



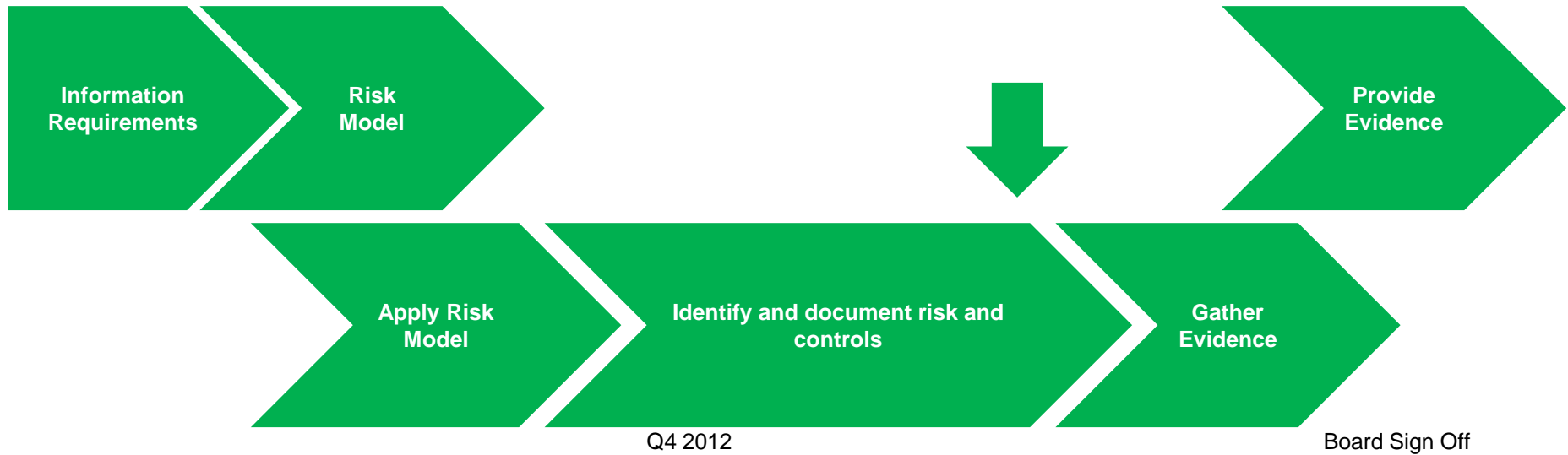
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Lloyd's Framework for Reg and Tax Reporting

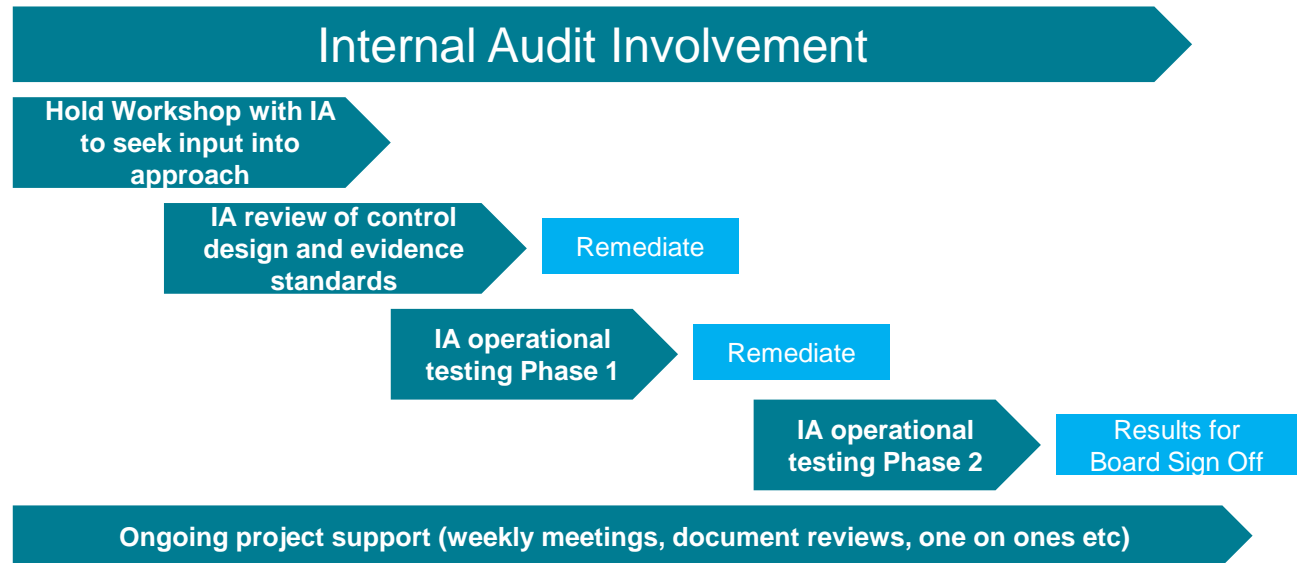
Discussion document

October 2012

Data Quality Controls – Leveraging control experts



IA as a strategic partner/ sounding board to support successful delivery



How to get the best out of Internal Audit

Internal Audit Involvement	What could it look like?	What are the benefits?
Hold Workshop with IA to seek on approach	An initial (or periodic) workshop between the project sponsor/key stakeholders and internal audit to discuss project plan, scope, proposed approach etc.	Internal Audit are the experts in control design and effectiveness. By engaging them early and consulting with them on the suitability of the proposed approach it leaves less room for issues to materialise further down the line (i.e. Immediately before proposed Board sign off).
IA review of control design and evidence standards	<p>During the stages where the project identifies existing controls and identified gaps, Internal Audit could be engaged to validate the proposed approach (e.g. suitability and strength of controls).</p> <p>Internal Audit could be used to validate the output of this exercise before moving onto the gather evidence phase.</p>	<p>Ultimately Internal Audit must provide a view on the effectiveness of the control environment, it makes sense to consult with them on the proposed approach to save time remediating ineffective controls nearer to sign off.</p> <p>Internal Audit can provide a view on what is an appropriate response with controls – i.e. What is enough and what is too much.</p>
IA operational testing Phase 1	<p>Internal Audit can be engaged to undertake a round of testing of the controls early in the process . This would allow the project team can validate their approach identify significant weaknesses that require remediation before final sign off.</p> <p>This can be target to new controls, controls with historic issues or all controls.</p>	Internal Audit's final clearance will be based on the design of the controls and the operating effectiveness. To form a view on operating effectiveness sufficient evidence must be retained to support the control operation. By performing an early phase of testing, MAs will be able to highlight potential issues early, leaving time to remediate before 'final' testing. At this stage MAs will have time to change the evidence gathering requirements if needed before final sign off.
IA operational testing Phase 2	Internal Audit are required to submit an opinion within the Board sign off on the operating effectiveness of the controls. This should be based operational effectiveness testing over the controls. Breaking this into two phases gives the project team time to remediate any deficiencies before final sign off.	As above.
Ongoing project meetings (weekly/monthly)	Internal can be engaged as part of regular meetings to address project issues and specific needs in order to provide a steer where needed to help achieve sign off at the end of the process.	Regular communication with Internal Audit allows the project team to raise any concerns early and seek guidance on proposed approach in advance of seeking an opinion from audit on the controls. Getting audit onside early and regularly will help avoid delays and significant issues towards the end of the project.
Document Reviews	Desktop reviews of risk/controls matrices. Can be part of any of the processes above or at key stages in project lifecycle.	As above, provides comfort throughout the project on the approach taken by the project team. Can be targeted to a specific requirement, e.g. to control design, design of the overall framework or the proposed evidence to support the controls.

What typical controls look like

<p>Location of Risk (Country)</p>	<p>Depending on the reporting channel:</p> <p>1. This refers to the country where an insured risk is physically located if reporting directly to Lloyd's.</p> <p>2. This refers to the location of risk for regulatory and tax purposes if reporting through Xchanging.</p> <p>Lloyd's risk locator tool can be used to help confirm the location of the risk http://www.lloyds.com/The-Market/Operating-at-Lloyds/Resources/Risk_locator. It is recommended that the ISO 3166 2 letter country codes are used.</p>	<p>✓</p>	<p>✓</p>
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Data quality controls

Management review: Senior U/W review of the slip prior to data being entered on system to confirm it is appropriate for the risk written.

Data entry: Data entered into the policy admin system for Location of Risk (Country) matches the documentation provided by the Broker. A second pair of eyes check confirms completeness/accuracy of data entry.

Validation control: The ISO code is one of the options within the operational system. The ISO code is a standard format.

Appropriateness of Data: Quarterly Underwriter (expert) review of data, by class of business, to assess the profile of business being written in each location aligns to business expectations/forecasts.



ITGCs



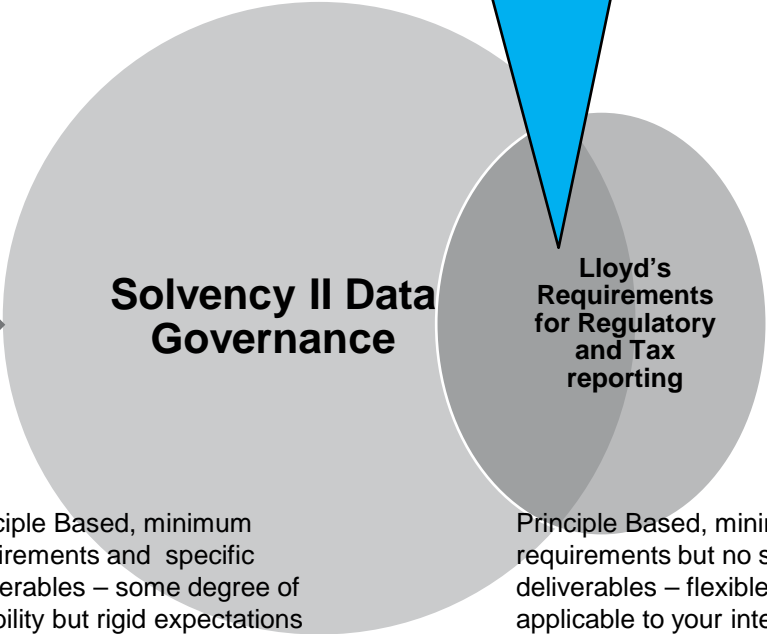
Training/Awareness

Linking in existing SII Data Governance Frameworks

You may chose to leverage the data controls you have designed for SII compliance. Each MA may take a view on which data sets from the Lloyd's requirements overlap with SII and look to point to SII data quality controls

INFORMATION REQUIREMENT ITEM	DESCRIPTION	APPLICABLE TO: PREMIUMS	APPLICABLE TO: CLAIMS	Risk of error in the information reported or risk of serious consequences arising because of an error in the information reported (High/Low)	Required for SII
Transaction Type	The type of transaction being reported, for example: > Original premium > Additional premium > Return premium > Additional premium for brokerage or commission > Additional premium for fees or expenses > Return premium for fees or expenses > Return premium for brokerage or commission > Claim > Refund of Claim > Claim Recovery	✓	✓	High	Yes
Transaction Reference	A unique reference given by the sender to the account transaction. This should be used to group rows relating to the same premium claim entry together.	✓	✓	Low	No
Lloyd's Risk Code	Lloyd's categorises information on risks and premiums using a series of risk codes. See http://www.lloyds.com/The-Market/Operating-at-Lloyds/Resources/Risk_codes for further information.	✓	✓	Low	Yes
Lloyd's Risk Code	Lloyd's categorises information on risks and premiums using a series of risk codes. See http://www.lloyds.com/The-Market/Operating-at-Lloyds/Resources/Risk_codes for further information.	✓	✓	High	Yes
Coverholder	The unique identifier for the Coverholder branch. This may be the name of the Coverholder or the Coverholder PIN, allocated by Lloyd's and used in Lloyd's 'Atlas' system. The Coverholder PIN is a 9 digit number.	✓	✓	High	No

MA's may chose to leverage existing SII data controls





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