

# NOA Symposium 2015

The Importance of  
Governance

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Help for what matters

 **Ulster Bank**

- **Ulster Bank – One of the "Big 4" Irish Banks**
- **Heavily Outsourced**
- **In June 2012 a Technology issue caused Ulster Bank to be off line for c. 3 weeks**
- **Skilled persons(s166) review in found significant control weaknesses**
  1. No oversight of arrangements at Executive and Board level
  2. No Service level agreements in place
  3. No understanding of the Risks associated with the arrangements

- **A new reality... under heavy regulator scrutiny we mobilised a programme of activity to Understand Regulation – and therefore the size of the task**
- **Create corporate governance which could oversee outsourcing across the organisation**
- **Develop a methodology/lifecycle which lent itself to complying with regulation**
- **Sustain – implement an assurance regime**

- **Broadly all sectors and industries in today's world are regulated in some shape or fashion**
- **For UK Banks this regulation comes in the form of Sysc 8 (in RI it is EBA guidelines for Outsourcing)**
  - Specific definitions on what Outsourcing is (i.e. core activity)
  - Materiality
  - Senior management expectations
  - Contracting
- **The challenge was to develop a framework/lifecycle model and governance which supported compliance to this regulation**

- **Governance is not**
  - A Compliance Process
  - A Bunch of Tools
  - A Fancy word for management
- **Governance is “the process whereby organisations make decisions, determine who they involve and how they render accountability”**

- **Three clear levels of decision making**
  - Operational management (Day to Day/Ulster Bank Businesses)
  - Senior management (Senior Business Leads)
  - Executive (Executive team and Board of Directors)
- **Responsibilities and accountabilities clear at all levels in the organisation**
- **Oversight of Outsourcing at all levels up to and including Board**
- **The model managed by an Executive Sponsored team – Outsource Services, who lead governance forum and committees and own the Ulster Bank Outsourcing Framework**

# The Ulster Bank outsourcing framework

Ulster Bank have developed a 4 Phase lifecycle, underpinned by Strategy



## Outputs are

1. Materiality assessment
2. High Level Risk/Service Impact assessment
3. Business approvals
4. Outsourcing Committee approval





**Represents relationship engagement phase.**

**Key outputs are**

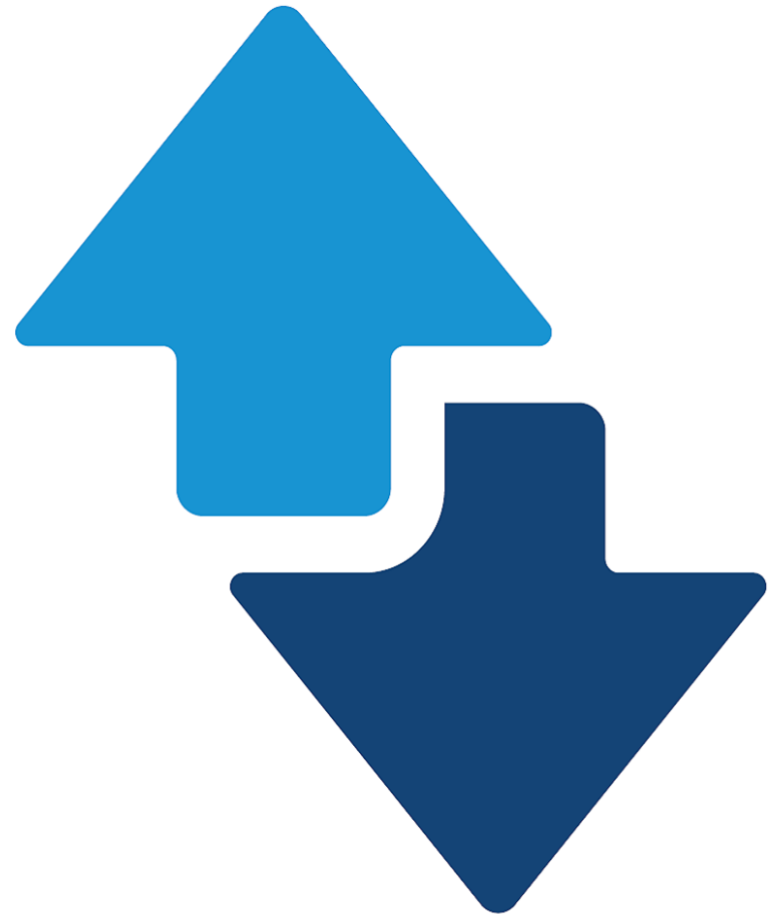
1. Due Diligence
2. Vendor Selection
3. Contract and SLA in place



**Represents Transition and Change.**

**Key outputs are**

1. Knowledge Transfer and Training
2. Process Documentation
3. Detailed Risk assessment
4. Readiness Checklist



Represents relationship management.

## Key outputs are

1. Regular Service reviews
2. At least Annual Account reviews
3. Ongoing Risk assessment
4. Executive reporting and Oversight



## Barriers to implementing the framework and governance

1. Organisational buy-in – seen as an additional overhead
2. Embedding in both Ulster Bank and supplier organisations
3. Up skilling key personnel
4. Sustaining control

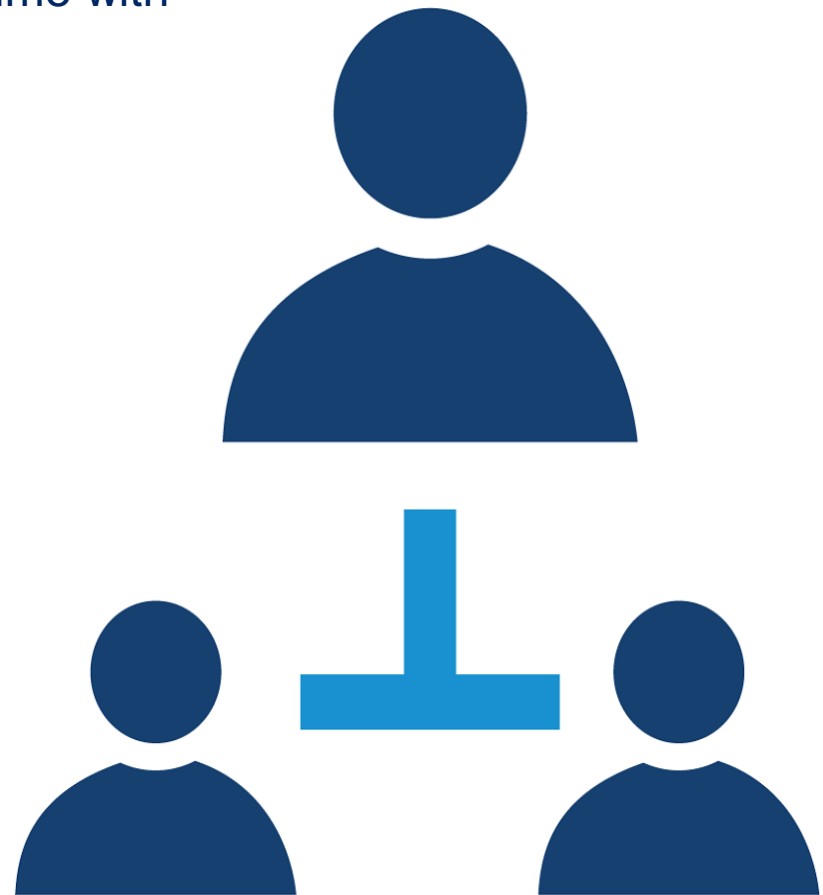
## Organisational buy-in

- Creation of a Specialist function
- Executive sponsorship
- Outsourcing incorporated in the Banks High Level control framework



## Embedding

- Intensive care implementation programme with specific business outcomes
- Defined roles and responsibilities
- Staff objectives
- Online resources
- Collaboration network



## Up skilling

- Professional development through NOA Training
- Certificate in Outsourcing
- NOA Diploma in Strategic Outsourcing
- Currently exploring Level 3 options e.g. mentoring on business objectives



## Sustaining control

- Internal assurance programme
- Adequacy of Control environment
- Key control testing
- Maturity assessments
- Half yearly policy self certification
- Control Effectiveness review





## Next steps...

### Continuous improvement

- Currently One size fits all – develop dynamic governance and oversight to align with current tiering approach
- Development of tolerances to support monitoring against organisations appetite
- Refine strategy and detail limitations



**Thank you**