



BT Compliance Committee Bulletin

Issue 12

March 2021

Introduction


Welcome to Issue 12 of the BT Compliance Committee Bulletin, in which we provide an update on the BT Compliance Committee's (BTCC) February 2021 meeting.

The February BTCC meeting was the BTCC's annual review meeting and the focus was therefore on a review of last year as well as key focus areas for next year and beyond. The BTCC also heard about, and discussed, the following topics:

- Ed Petter, BT Group Corporate Affairs Director attended and provided an update on BT's recent Professional Opinion Formers (POFs) survey.
- A debrief from BT and Openreach on the recent settlement with Ofcom in relation to an alleged breach by BT of its Equivalence of Inputs SMP obligation in connection with the NIPSSN tender in 2017/18 and the potential Commitments implications.
- the introduction of a new compliance framework across BT and what that means for approach to Commitments compliance, and,
- the CAO's monitoring report which focused on the Strategy Development and Financial Planning Process; Commercial Processes – Pricing, Products and Projects and BT's Delegations of Authority review.

The BTCC was also provided with updates on Quick Checks conducted by the CAO and considered and decided two cases (two trivial breaches), the BTCC also received an update on remedial actions in previously decided cases.

The BTCC's next meeting will be in April 2021. If you would like to get in touch in the meantime, please contact us via cao@bt.com.



George Ritchie
Commitments Assurance Director
24 March 2021

1. BTCC focus areas

1.1. Professional Opinion Formers Insight Summary

The guest speaker at the February 2021 meeting was Ed Petter, BT Group Corporate Affairs Director. He gave his perspectives on BT's recent Professional Opinion Formers (POFs) survey. This highlighted that POFs main focus is on the network, both fibre roll out and issues related to the network (e.g. network resilience in light of changing work habits post Covid) and digital access. In addition, the survey also highlighted that stakeholders had welcomed BT's customer focused initiatives (e.g. onshoring of call centres and its skills for tomorrow programme).

1.2. BT Update

Cathryn Ross, Group Director Regulatory Affairs updated the Committee on developments since the November meeting, and BT's annual review of priorities for 2021 and beyond including:

- Ofcom published its Annual Monitoring Report in November. It found the Commitments were working well overall. Ofcom recognised BT's and Openreach's efforts in fibre investment and rollout, and specifically noted Openreach's independence in creating its commercial case before BT Group challenge and approval. Ofcom welcomed Openreach's close and constructive work with industry during the Covid-19 pandemic. Ofcom also noted progress on PIA, but with some 'growing pains'. Ofcom acknowledged, as does the Committee, that continued vigilance to ensure BT continues to make good progress in the year to come will be important.
- In 2020, working with Openreach, a series of changes to the Commitments were made to enable the Making Finance Brilliant program. For these changes to come into effect, it was necessary to update the lists of MIS and OSS systems that Openreach runs jointly with BT (as set out in Annexes B and C of the Commitments) to remove legacy systems, to include new SAP shared systems and, to update corresponding definitions in Annex A.
- BT had delivered both the Openreach Scorecard and BCMR exemptions – both key to keeping the Commitments current and up-to-date.
- Looking forward, for 2021, BT identified three areas of focus: (1) appropriately managing BT's increased focus on digitisation, innovation, and convergence, (2) evolving the Commitments to keep them fit for purpose, and (3) keeping the Commitments front of mind: reiterating underlying reasons for the Commitments with targeted communications and worked examples for those 'higher risk' audiences and senior colleagues new to the business.

1.3. Northern Ireland Public Shared Network contract

The Committee heard from Openreach and BT in relation to Ofcom's investigation and findings in respect of the Northern Ireland Public Sector Shared Network contract and (whilst recognising this had been a regulatory investigation into breach of Equivalents of Inputs) the potential Commitments implications of that in relation to how BT CFUs engage with Openreach and the requirements of Equal Treatment.

1.4. Committee Evaluation and Terms of Reference

The Committee reviewed progress made against the internal 2019/20 Board and Committee evaluation actions agreed by the Committee for 2020/21 and confirmed good progress had been made. The external 2020/21 Board & Committee evaluation was conducted by an external assessor who observed the February 2021 Committee meeting.

The Committee agreed a number of minor amendments to its Terms of Reference which aim to simplify the language used to describe the Committee's duties in relation to the Commitments, Governance Protocol, DCR and Commitments Compliance Framework. These were approved by the Audit & Risk Committee on Wednesday 17 March 2021 and will be published shortly.

The Committee heard from BT's new Director of Ethics and Compliance about the new compliance framework which is being introduced across BT and which will be applied to the Commitments. The framework is being used to drive consistently effective risk management. It ensures risks are appropriately identified and the activity performed by the business and the compliance teams is designed to respond to those risks, i.e. the right policies, procedures and controls are put in place, with a priority on the highest risks. For the Commitments, this would ensure focus is targeted towards areas of highest risk to compliance with the Commitments including ensuring Openreach's greater independence is respected.

1.5. CAO Review and Proposed Work Plan for 2021

The Committee agreed that as the Commitments regime matures, our monitoring of the Commitments needs to evolve with it. Ways of working between BT and Openreach have shaken down well. The Committee discussed and agreed the three focus areas for the CAO's monitoring in 2021: (1) the dynamics between the different parts of BT and Openreach, in particular those engagements that may go to the heart of Openreach's independence (bearing in mind that there have been a number of new senior level appointments in BT) (2) what BT's plans to modernise, reduce the cost base and drive a fundamental shift in customer experience, including via the new Digital unit, might mean for the governance framework and (3) ensuring BT continues to build on the good progress made in 2020 in keeping the Commitments aligned with, and responsive to, the evolution of the company's strategy, ways of working and the changes in the competitive and regulatory environment.

1.6. Monitoring Reports

1.6.1. Strategy Development and Financial Planning Process

The Committee received a report from the CAO on its monitoring of the key Commitments processes. The strategy process has largely completed for this cycle and has continued to run smoothly, with positive feedback to the CAO from each of Openreach and Group Strategy teams as to ways of working and behaviours.

The financial planning process is operating well at a working level and the CAO's monitoring has not highlighted any issues of concern. However, the process has evolved since the financial planning process Guidance Note was published, and so the CAO has advised BT it considers it important that the Guidance Note is updated in the next financial year before the process is operated again, to ensure appropriate transparency and to support the CAO's monitoring into whether the process is working as the parties intended.

1.6.2. Commercial Processes: Pricing, Products and Projects

The CAO informed the Committee that Group Internal Audit's report on the operation of this process is now available. As anticipated in November, this concluded that whilst both the OIB (Openreach Investment Board) and OCPPB (Openreach Commercial Policy and Pricing Board) have processes in place to assess compliance with the process agreed between BT and Openreach, as set out in the Commercial Processes Guidance Note 7, there would be a benefit to: a) enhanced reporting within both Openreach and BT to ensure increased visibility over the cases assessed and any opinion provided by Group and, b) enhancements to assurance conducted to ensure that there is confidence the GN7 tests are appropriately applied. These recommendations are being implemented and are due to be completed by April 2021. The Committee noted this.

1.6.3. Delegations of Authority (DoA) review

The second bi-annual DoA review took place in November 2020. A minor amendment was made to the Group Procurement and Purchasing DOA to include a right for Openreach escalation in the event of a dispute, this had been agreed with Openreach as indicated in the CAO's November update on the DoA process. The CAO understands that none of the other Group DoA changes proposed had potential Openreach impact.

The next bi-annual review is due to commence in June 2021.

1.6.4. Procurement: In-Life Operation

The Committee heard that the governance for the new operating model has been finalised. At the working level, the new model continues to work well, with no concerns raised during our monitoring. The BTCC therefore agreed with the CAO's recommendation for it to move to lighter touch (by exception) monitoring going forward.

2. Compliance update

2.1. Quick Checks

The BTCC was provided with updates on the following "quick checks" at its February meeting:

2.1.1. Making finance brilliant – Quick Check 11 follow up:

There is extensive compliance monitoring of the MFB controls by Communications Regulatory Compliance (CRC) (including automated monitoring on a weekly basis) and Group Internal Audit are planning an audit in Q4. Initial teething problems with the user access controls have been identified and are being proactively addressed although, as the live system has very limited CI or CCI on it currently, this is low risk. It is recognised that as subsequent phases of MFB are rolled out, the compliance controls (and any changes to the self-service access rights) will need to be agreed by BT and Openreach and monitored closely. This will be an ongoing focus area for CRC and the CAO in 2021/22.

2.1.2. Strategy Wargaming – Quick Check 12:

A quick check was undertaken to understand whether there had been inappropriate engagement between BT and Openreach in relation to a proposal for a Wargaming session to understand certain market dynamics. It was noted that once the initial idea for such a session had been worked up, the Openreach

strategy person sought guidance from his Openreach compliance and CMO support on whether it was appropriate for the two teams to engage this way, in light of which the proposal was then reframed to ensure Commitments compliance. No inappropriate sharing took place, and the fact that advice was sought before the proposal went ahead was indicative of healthy relationships between Openreach people and their advisory community. BT has agreed to provide further guidance on how to deal with similar situations compliantly in future. The BTCC agreed this Quick Check could be closed.

2.2. Cases notified to the BTCC for consideration

The BTCC considered two cases at the November meeting. Both matters were referred by BT's Senior Manager, CRC. The Committee used the four-box framework adopted in [September 2018](#) to classify the compliance matters referred to it for consideration. The framework is set out in Issue 1 of the BTCC Bulletin.

The Committee agreed with the recommendation from BT's Senior Manager, CRC, and decided that both cases were trivial breaches of section 10 of the Commitments (information sharing).

- **Case CAO-31: Technology Q3 Update.** The role of collecting content for Technology's Quarterly Business Review (QBR) report changed to someone new. An O365 Teams folder had been set up with 24 employees that needed to access the report to edit their own content. Openreach CI should have been redacted from the report before being shared in the folder, however the new individual responsible did not do so. One slide detailed the status of Technology's projects supporting the "digital work flow" of systems to support the Openreach FTTP delivery programme. Ten of the team did not have Regulatory Compliance Markers (RCMs) and were not entitled to one. The slide pack was removed within 24 hours and there was no evidence it was viewed by members of the team that should not have seen the information.
- **Case CAO-32: SAP User Profile.** This case concerned an inappropriate reporting profile being given to a Consumer Accounting & Financial Control Manager when testing the new Making Finance Brilliant (MFB) SAP environment. The user was facing issues accessing the Consumer CFU reports. When trying to resolve the issue, a Technical Support team member gave the Consumer Manager an incorrect profile in error, resulting in them having the ability to see Openreach test data, housed in the test environment. Their access was removed within 2 hours. The test environment has now been switched off and this issue will not occur in the live production environment due to automated controls which will operate in the live module.

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