BT Compliance Committee Bulletin

Issue 3

March 2019

Introduction

Welcome to Issue 3 of the BT Compliance Committee Bulletin, in which we provide an update on the BT Compliance Committee's (BTCC) February 2019 meeting.
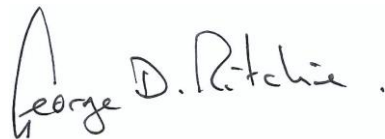
Representatives of Ofcom's Openreach Monitoring Unit (OMU) attended the meeting as observers, and provided the guest speaker.

In addition, the BTCC heard about, and discussed, the following topics:

- The Strategic Planning process
- Financial Planning processes assurance
- The initial review of BT supply relationships to Openreach

The BTCC also undertook its regular review of potential breaches notified by BT and Quick Checks undertaken by the CAO. It also received an update on the ongoing system separation programme that BT has continued, notwithstanding BT's release from the Undertakings.

If you'd like to get in touch please contact us via cao@bt.com.

George Ritchie
Director, Commitments Assurance Office

26 March 2019

1   BTCC focus areas

1.1   Presentation by Ofcom

The guest speaker at the February 2019 meeting was Gaucho Rasmussen (Ofcom Director of Investigations and Enforcement).

Suzanne Cater (Case Director, Competition Enforcement) and Tor Ahjem (Senior Associate, Competition Group) of the OMU then stayed to observe the rest of the meeting.

1.2   Strategy Development Process Update

Mike Sherman, BT Group Chief Strategy and Transformation Officer, updated the BTCC about the Strategy Development Process and his perceptions of how the process is working. He noted that those involved in the creation of the Strategy Development process had benefitted from the learnings gained by BT and Openreach in the course of developing the AOP/MTP process. The Strategy Development Process has developed on the basis of the same design principles used to develop the AOP/MTP process, and, similarly, incorporates key compliance controls, adherence to which will be audited by the CAO on behalf of the BTCC.

The BTCC noted that BT intends to publish the Strategy Development Process and the Financial Planning (AOP/MTP) Process shortly to provide stakeholders with greater transparency of how these key process have been designed and are intended to operate.

1.3   Financial Planning Assurance

The CAO (on behalf of the BTCC) and the CMO (on behalf of the OBARCC) have commenced regular (bi-weekly) monitoring of the financial planning (AOP/MTP) process, covering the interaction between BT and Openreach during the development of Openreach's AOP and MTP for 2019/20.

The CAO's intention is to provide the BTCC with regular updates on the operation of the process. At this meeting, the CAO reported back on the first two stages of the process, the "September forecast" and the "Annual Investment (capex) Review".

In addition, Ofcom will require evidence of the operation of this process ahead of their next implementation report and therefore the CAO is gathering as much of the evidence as possible as the process goes along, rather than waiting until the end of the process.

As is to be expected, there have been learning points along the way, but the BTCC noted the CAO's assessment that overall the process is being well run, balancing rigorous financial control and respect for Openreach's greater independence. It has been both valuable and insightful undertaking this assurance in real time.

At the conclusion of this year's process, the CAO will discuss with BT and Openreach if there are ways in which the process and the control framework could be further enhanced.

1.4   Openreach Supplier Relationships Review

The CAO and CMO have worked together on an initial assessment of the supplier relationships into Openreach from BT. The initial step was to clarify, for each service

supplied, whether BT acted only as a supplier, had parental oversight responsibilities, or had parental influence (or in some cases a mixture of all three).

Going forward, for each service supplied the CMO will be seeking assurance that: (1) the necessary supplier SLAs are in place; (2) any agreements as to parental company oversight are properly documented as between BT and Openreach; and (3) necessary information sharing controls are in place. The CAO will review whether the providers of the key services have robust processes in place to ensure compliance with their Supplier roles and that the distinction between the supplier role and any parent company oversight function is being properly respected.

2   Compliance update

2.1   Cases notified to the BTCC for consideration

The BTCC considered five matters at its February 2019 meeting using the four-box framework adopted in September 2018 to classify the compliance matters referred to it for consideration. This framework is set out in [Issue 1 of the BTCC Bulletin](#).

The Committee decided:

- One matter was a trivial breach of section 10 of the Commitments (information sharing); and

- Four matters were trivial process non-conformances.

Further brief details of each matter are set out below. The BTCC has also requested a trend analysis of all breaches, process non-conformances, "near misses" and no-breaches reviewed during 2018/19 to be presented by the CAO at the March meeting.

Trivial breach. The BTCC found one issue was a trivial breach of section 10 of the Commitments relating to the information sharing rules:

- **Accounting Change Request (ACR) intranet site**. During a routine audit Group Regulatory Compliance (GRC) found a Group Finance intranet site which held indicative pricing information which appeared to be Openreach Commercial Information (CI). While in GRC's view it is unlikely that BT people in downstream CFUs would have looked at this site given it should only have Openreach information that had already been notified to industry (and no other CI was found upon review), and here the CI was not easy to find, the BTCC nevertheless concluded this was a trivial breach of the information sharing rules. As remedial action, warnings have been added to the site to remind users not to include Openreach CI, and relevant finance teams have been briefed about how to use the site appropriately.

Trivial process non-conformances. The BTCC found four issues fell into this category:

- **Incorrect escalation route for Ethernet faults.** Enterprise made several unsuccessful attempts to get an Ethernet fault fixed using standard published Openreach escalation routes. An Enterprise manager then used a contact from a previous Openreach job, rather waiting to be contacted by Openreach. However the Openreach Duty Service Manager refused to accept the Enterprise escalation call on the basis that standard escalation route had not been followed, and reported the incident to the compliance team. The investigation found some non-BT CPs have also used contacts provided from past jobs to escalate issues in this way. Appropriate remedial action has been taken. Briefings were given to the Enterprise manager and wider Enterprise team to remind them to follow correct processes. Given the indication that non-BT CPs have also experiences service issues, the CAO and CMO are separately following up on this issue to ascertain if consequential actions need to be taken in Openreach.

- **Incorrect use of the Fibre Repair Analysis Centre (FRAC) system**. A Technology engineer raised a fault for a downstream BT CP through Openreach's FRAC system rather than through the Openreach Portal. The engineer had appropriate access to the FRAC tool to enable him to perform certain specific activities on behalf of

Openreach. The investigation suggests that this was a genuine one-off error by the engineer, with the correct process followed previously and subsequently. The individual has since had a one-to-one with his line manager reinforce the need to use the Openreach Portal when dealing with faults from downstream BT CPs.

- **Regulatory Compliance Markers in Group Tax**. Routine assurance activity by GRC found two people working in the Group Tax area did not have the necessary Regulatory Compliance Markers (RCM) to perform their roles.[1] One had not applied for a marker as he had not previously received Openreach CI. The other had held a marker but this had expired. As remedial actions, both were briefed about the need to seek RCMs for their roles, and to keep them up-to-date.

- **Cost Transformation Information Sharing**. During a review of the disclosure process, GRC found that Openreach CI was shared with a senior manager in the Transformation and Design Team who did not have a RCM. He was eligible to see the information, but had not applied for a marker and until this point had not previously had access to Openreach CI. As remedial actions, the sender was reminded to always check whether recipients have RCM before sending Openreach CI, and the recipient was briefed about the need to seek a RCM for his role and the need to keep it up-to-date.

2.2 Quick Checks

The BTCC reviewed two "quick checks" undertaken by the CAO.

2.2.1 Quick Check No 4 (BT Local Businesses)

A CP asked the CMO about the circumstances in which a BT Local Business contacted a business customer, questioning whether there were proper controls to protect commercial information the CP had provided to Openreach during an order process.

The CMO worked with the CAO on this review. The CMO reviewed how Openreach had managed the CP's commercial information, and concluded there was not any indication of inappropriate conduct within Openreach (i.e. the CP's information appeared to have been handled appropriately).

As an additional level of assurance, the CAO looked at the circumstances in which the BT Local Business contacted the end customer. The CAO found evidence of past commercial engagement going back at least 3 years, and the BT Local Business had contacted that end customer as part of a broader re-engagement with actual and potential customers in that local area.

The CP has been informed of the findings of the CMO and CAO, and the matter has been closed.

2.2.2 Quick Check No 5 (BT Governance on Ofcom Market Reviews)

Following on from Project Seesaw (see Bulletin No 2), the CAO reviewed BT's governance arrangements in relation to Ofcom's Business Connectivity Market Review.

---

[1] People in other parts of BT Group who have a legitimate reason to receive Openreach CI or CCI must have a valid Regulatory Compliance Marker (RCM). This is evident from their online Directory entry. In order to allow Openreach CI or CCI to be shared, there must be an Information Sharing Agreement (ISA) in place covering the information to be shared. If there is no ISA, or the purpose is outside the scope of the relevant ISA, the sender must create a separate online disclosure record. Group Regulatory Compliance collates these records and they form part of a quarterly Disclosure Report presented to the OBARCC.

The CAO found that Group Regulatory Affairs operated this process with clear roles and responsibilities, and there was role clarity about whether BT people were acting in a Parent or a Supplier role in relation to Openreach, or were supporting downstream BT CFUs. This role clarity was further supported by apparently effective control of sensitive information by using the Teams functionality in Office 365 to ensure access that access to Openreach CI/CCI was controlled and appropriate to people's roles in terms of whether and how they were interacting with Openreach.

2.3   System separation programme update.

The BTCC received an update on the system separation programme that has continued, notwithstanding BT's release from the Undertakings. Whilst the Commitments adopt a different approach to system separation (primarily putting the onus on Openreach to determine the degree of security needed to protect its data from unauthorised access by BT people), BT had previously informed Ofcom that it intended to deliver the level of system separation previously indicated to Ofcom.

The BTCC noted that having achieved "practical completion" of system separation, Technology, which has to date run an automated migration programme has handed over responsibility to operational teams in Enterprise to work on the small residues of Customer Side Records and accounts that include ISDN2 and ISDN30e products not yet migrated.

The Committee welcomed the progress made over the last year. As responsibility has now been handed over to Enterprise, the Committee agreed that it would like to receive an update from the Enterprise Director now responsible for the remainder of the migration programme at its next meeting on Enterprise's proposals to take migration activity to its desired end state.