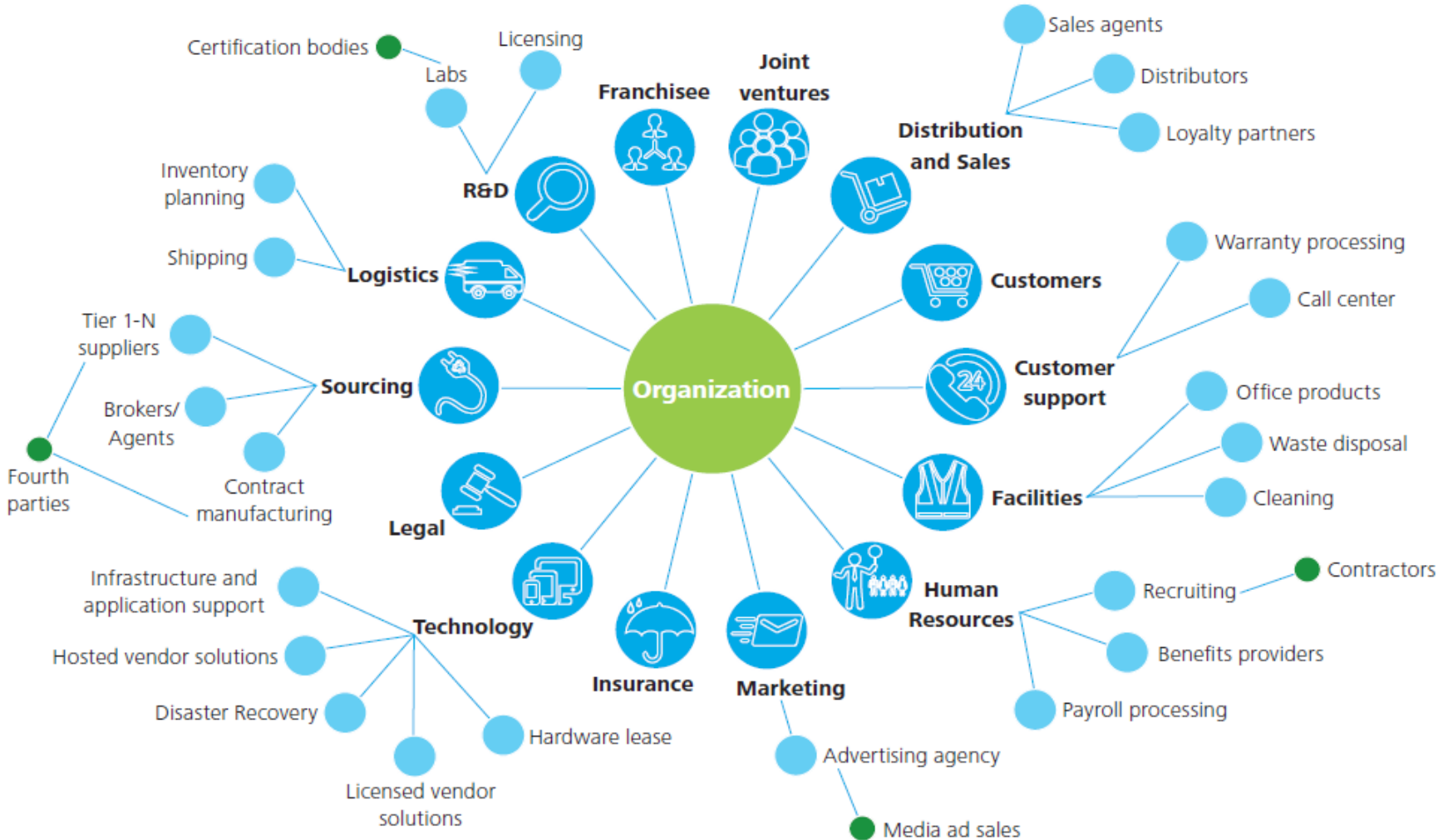
The findings from Deloitte's outsourcing & insourcing survey, which had representation from twenty two industry sectors, and geographical diversity is telling:

How would you rate your Vendor Management capabilities?

Percentage of respondents who rate themselves above average



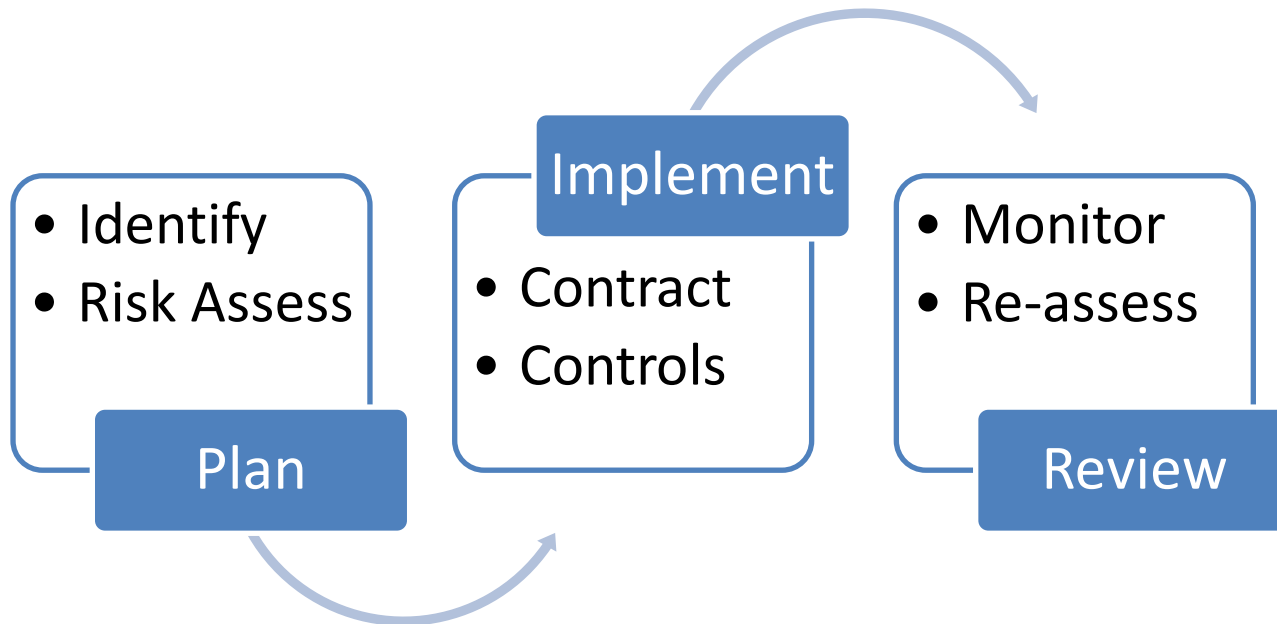
Third Party Risks and Complexities



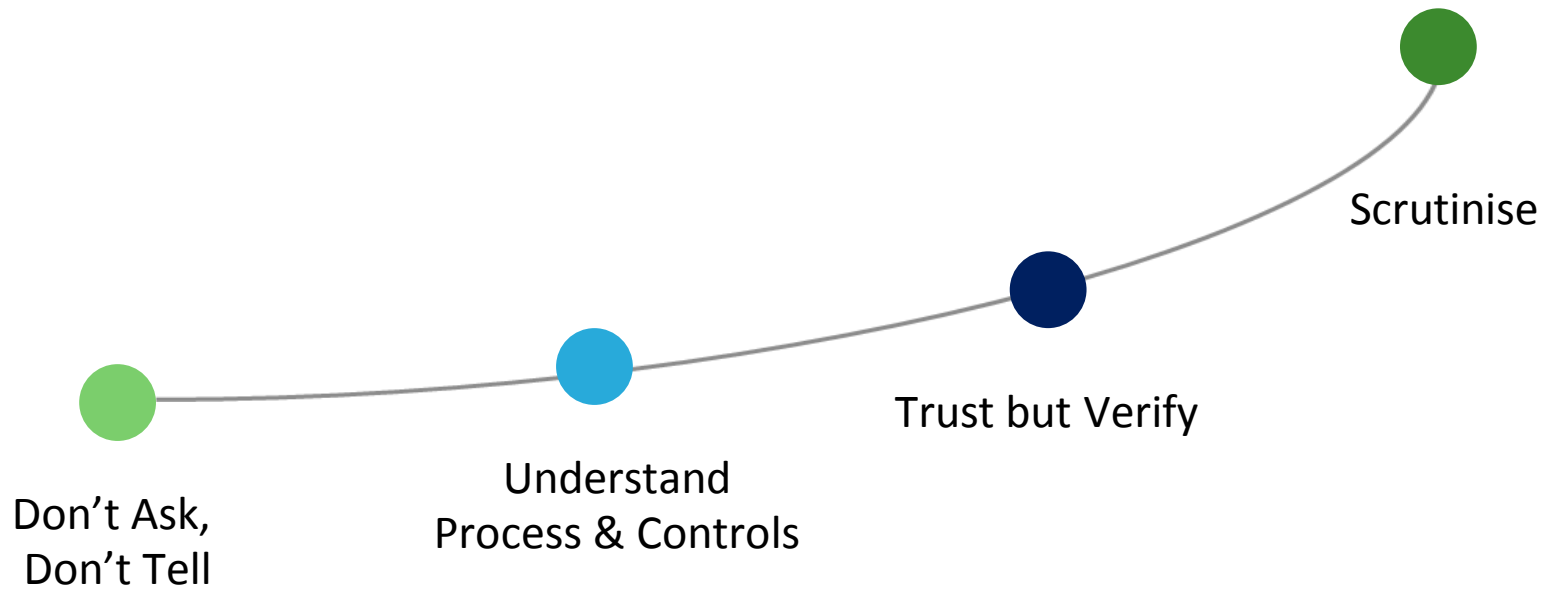
Third Party Risks

Risk areas	Specific potential risks
Strategic risk	Vendor activities are inconsistent with the organization's strategic goals and business objectives, which may lead to financial, reputational, or other losses.
Reputational risk	Vendor or vendor activities pose the risk of negative public opinion due to poor customer service, fraud, or other factors, resulting in financial or reputational loss.
Compliance/Legal risk	Vendor fails to comply with all applicable laws, industry-related regulations and standards, or internal policies, or fails to provide adequate governance and oversight, placing the organization at risk of regulatory or legal action.
Transactional/Operational risk	Vendor competency and experience are inadequate to provide the required services at the expected levels and consistent with service level reporting requirements.
Credit risk	Vendor's inability to maintain good credit to support ongoing operations may result in financial loss and inability to support ongoing operations.
Financial stability risk	Vendor's ability to generate profits and to maintain adequate capital may be inadequate to support ongoing operations.
Data integrity risk	Vendor processes and technology are not aligned with the organization's operating and reporting needs, potentially resulting in business interruptions or adverse impact on service quality.
Confidentiality of information risk	Vendor lacks the necessary infrastructure, policies, or procedures to protect information and intellectual property from unauthorized access, modification, destruction, disclosure or misuse, potentially resulting in financial and reputational loss or legal or regulatory action.
Data/Security risk	Vendor lacks a tested plan to recover and resume critical business processes after an unplanned service interruption, potentially impacting service delivery and the viability of the outsourcing arrangement.
Contractual risk	Vendor is unable or unwilling to enforce terms and conditions of the outsourcing contract, creating barriers to meeting business needs and to fostering a true partnership.

Managing risks across the extended enterprise

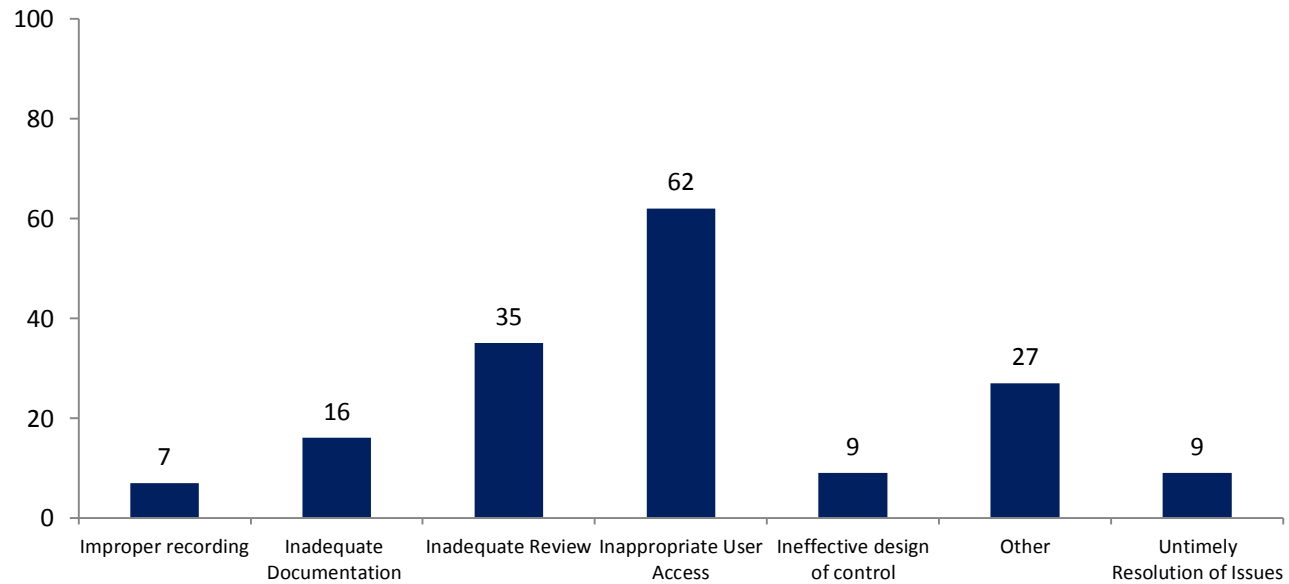


Where is your organisation on the curve?



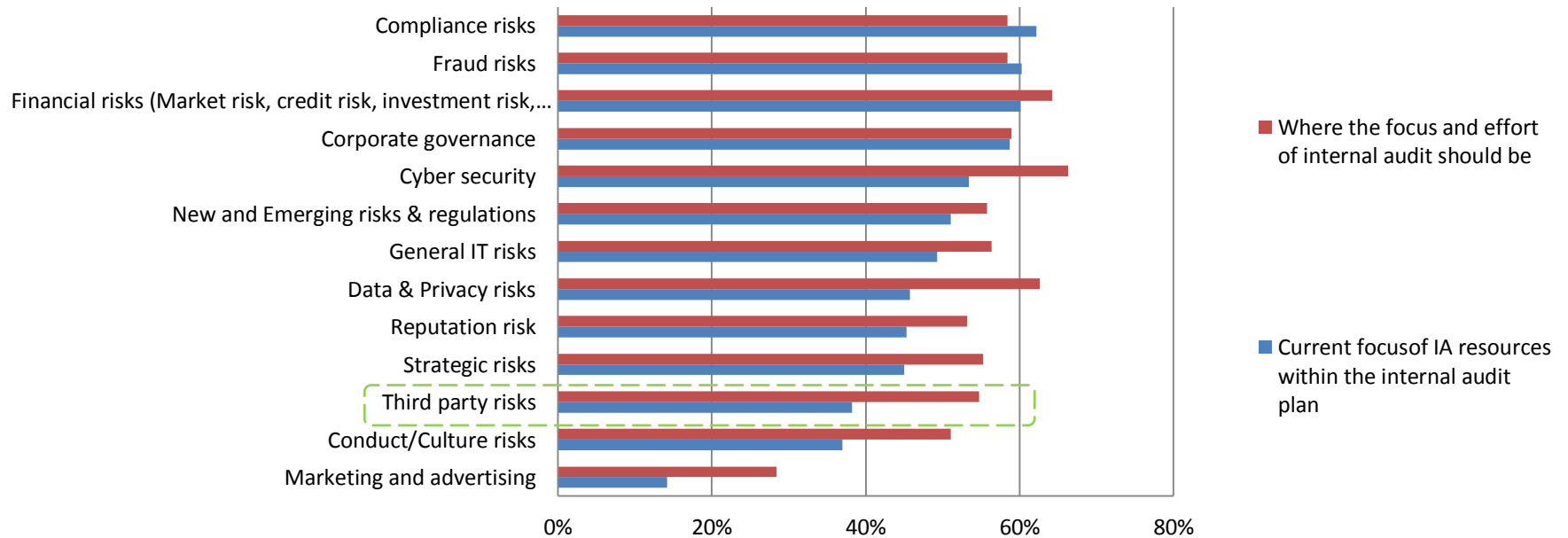
Third Party Assurance Reports

Types of deviations



Results of Deloitte IA Survey

Q: Please rank where internal audit resources are currently focused and where you think they should be focussed



What can Internal Audit do?

Data Analytics

End to end reviews including third party involvement

Contract Reviews

Assessing incidents and breaches caused by third parties

Accompany 1st line in due diligence visits

Third Party Risk framework reviews (incl. vendors, contractors, etc.)

Questions?



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