

TO:

The Privacy Commissioner
Te Mana Matapono Matatapu,

2012 ASSURANCE REPORT FOR 30 SEPTEMBER 2012

Introduction:

This Assurance Report is prepared for Veda New Zealand Limited ("Veda") as required by clause 9 of the Credit Reporting Privacy Code 2004 ("the Code"). It covers the period 1 April 2012 to 30 June 2012. It is prefaced by some contextual information.

Veda has elected to prepare the report by a review committee under clause 9(2)(b). The members of Veda's review committee are:

John Roberts, Managing Director, New Zealand and International, Daniel De Vries, General Manager, Product and Bureau Operations, Michelle Chignell, NZ Legal Counsel, Chris Woodhead -IT Manager NZ and Emily Upton Product Manager B2C Services.

The independent person is Sarah-Jane Weir, Consultant to Anderson Lloyd Lawyers, who has advised Veda regarding various legal matters in relation to the Code since its inception¹. This included advice given for the project whereby Veda assessed how to comply with the Code on its introduction. She has extensive relevant experience in privacy. Neither Sarah-Jane Weir nor Anderson Lloyd is an employee, director or owner of Veda Advantage.

Veda notes that the Office of the Privacy Commissioner's ("the Commissioner") rationale for requiring an Assurance Report was as an additional privacy protection given the introduction of more comprehensive credit reporting (CCR) introduced under Amendments 4 and 5 to the Code - whereby under paragraph (da) of the definition of credit information, credit providers are able to collect enhanced information about credit accounts held by individuals.

However two factors have delayed Veda's implementation of actual CCR including paragraph (da) information, (CCR Data) namely:

[REDACTED]

- The time it has taken the relevant industry group to agree a final set of principles of reciprocity in relation to CCR Data in order that the Veda services in relation to such data are useful to its subscribers. The relevant industry group is the Retail Credit Association of New Zealand.

As yet, the principles of reciprocity that need to be agreed between credit providers and credit reporters, and others are nearing completion. This has been outside of Veda's control.

¹ Neither Anderson Lloyd nor Sarah-Jane Weir accept any liability for this report. In particular they note they are reliant on the information made available to them by Veda Advantage New Zealand Limited and that such information was complete and accurate.

Credit Suppression

One new aspect which has been introduced by the recent amendments is *credit suppression*. Veda is meeting with the OPC regarding the implementation of this on 1 October 2012.

The demand for this service has been very slight with the last month having no requests for suppression at all. The total number of Suppressions loaded in the system remains at 9 in total.

CURRENT SUPPRESSIONS IN THE SYSTEM

Row Labels	Police Report Required	Suppression Extension Loaded	Suppression Release Loaded	Grand Total
4/04/2012		1		1
17/05/2012		1		1
5/06/2012		1		1
7/06/2012		1		1
26/07/2012		1		1
3/08/2012		1		1
10/08/2012			1	1
20/09/2012	1			1
21/09/2012			1	1
Grand Total	1	6	2	9

CCR Data Sharing

Veda has not yet begun either collecting credit information for CCR data sharing or actual reporting of CCR data.

Veda has prepared additional terms to address CCR data sharing. Veda will require such terms to be accepted by way of additions to its subscriber agreement by any subscriber who wishes to receive CCR data and is eligible to do so. Veda has not finalised these terms as it wishes to append to them the agreed Principles of Reciprocity.

Limitations

Therefore, while this Assurance Report is required by the Code, Veda notes that it is necessarily limited in nature and that privacy compliance risk has not yet markedly changed from previous years. Veda is preparing for the expected changes in relation to CCR data collection and disclosure, and part of that will address making improvements to underpin the expected changes.

The Past

Veda considers itself a privacy-aware and compliant organisation. Nevertheless compliance is an on-going journey as both regulatory and society expectations change.

Over the years since the implementation of the Code, in respect of compliance, Veda notes that the Office of the Privacy Commissioner's own Annual Reports recorded a marked decline in privacy complaints by individuals in relation to credit information.

Indeed the latest report (for the year ended 30 June 2011) stated that the Office of the Privacy Commissioner (the OPC) received just over 7,000 enquiries from members of the public and organisations seeking advice on privacy matters; of these there were 968 complaints received, more than 75 per cent alleged breaches of privacy under the Act's information privacy principles rather than the Codes. For the *Credit Reporting Code* there were 6 out of 968. Before the Code credit reporters featured in the top ten agencies complained about:

The "top 10" respondent agencies in terms of complaints made to the Office in 2004/05 were ACC (51), the Police (44), Ministry of Social Development (36), the Immigration Service (28), Corrections (23), CYFS (22), Baycorp Advantage (19), Capital and Coast DHB (14), IRD (10) and Telecom (8). Numbers of complaints against the top 10 agencies have dropped overall and complaints against ACC, Police and Baycorp have dropped significantly since last year.²

From the data as per the last report, Veda understands this is no longer the case.

The Assurance Report as Required by the Code

The remainder of this Report has been prepared in accordance with Schedule 6 of the Code, which sets out the content of the Report.

1. Process of Review and Reporting

Veda started to consider its compliance with a review of its overall compliance framework. It was clear to it that it would be useful to engage external independent resources and Veda began by engaging a contractor with compliance and audit experience and expertise including in the financial services industries. Following that review, Veda engaged the firm of [REDACTED] to provide Veda with a review of its privacy compliance by a recognised international entity with audit experience and to inform the committee completing this report.

The [REDACTED] report has not been completed partly due to [REDACTED]

Veda regards the [REDACTED] engagement as important and as providing a pathway for Veda for privacy compliance into the future.

[REDACTED]

This process should see the next year's assurance report underpinned by changes to move to a more holistic compliance framework and processes. [REDACTED]

Veda also has relevant expertise in their Australian head office in the Legal and Compliance Team. In Australia their Office of the Privacy Commissioner has powers of audit and Veda has recently been audited. The outcome was a positive one and Veda wish to understand how they may learn from their audit experience and pick up on aspects that were considered by their OPC to be addressed well.

² Annual report for 30 June 2005.

Details of the Review Committee who completed this Report are as set out above.

2 Assurances Relating to the Policies, Procedures, Controls and Subscriber Agreements

Veda provides reasonable assurance in terms of Schedule 6 clause 2 that in relation to the period from 1 April to 30 June Veda had formal and informal policies in place to give effect to the requirements of the Code. In particular:

- (a) *Veda had policies in place that give effect to the requirements of the code.* Veda has reviewed its policies including its extensive Policies for Use documentation which has been re-issued for subscribers to address and take on board the changes made by the Amendments 4 and 5 (excepting for CCR Data which is not yet being collected or disclosed for credit reporting). Veda has a series of formal and informal processes which it believes cover the requirements of the Code pre-CCR data collection and disclosure. Once CCR data collection and disclosure is in process, those policies will be updated and in some cases formalised to be less dependent on the person performing a function and more part of a systematic process;
- (b) *had internal procedures and controls in place to give effect to the policies and requirements of the code;* Veda has internal policies and controls to give effect to the Code including automated access detection. Veda has reviewed their processes, procedures and controls. The first review began as part of the implementation of the Code between 2004-2007 and thereafter over time these have developed iteratively and to reflect the various amendments made to the Code. Veda intends to further review and implement controls both in respect of data it holds and in respect of CCR data during the next year to ensure that its procedures and controls are the subject of further internal checks and balances and that the procedures and controls are more fully integrated into the overall systematic processes regarding Code compliance. We are moving to a more holistic model.
- (c) *provided information and training to its staff to ensure compliance with the policies, procedures and controls;* Veda provides training on the permitted compliance and the accesses which may be made by staff according to their roles. Further training is anticipated as the procedures and controls are updated.
- (d) *ensured that subscriber agreements that complied with Schedule 3 were in place before disclosing credit information.* Veda reviewed and revised their subscriber agreements for all subscriber levels to take effect from implementation of Amendments 4 and 5 in respect of data excepting CCR Data. Information was provided to subscribers in advance of the changes. Workshops were conducted at different customer levels and information was provided over a lengthy period regarding the expected changes then the actual changes and their context and timing. Veda's processes are designed to ensure that no disclosure of credit information is made without a subscriber agreement being in place. In addition the new terms for CCR data must be agreed to before there is any CCR data sharing. Each participant in CCR will first sign up the revised subscriber agreement terms before CCR data is disclosed to them

3. Monitoring of Policies, Procedures, Controls and Subscriber Agreements

In accordance with clause 3 of Schedule 6, this Report provides a reasonable assurance that:

- (a) *The credit reporter believes it followed its own policies, procedures and controls.* Veda has not yet undertaken a full review of its internal compliance outside the [REDACTED] report given the report is for 3 months only. However given the lack of complaints to either Veda or to the OPC and from the internal and external reviews undertaken to date, and from the automatic and system controls around access of data held regarding credit reporting, Veda holds this belief reasonably.
- (b) *The information held by Veda was protected by reasonable security safeguards.* Veda has robust security policies including system access controls which are applied group wide. We also have firewalls, secure housing of the database with disaster relief back up provisions; restricted accesses and controlled and monitored log-ins. An engagement in a project with a government agency led to our security processes being reviewed and found acceptable by the relevant government agency. Internal and external access safe guards are in place. Therefore Veda understands it holds this belief reasonably.
- (c) *The credit reporter processed information privacy requests in accordance with Rule 6 and 7 of the Code.* Veda has also moved to improve their consumer facing products including mycreditfile which is the most common way credit information is released. Moreover Veda tested the changes on focus groups convened to provide Veda with a view on how individuals would like their credit histories constructed and explained. Veda monitors requests for credit information and holds the belief that such requests meet the requirement of rules 6 and 7 of the Code.
- (d) *Veda took such measures that were reasonably practicable to avoid the incorrect matching of information.* Veda has complex automated routines to underpin how our data matches in an objective way. In 2008 and 2009 Veda undertook a major project around data integrity including data matching that updated its matching. As the OPC is aware, these are automatic system processes, not manual. As these processes are automatic they are difficult to audit outside the IT environment. However from the low level of complaints around data matching, and from the major nature of the project undertaken several years ago, Veda believes it complies with this obligation. The IT processes are clearly documented. Complex algorithms underpin our processes. The key data fields to match on remain name, address and date of birth as the driver licence data is not available on every file to match to but over time will improve matching accuracy. It is noteworthy (although not the subject of the time period covered by this report) that it is expected that for CCR data supplied there will be a unique identifier assigned in such a way that matching will be uplifted. There is expected to be a gradual improvement in accuracy related to that. The volume of use by the CCR eligible entities which comprise the major banks is significant and once the additional identifier is assigned the uplift in accuracy is expected to be important and measureable. This may take years to be fully realised as every bank may participate in a different timeframe.
- (e) *The information held by Veda was subject to reasonable checks to ensure it was accurate, up to date, complete, relevant and not misleading.* Veda is reviewing how this might be improved upon in their move to a more holistic compliance view approach. Veda's current understanding is based on the low

level of complaints from individuals around data and on the assurances it seeks from its subscribers both through their contractual obligations and through the monitoring it does undertake (see below) to ensure data accuracy, it's up to date nature, and that it is complete, relevant (more a function of system design) and not misleading.

- (f) *Veda's reporting and retention of credit information was in accordance with Rule 9 and Schedule 1 of the Code.* Veda has automated processes regarding information that is reported and how long it is retained for which it reasonably believes meet these requirements. The relevant data fields listed in Schedule 1 of the Code are assigned an automated removal date and the system is designed for those fields to be removed in accordance with that date.
- (g) *Veda processed direct marketing lists in accordance with Rule 10(1)(C).* Special contractual terms apply to the processing of direct marketing lists which are aimed to ensure that the customer meets their obligations in this regard. Veda has policies that state access cannot take place without this, although Veda is considering further (possibly automated) checks to ensure these services are made available on a limited basis only. The current policies require sign off from senior members of the organisation who are trained in privacy compliance before any such access is made available. Veda notes that it does not market its services in relation to direct marketing and such services are therefore available to a very limited range of subscribers only.
- (h) *Veda processed suppression, release, or cancellation requests in accordance with Schedule 7.* Veda notes that there have been very low levels of such requests during the period covered by this report. Definitions are set out in the introductory paragraph above. Any such requests need to be dealt with manually and are dealt with by an employee who has been trained in this regard. Veda is satisfied as to its level of compliance given the low level of requests
- (i) *Veda processed complaints in accordance with Clause 8 of the Code.* Veda is satisfied that complaints are dealt with in accordance with Clause 8. The personnel involved in dealing with complaints have processes to follow which comply with the Code. Those processes include diary follow ups to ensure that key dates are met. Internal reporting on a monthly basis is designed to ensure that appropriate personnel in the organisation can check on such complaints and offers a reactive check on such processes. Veda believes this is an appropriate level of compliance for the size and nature of most complaints.
- (j) *Veda's website disclosed accurate information that gave effect to Rules 6(4)(b), 7(4)(b), 8(3)(A) and 8.1 of Schedule 7.* Veda believes it complies with this obligation.
- (k) *Subscribers complied with agreements and controls.* To the best of Veda's knowledge this is the case. Veda notes that (as it has made the OPC aware) there are inherent difficulties and conflicts in requiring an organisation to police its major customers. All customers are required to have a subscriber agreement which contractually obliges those customers to comply with the Code. If it is identified either by monitoring or by complaint investigation that a subscriber is not complying, Veda takes remedial action to deal with such subscriber. Veda believes this is an appropriate way to deal with the collection and disclosure of non-CCR Data (which is effectively the subject of this report).

4. Assurances Relating to Action Taken on Deficiencies Identified



4. Assurances Relating to Action Taken on Deficiencies Identified

- (a) *During Veda's systematic reviews, monitoring activities or as a result of a complaint, where Veda identified a breach of an agreement, policy, procedure, control or requirement of the Code, Veda investigated that breach and where appropriate took prompt remedial action Veda notes from the above that it takes remedial action where appropriate. Veda reviews investigations and complaints regularly and systematically looks for and addresses any systemic issues.*
- (b) No deficiencies have been identified in the previous year's report as no such report has been provided.

5. Schedule 8 Transitional Provisions

Clause 6 of Schedule 8: Veda provides a reasonable assurance that:

- (a) *Any systems testing met the requirements of clause 3.3 Veda provides this assurance. Its systems testing during the period was limited, but compliant.*
- (b) *Clause 4.1 - this did not apply in a relevant sense as Veda is not yet sharing CCR data-collecting and using and disclosing CCR data in the manner contemplated by the Transitional Schedule.*

However Veda has incorporated the requirement in its CCR terms which will add to the subscriber agreement.

- (c) *The credit reporter ceased collecting small defaults Veda ceased collecting small defaults altogether – including any defaults between \$50- \$100 therefore the requirements of clause 5.4 are not relevant*

This report is provided by Veda on the *28th* day of *September* 2012