

# Third Party Risk Management

Managing the Uncontrollable

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# Polling Question:Q1

- Does your organization outsource any of its activities?
  1. Yes
  2. No
  3. Don't Know

# Polling Question:Q2

- What kind of activities are being outsourced?
  1. Non – Critical (Finance, HR, IT, etc.)
  2. Critical (Manufacturing, Oil Rig, Warehousing)
  3. Both – Critical and Non-Critical
  4. Don't Know



# HELLO!

- Impact of **third party risks**
- **Best** practices
- Speak your mind



# Deepwater Horizon






# Takata Airbags Recall



Edward  
Snowden

By Laura Poitras / Praxis Films, CC  
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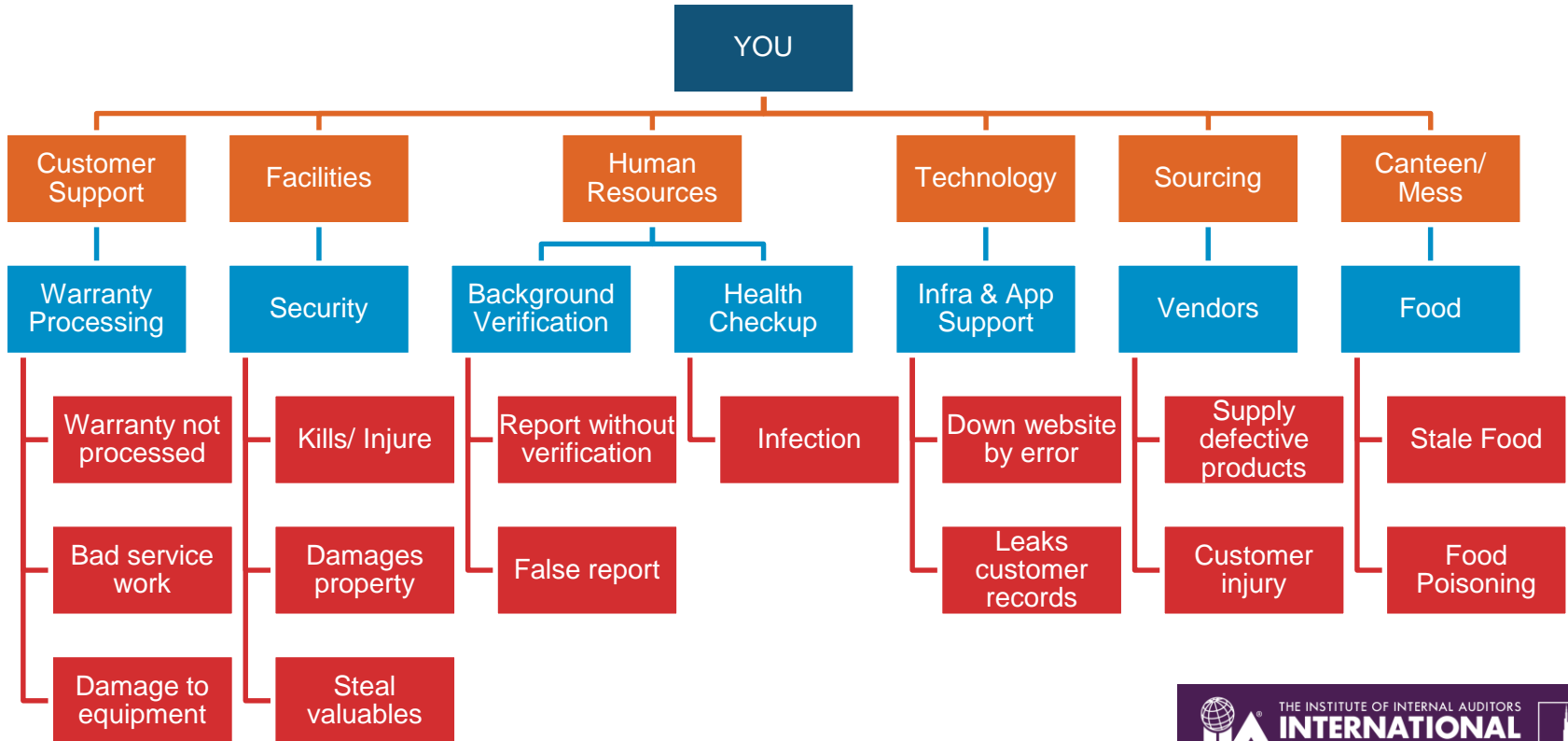
A wide-angle photograph of a busy electronics manufacturing plant. In the foreground, several female workers in white uniforms are seated at workstations, focused on their tasks. They are using computers and handling electronic components. The background shows a vast, open-plan factory floor with numerous other workers and rows of workstations, all under bright overhead lighting. A dark blue banner with white text is overlaid on the right side of the image.

# DONGGUAN SHINYANG ELECTRONICS & SHINYANG ENGINEERING



FAZIO  
MECHANICAL

# Value Chain



# What is THIRD PARTY risk?

- The possibility of **adverse impact** from someone outside the contract between two parties.

# Polling Question:Q3

- Have you conducted or faced a Vendor Audit in last year?
  1. I have faced and conducted it on my vendor(s)
  2. I have faced it.
  3. I have conducted on it my vendor(s)
  4. No. I have neither conducted nor faced it.

# Polling Question:Q4

- Internal audit covers Third Party risk?
  1. Yes. Part of annual internal audit plan
  2. Covered based on request.
  3. No. Coverage by other function.
  4. No. What is Third Party risk?



# Causes of THIRD PARTY risk?..1

**Violation** of

- Code of conduct
- Anti corruption policies
- Labour laws

# Causes of THIRD PARTY risk? ..2

**Weak/  
Lack** of

- IPR Related Controls
- Internal Control in Operations
- Internal Control in Technologies
- HSE controls and monitoring
- Training to employees
- Employee onboarding controls
- Professional due diligence.

# Causes of THIRD PARTY risk?..3

Collusion

Overcharging

...and more

# THIRD PARTY roster

## Financials:

Foreign exchange, currency risk, tariffs, taxes, product price, markup, and rebates.



## Information:

Accuracy, timeliness, relevance, and security of data shared by multiple parties



## Integrity:

Fraud, regulatory compliance, conflicts of interest, brand, and reputation.



## Operational :

Cost, efficiency, contract concerns, business disruption and supply chain concerns



## Strategic :

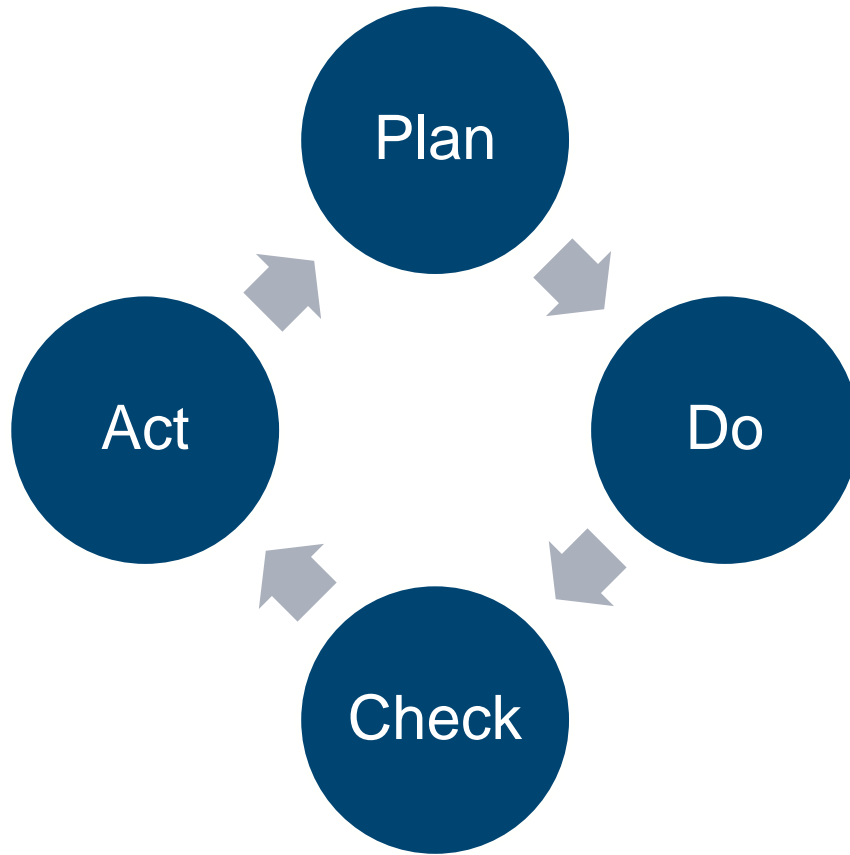
Big-picture issues, including social responsibility, environmental conscience, and economic impact of third parties.



## Technology:

Computers, data-storage devices, networks, and emerging technologies.





This

Means



Quis

Who

Quid

What

Quando

When

Ubi

Where

Cur

Why

Quem ad modum

In what way

Quibus adminiculis

By what means

*I keep six honest serving-men  
 (They taught me all I knew);  
 Their names are **What** and **Why** and **When**  
 And **How** and **Where** and **Who**.  
 -'Just So Stories' by Rudyard Kipling*



# BEST practices {Framework}

- Program Governance
- Policies, Standards & Procedures
- Contracts
- Vendor Risk Identification & Analysis
- Skills and Expertise
- Communication & Information Sharing
- Tools, Measurement & Analysis
- Monitoring & Review

# MUST have controls..1

- ❑ **Awareness and distribution of Anti-Corruption Policy** throughout the organization.
- ❑ Business Partner **compliance** with **Anti-Corruption Policy** and **Code of Conduct**.
- ❑ Policy & processes to ensure that rigorous **due diligence** is carried out on all kind of business partners.
- ❑ Ensure that business partners, subcontractors, etc. complete a **Supplier Self-Assessment Questionnaire**.
- ❑ Business Partner management processes must be supported by **an independent audit** certificate and/ Or **Right of audit clause** in contract.

# MUST have controls..2

- ❑ To ensure that Business Partner and subcontractors have **necessary licenses & accreditations** to perform works.
- ❑ To ensure that Business Partner agreements are governed by **written contracts**.
- ❑ To ensure that **risk & compliance requirements** are transferred to Business Partner .
- ❑ **Monitor performance** of Business Partners.
- ❑ To ensure that Company sources from **feasible** Business Partner from an economic and compliance perspective.

# QUESTIONS... Board should ask.

- 1 Are TPR considered in the organization's overall approach to ERM?
- 2 Has an inventory and ranking of TPE been performed?
- 3 Are TPRM roles & responsibilities clearly defined within the organization?
- 4 Are appropriate resources allocated to address TPR?
- 5 Do RM and IA consider TPR in their risk assessments and audit plans?

# Why?



“You can outsource an activity, but cannot outsource the liability”

You can delegate an activity, but not the accompanying ultimate responsibility”



Manoj Agarwal

@

[manojbagarwal@gmail.com](mailto:manojbagarwal@gmail.com)

9820392252

Linkedin: <https://in.linkedin.com/in/manojbagarwal>