

Smart DCC Compliance Report Regulatory Year 2019-2020



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1 Introduction

1.1 Background

This report covers the compliance of DCC with the Chapter 3 Licence Conditions for the Regulatory Year (RY) ending 31 March 2020.

Chapter 3 of the Licence covers arrangements for the Licensee's independence, and includes the following conditions:

- Condition 9. Independence and autonomy of the Licensee
- Condition 10. Protection of Confidential Information
- Condition 11. Duties arising from the Licensee's special position

In addition, Licence Condition 12 – Appointment and duties of Compliance Officer, requires DCC to appoint a Compliance Officer, who provides an annual report on compliance with the above conditions. Deloitte LLP was appointed as the independent Compliance Officer for DCC in 2013, and then re-appointed through an open procurement process in 2018.

1.2 Scope

As per Part D of Licence Condition 12, this report is specifically required to cover DCC's:

- a) compliance during the year with the Chapter 3 requirements
- b) implementation during the year of the practices, procedures and systems maintained pursuant to the Compliance Statement¹ that the Licensee is required to have implemented under Part C of Condition 10 (Protection of Confidential Information).

2 Overall Compliance Opinion

In the opinion of the DCC Board, the company has complied with the relevant Licence Conditions under Chapter 3 during the RY ending 31 March 2020.

The opinion is based upon both the report received from the independent Compliance Officer, and its own activities and enquiries in relation to the operation of DCC. These include:

- reviews of risk management and internal control conducted through the year;
- ongoing updates on the implementation of Compliance Officer recommendations, captured through the Audit Action Tracker;

¹ Available on the Smart DCC website www.smartdcc.co.uk

- engagement of Board members to undertake internal audits into specific areas related to Chapter 3, when appropriate.
- the review and update of the Compliance Statement in accordance with LC 10.

The opinion and activities of the Compliance Officer can be found in Section 3.

The activities in support of the Compliance Statement can be found in Section 4.

3 Report of the Compliance Officer

3.1 Opinion on Compliance with Chapter 3 requirements

The independent Compliance Officer's Annual Report, in draft, was received by the Board of Smart DCC Limited on 30th June 2020, and includes the following opinion:

'In our opinion, Smart DCC, in performance of its duties under the Licence, has, in all material respects complied with the relevant Licence conditions....for the period 1 April 2019 to 31 March 2020'.

The final report was produced on July 1 2020 and stated the same opinion.

3.2 Activities of the Compliance Officer during the reporting period

As with the previous year, the on-site compliance reviews were conducted in two phases – interim testing in November 2019 and end of year testing in March 2020. In addition, regular steering group meetings were held to maintain open communications, provide updates of activities and to discuss any issues arising during the intervening periods.

The Compliance Officer was able to fully assess compliance with the Chapter 3 requirements for RY 19-20 notwithstanding the Coronavirus lockdown, through a combination of:

- interviews, either in person or via Skype with all the Board of Directors, all members of DCC's Executive Committee and several key senior managers;
- examination of related documentation;
- a visit to Ibex House during the interim review in November;
- a visit to DCC's Brabazon House operational site during March. The other offices were closed during this review period;
- non-statistical, judgemental sample testing of selected relevant transactions.

3.3 Investigations by the Compliance Officer

During the Regulatory Year the Compliance Officer did not investigate any formal complaints or other representations related to the Chapter 3 requirements through the published Complaints Process.

However, DCC did respond to one formal complaint with reference to LC10, details of which were shared with the ICO in real time. It was considered that as DCC was taking all appropriate actions, there was no necessity for the ICO to take over the investigation. Following the closure of the complaint the ICO reviewed the output of the investigation.

The process for capturing and managing complaints has been updated during this RY, and is available on the Smart DCC website.

3.4 DCC conclusions on the Compliance Officer's Report

The Compliance Officer attended the June Board (30 June) meeting to present the Annual Report including the findings and the opinion.

The DCC Board has reviewed the independent Compliance Officer's Annual Report and has noted the opinion. The Board is confident that any recommendations will be progressed according to a reasonable timeframe.

4 Compliance Statement

4.1 Introduction

Licence Condition 10 requires the Licensee to take appropriate action to detect and prevent disclosure of unauthorised access to Confidential Information. DCC is also obliged to have a Compliance Statement in place describing how the Licensee will comply with that requirement, and to ensure any use of Confidential Information is only for the purposes of its Authorised Business. The Compliance Statement was originally approved by the Authority on 23 December 2013 and published on the DCC website.

It was reviewed in Q3 2019 and sent to the Authority in February 2020 for approval. At the time of writing DCC is still awaiting approval.

4.2 Implementation

The Compliance Statement covers management responsibility for confidential information, and the information management systems in place.

Management responsibility for Confidential Information (Section 2)

The requirements of this section are summarised as:

- Defining Confidential Information;
- Responsibilities of Senior Management;

- Validating requests for disclosure;
- The principles for managing Confidential Information.

Information Management Systems (Section 3)

The requirements of this section are summarised as:

- Confirming the principle of 'least privilege';
- Separation of DCC IT systems from others used by Capita plc;
- Responsibility for ensuring communication and data system service providers are in compliance with ISO 27001.

4.3 Conclusions on Implementation

The Information Security team has implemented an Information Security Management System (ISMS) that puts the governance and operational fundamentals in place to meet Smart DCC's obligations to manage confidentiality.

This Management System continues to mature and provide the framework for the ISO27001:2013 certification which was originally achieved on 26 November 2015. Certification was renewed in November 2018 after an eight-day audit. During RY 19/20 there were two surveillance audits; in April and November, with one minor non-conformance found in November in relation to Business Continuity documentation. This is due to be addressed in the next surveillance audit in June 2020. As part of this international standard, DCC was required to implement, operate and demonstrate administrative, logical and physical security controls in depth across the DCC business.