



**Smart DCC Compliance
Report
Regulatory Year 2021/22**

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1. Introduction

1.1. Background

This report covers the compliance of the DCC with the Chapter 3 Licence Conditions for the Regulatory Year (RY) ending 31 March 2022.

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 and again in 2021.

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 2022.

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 at all levels of the business, conducted throughout the year
- risk review of Licence Conditions
- implementation of the internal audit and controls testing plan
- a systematic review of DCC policies
- actioning of the Compliance Officer recommendations
- the review and update of the Compliance Statement in accordance with Licence Condition 10
- introduction of a business-wide digitised training module on Chapter 3 requirements.

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.

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

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 24 May 2022, and included 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 2021 to 31 March 2022'.

The final report stated the same opinion.

3.2. Activities of the Compliance Officer during the reporting period

As with the previous year, the compliance reviews were conducted in two phases – interim testing in January 2022 and end of year testing in March and April 2022. In addition, steering group meetings were held when appropriate 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 21-22, notwithstanding impacts as a result of Covid 19, through a combination of:

- interviews via Microsoft Teams and in person with the Board of Directors, all members of DCC's Executive Committee and other key senior managers
- examination of related documentation
- site visits to two offices – Ibex House, London and Discovery House, Ruddington, Notts
- a Chapter 3-focussed survey to circa 70 senior staff, and
- 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.

3.4. DCC conclusions on the Compliance Officer's Report

The Compliance Officer attended the May Board (24 May 2022) meeting to present the Annual Report including their observations and their opinion of DCC's compliance with Chapter 3.

The DCC Board has reviewed the independent Compliance Officer's Annual Report and has noted their 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 is published on the DCC website.

During RY 2021/22 a revision was submitted for review by Ofgem, in June. No comments were received and in accordance with Licence Condition 10.9. the revised version 1.6 dated June 2021 was published on Smart DCC's website in October 2021.

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 Management System (ISMS) has continued to run in alignment with the ISO27001 certification together with the newly adopted Target Operation Model for the DCC Security Function. This ensures that the full range of security measures are in place and remain effective including those that protect confidentiality.

DCC has continued to maintain its ISO27001 certification since it was originally achieved in 2015. The most recent audit found no non-compliances and no opportunities for improvement were raised. As part of the outcome, and DCC's own commitment to continuous improvement, new efforts to improve compliance with information classification and handling have been implemented. This has resulted in refreshed standard and guidance documentation, which was issued in the Autumn of 2020 and implementation of the MS Office 365 sensitivity labelling in spring 2022. This was followed up with lunch and learn sessions for employees to refresh awareness of all the classifications, including "Confidential Information". This has been further supported with the development of the Information Management Framework and Information Champions network which represents teams across DCC to develop the ecosystem regarding information classification, disclosure, retention and disposal.