THIRD PARTY RISK ASSOCIATION

TPRM Budgeting

Women In TPRM Leadership Ladders

One of the main steps within the Third Party Risk Management (TPRM) Pre-Planning and Oversight phase is to create a budget for your program. Establishing basic or even aspirational objectives under a TPRM framework requires a realistic alignment with available budgets to support risk operations. For example, if a TPRM framework requires due diligence for all higher inherent risk third parties before and after a contract is signed, then the budget should be commensurate with activities in support of achieving this objective.

Once you have established a business case, as well as policies and procedures, for your TPRM program, then delineate your program's scope and requirements in the form of a program roadmap. This may include specific resources, tools, and activities required to implement your program. You may also want to define what "success" will look like for your program by illustrating what functions and capabilities the future state of a "successful" program will provide for your organization. Align proposed budget requirements to your TPRM program's roadmap, maturity level, and organizational risk appetite.

Budget considerations can include, but not be limited to:

- **Resources** – Current and future employees and/or contractors.
- **Operations** – Any cost associated with daily tasks and running the business.
- **Maturity Model** – Process enhancements required and what resources are needed to get to the next level of maturity.
- **Travel** – Costs associated with onsite visits, training, and other travel needed.
- **Training** – Fees for conferences, training, and certifications to ensure maintenance of knowledgeable & skilled professionals that are appraised of risk trends.
- **Tools** – Budget for TPRM program tools. Consider estimating cost savings a tool(s) will bring to your organization through automating certain processes.

Note: TPRM is a non-revenue generating discipline; therefore, it is a good idea to also quantify your program's value by emphasizing what could occur if the program is not established. Also, provide a financial impact questionnaire as proof of the program's financial impact and/or savings from mitigation of risk.

Items to consider when creating your TPRM budget may include, but not be limited to:

- Any third party incidents, breaches, and/or regulatory fines that have occurred within your industry within the last five years.
- What other organizations within your industry are doing from a TPRM perspective and where your organization is in comparison to them on the maturity scale.
- Your portfolio of third parties and their inherent risk in relation to the time it takes your team to assess third parties at a certain inherent risk level. How many third parties are you able to assess each year?

Creating a comprehensive TPRM program budget allows your organization to prioritize its resources and investments in areas where they will have the most significant impact, while also ensuring that the TPRM program is effectively managing third party risks and meeting its strategic goals. Additionally, regular reviews and updates of the budget are recommended to ensure it remains aligned with the organization's evolving needs and priorities.

BEST PRACTICE
Develop a robust TPRM program budget that aligns with your organization's strategic objectives and risk appetite, as well as your program's current maturity level and future goals. Regularly review and update the budget to ensure it remains aligned with the organization's evolving needs and priorities.

RESOURCE
TPRA holds a member only meeting in the Fall each year to discuss TPRM budgeting. View TPRA's September meeting on Budgeting here.