

Compliance Report

Regulatory Year 2016-17



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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 ending 31 March 2017.

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 has been appointed as the independent Compliance Officer for DCC since 2013.

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 regulatory year ending 31 March 2017.

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

- reviews of risk management and internal control conducted through the quarterly business assurance reporting process;

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

- ongoing updates on the implementation of Compliance Officer recommendations, captured through the Continuous Improvement Process;
- engagement of Board members to undertake deep dives 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 was received by the Board of Smart DCC Limited on 7 June 2017, 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 2016 to 31 March 2017'.

3.2 Activities of the Compliance Officer during the reporting period

The Compliance Officer assessed compliance with the Chapter 3 requirements through a combination of:

- interviews with the Board of Directors and key members of management;
- examination of related documentation;
- visits to DCC operations sites;
- non-statistical, judgemental sample testing of selected relevant transactions.

As with the previous year, the on-site compliance reviews were conducted in two phases – interim testing in December 2016 and full testing March 2017. 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.

3.3 Investigations by the Compliance Officer

During the course of the regulatory year DCC did not receive any formal complaints or other representations related to the Chapter 3 requirements through the published Complaints Process. However, an informal verbal representation was made to one member of the DCC Board, which was reported to the Compliance Officer in March 2017.

As a result of this, DCC included the representation on the complaints log and over-saw the investigation and closure of the issue. Communication with the Compliance Officer was maintained throughout the investigation. The matter has now been satisfactorily closed.

3.4 DCC conclusions on the Compliance Officer's Report

The Board of DCC has reviewed the independent Compliance Officer's Annual Report to the Licensee's Directors, and has noted the opinion. The Compliance Officer also attended the June Board meeting to discuss the full report. The Board is confident that any required actions 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 also has 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 approved by the Authority on 23 December 2013 and published on the DCC website.

During Regulatory Year 2015/16 the Compliance Statement was reviewed by the Information Security team. No significant changes were made, and version 1.1 was published on the DCC website in May 2016.

There have been no further changes to the document during RY 2016/17.

4.2 Implementation

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

Management responsibility for Confidential Information (sections 1.11-1.18)

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 (sections 1.19-1.29)

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;
- DCC is responsible 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 achieved on 26 November 2015. 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.