

19 February 2013

Mr Neil Grummitt
General Manager, Policy Development
Policy, Research and Statistics
Australian Prudential Regulation Authority
GPO Box 9836
SYDNEY NSW 2001

Dear Mr Grummitt,

QMV Super Solutions' response to APRA public consultation draft Prudential Practice Guide PPG 235 Managing Data Risk

In this letter, QMV Super Solutions provides its opinion on the proposed Prudential Practice Guide PPG 235 Managing Data Risk issued by APRA.

QMV Super Solutions is a boutique consultancy, partnering with some of Australia's most important superannuation entities to implement business process and technical change. QMV Super Solutions has extensive experience partnering with superannuation entities to develop and implement data risk management strategies and tools, in addition to data cleansing where widespread issues have been identified.

Our submission seeks to contribute our knowledge gained from practical experience in managing data risk. The PPG provides an opportunity for best practice to be documented, assisting superannuation entities in understanding and implementing what is required to adequately manage data risk. QMV Super Solutions fully supports APRA's continued efforts in assisting superannuation entities to become responsible for ensuring their data quality, integrity

and security moves closer to best practice. We understand the intention of the PPG is to provide a comprehensive yet general framework for managing data risk, which should be applied in consideration of a particular entity's business practices, scale and risk profile.

The importance of managing data risk is pronounced by:

- The scale of the financial assets reliant on the quality of data;
- The costs associated with resolving data quality issues; and
- The contagious nature of poor data quality.

In reviewing the draft PPG, QMV Super Solutions would like to make some contributions to the discourse on managing data risk.

Industry Baselines are proposed as being useful in paragraph 19, allowing regulated institutions to perform comparative assessments of their data risk management procedures against established frameworks. QMV Super Solutions encourages the development of a superannuation specific control framework, in collaboration with responsible entities, representative bodies and service providers.

Staff education is discussed at paragraph 32 as an important aspect of generating staff awareness. We believe that the areas suggested to be covered could be complimented by the inclusion of processes and facilities to capture knowledge and lessons learned in resolving previous data quality issues. This will assist in making staff education relevant for the particular entity.

The Data Life Cycle which APRA has identified represents a robust framework for understanding the life cycle of data for superannuation entities. QMV Super Solutions proposes that the life cycle includes a description concerning the place of data migrations in the life cycle. Data migrations may best fit into the life cycle as a distinct stage, and not be seen as constituting the transition between two separate data cycles.



Paragraph 34 discusses the capture phase of the data life cycle. The controls identified which apply to the user interface and automated data feeds and need to apply consistent controls. Consistency between the controls at capture are an essential element in adequately controlling the capture of data.

The validation of data prior to the capture stage of the life cycle needs to be complimented with validation post capture. While a degree of data quality can be validated prior to capture, the relationships which the data forms within the database after it is captured can only be validated once the data has been captured.

The retention stage of the data life cycle may also benefit from the inclusion of controls to manage the degradation of data over time. During the retention stage, there is a risk that the data may become redundant or incomplete simply by the effects of time passing. Validation of data is essential even where there may have been no change to the data.

One example of this could be seen if interest rates or unit prices are not loaded into the database, transaction processing will result in the creation of inaccurate data. Similarly, binding beneficiary records will cease to be binding after the passage of a period of three years.

The **Outsourcing/offshoring of data management responsibilities** is an increasingly important area, with the focus on consolidation and efficiency. The recommendation of undertaking an independent assessment or comparative analysis of data could be beneficial, as trustees may not have the technical literacy or objective vision to adequately assess the adequacy of data risk management of potential outsourcing/offshoring entities.

The key aspects of assessment when outsourcing are outlined in paragraph 49. QMV Super Solutions believes that the listed components of assessment should include the identification of controls, issue management mechanisms and procedures.

Data Validation is discussed in paragraph 50, defining data validation as the assessment of data against business rules to determine fitness for use prior to further processing. Data validation



should not only assess the application of business rules, but should also include the assessment against legal and regulatory requirements, technical data validations and financial consistency assessments.

Paragraph 51 also states that validation controls should be implemented at the point of capture and at various points throughout the lifecycle. Validation controls should be implemented prior to the point of capture if possible, then after capture and then regularly and consistently throughout the lifecycle. This will ensure that contagion is minimised, and that reporting and tracking can be meaningful.

Data Cleansing is discussed in paragraph 56, defining data cleansing as “the act of detecting and correcting (or removing) erroneous data”. This definition may include adding missing data as a form of correction in addition to removing and correcting.

Data Issue Management at paragraph 59 lists some common kinds of data issues. The listed issues may be expanded to include issues resulting from poor database architecture and inconsistent data being provided by external entities (such as members, employers or other RSEs).

QMV Super Solutions supports APRA’s view that it is beneficial for feedback to be provided on the quality of data to internal and external data providers, but also feels that there may be instances where an entity is required to report significant deterioration in data quality to APRA.

The prioritisation of issues is an important consideration in managing issues, which doesn’t seem to be emphasised in the PPG. QMV Super Solutions would like to see the PPG suggest that responsible entities implement systematic procedures to the prioritisation of known issues, based on the potential financial impact, scale of the issue, time since occurrence and any other business specifics which may be relevant.

Where issues are identified with the quality of data, it is important that the responsible entity implements procedures to quarantine or contain the inaccurate data. This may involve restricting quotation or payment of miscalculated benefits until the inaccuracies are resolved. QMV Super



Solutions proposes that APRA consider including guidance in the PPG concerning the containment of known issues.

The pursuit of **Data Quality Assurance** is discussed in paragraph 65, whereby it is expected that regulated institutions seek regular independent assurance. QMV Super Solutions would support a move to promote regular independent data quality assurance by requiring RSEs to undertake an independent annual data quality assurance program.

This would be beyond the scope of the PPG, as the PPG is an instrument of guidance not compulsion, but is an important consideration if all responsible institutions are to take the completion of independent assurance seriously.

Should you wish to discuss any of these matters further, please do not hesitate to contact me at

 or on 

Kind Regards,



Brad Goodall
Chief Executive Officer
QMV Super Solutions