

# PwC's Cyprus Response to Covid-19: Dependency on Third Parties



# Key Questions to consider

Organisations that are typically dependent on their vendors' and suppliers' ability to deliver in compliance with their requirements are likely to be impacted as third party providers may deal with remote working, supply chain interruptions, distribution delays, service level instability and many other potential developments.

As the duration of this status quo is still unknown, organisations should focus their continuous scrutiny of third party compliance on critical points of failure.



Here are some questions to consider if third party compliance to your requirements is essential in your value chain:

- How do you monitor third party compliance?
- Have you adapted or defined new levels of financial, operational and internal controls compliance with your third parties?
- How do you maintain continuous lines of reporting with your third parties at the required frequency?
- Have you established new protocols to escalate third party compliance failures?
- Do your existing processes and tools allow to collect structured and timely information across all your third party providers?
- How do you manage resource shortage and remote working?

# Key immediate next steps

## Criticality assessment

- Inventory your critical third parties and know the impacts
- Consider regional differences in COVID 19 impacts and leverage available information to analyze different scenarios and impacts to your third parties
- Engage with your suppliers critically assessing their ability to maintain continuity of service
- Think broadly – not just of the obvious service provider but the range of third parties you are managing

## Action plan

- Define action plan to address key risk areas including additional controls that may need to be implemented
- Be clear and concise in your communications and your expectations with your third parties particularly around maintaining control and strong governance
- Provide transparency to your customer base as to how you are managing key risks
- Consider an ongoing process of third party assessments even in a crisis scenario such that risks are more proactively identified

## Third parties

Vendors	Outsourcing
Joint Ventures	Business channels
Franchises	Marketing partners
Partnerships	Broker dealers
Affiliates	Regulated entities

## Risk considerations

Reputational	Country
Operational	Physical security
Credit/Financial	Subcontractor
Business Continuity and Resiliency	Information Security & Privacy
Technology	Compliance
Data sensitivity	Fraud
Health and safety	

# Consider all the risk impacts

Risk framework	<b>Information Security</b> Confidentiality Integrity	<b>Business Continuity &amp; Resiliency</b> Availability	<b>Credit/Financial</b> Settlement Risk Counterparty Performance Financial Exposure	<b>Operational</b> People Process Financial Reporting Technology Subcontractors Concentration	<b>Compliance</b> Consumer/ Customer Implications Identification of Applicable Laws & Regulations Regulatory Change Process	<b>Strategic</b> Industry Changes Demand Changes Competition Country Risk	<b>Reputational</b> Conduct Risk Crisis Management Association Risk
impacts	Potential compromise or unauthorised disclosure of sensitive data, unauthorized changes, and/or non-availability of information	Potential loss arising or non-availability of Information Service impacts	Risk of loss inherent in business segments resulting from counterparty failure, decreased creditworthiness, and poor performance	Risk of loss from inadequate or failed controls related to processes, people, financial reporting, systems, subcontractors, or external events due to health impacts and or remote working	Risk of loss resulting from the failure to comply with laws and regulations governing a process and/or product or service	Risk of unsuccessful performance due to potential threats, actions or events adversely affecting the organisations ability to achieve it's objectives	Potential negative publicity regarding business practice regardless of validity

← Key COVID 19 impacts →

# Let's talk...



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