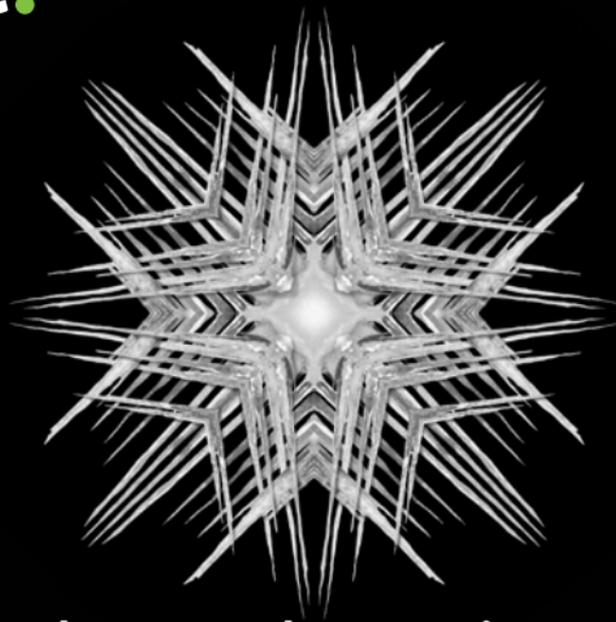


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Overcoming the threats and uncertainty

Third-party governance and risk management
(TPGRM) global survey 2017

www.deloitte.co.uk/thirdpartyrisk

Operational Risk ●

Third-party risk management in many organisations has continued to benefit from greater executive awareness; however significant changes in the external environment have slowed down progress in implementing holistic, integrated frameworks and risk management mechanisms over the last 12 months.

Despite this awareness, and some associated improvements in TPGRM, five key areas exist where further effort is required by most organisations:

1. Dependency and vulnerability
2. Relationship management
3. Governance and risk management processes
4. Technology platforms
5. Emerging delivery models

The external market is becoming more uncertain and volatile – causing increased vulnerabilities for organizations.

Only **11.6** percent are fully prepared to deal with increased external uncertainty.



GDPR



Brexit



US presidency /
US government policy

One in five respondents have faced a complete third party failure or an incident with major consequences in the last three years.



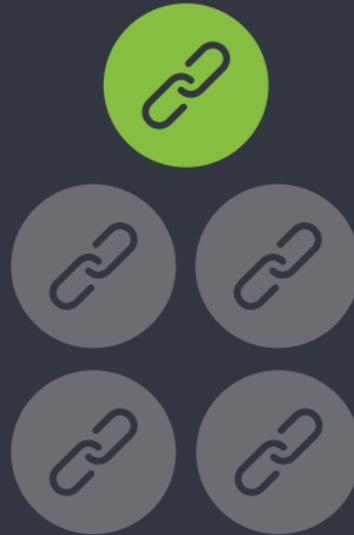
Despite high dependency on third-parties, organizations are not ready to manage the risks of third parties.

53.3 percent of respondent organizations now have a “high or critical level of dependence” on their extended enterprise.

53.3%

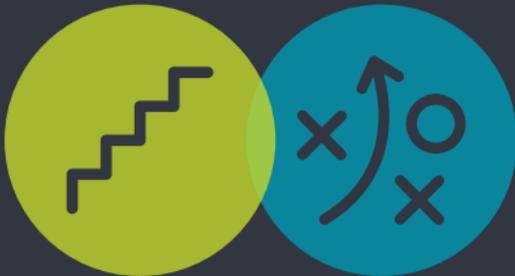


But only **20.1** percent have integrated or optimized their TPGRM mechanisms.



Understanding of third-parties is increasing but comprehensive data-driven risk management and capability to predict emerging risks is still developing.

Just **13.6** percent of respondents have forward-looking vigilance capabilities to identify imminent risks and performance issues of third-parties that are well-integrated into their processes of managing their extended enterprise, while **78.9** percent are at various stages of development of such capabilities.

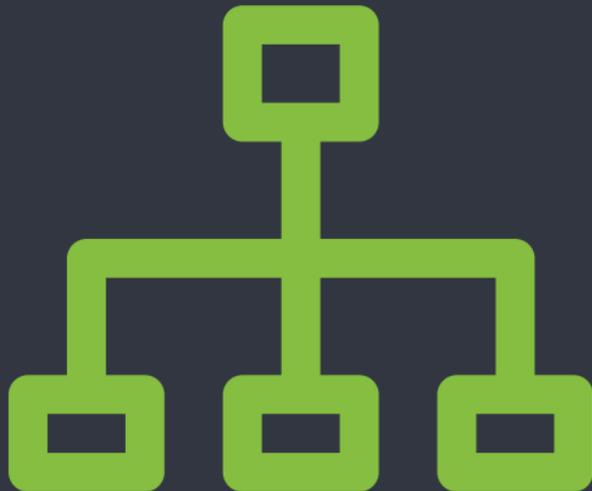


As many as **53.8** percent consider their level of knowledge of third-party contract terms and related data to be limited, including respondents who recognize this is inadequate.



Despite executive sponsorship there is still a long way to go to get processes and technology working effectively.

74.6 percent say ultimate responsibility for third-party risk management rests with the Board, CEO, CFO, CPO or other members of the C-suite.



However, the proportion of respondents skeptical about TPGRM technology in their organizations has only slightly reduced from **94.3** percent since our last survey to **90.6** percent of respondents.



A leading integrated TPGRM technology platform that addresses the needs of every organization has not emerged.



19.9 percent of respondents are using the TPGRM-relevant modules of broader GRC solutions, while **17.0** percent are using specific TPGRM solutions.



Using features of an existing ERP system is still the most popular solution as a technology platform for TPGRM, as outlined by **43.9** percent of respondents. **20.4** percent of respondents supported this by the use of bespoke solutions to achieve integration needs.



55 percent of survey respondents now combine more than one technology platform to address TPGRM requirements.

New delivery models are emerging (e.g. utility models, hubs) to better address the challenge of managing third-party risk.

Over **59.0** percent of respondents are moving to increasingly centralized in-house functions to support TPGRM.



12.8 percent of respondents are moving to an external service provider-based “managed service” model for third-party management, which also reflects an emerging trend.



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