

# BT Compliance Committee Bulletin

**Issue 4**

April 2019



## Introduction

Welcome to Issue 4 of the BT Compliance Committee Bulletin, in which we report on the work of the BT Compliance Committee (BTCC) at their March 2019 meeting.

The BTCC's guest speakers at this meeting were Rod Smith and David Halliday from the Office of the Telecommunications Adjudicator.

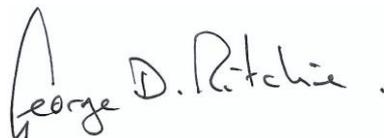
This meeting, in essence, involved a review of the first year of operation of the new governance arrangements and looked at the matters that the BTCC is likely to need to keep under review in the coming year. To that end, the BTCC considered the following topics:

- an update from BT and the Commitments Assurance Office (CAO) on Digital Communications Review (DCR) achievements and outcomes over the last year
- the CAO's proposed work plan for 2019 and into 2020
- BT Group Internal Audit proposals for audits that are directly or indirectly relevant to assurance of the new governance framework.

In this edition of the Bulletin we have also included information about BT's March 2019 industry engagement event, and draw your attention to a minor update to the Commitments to reflect a new reporting system used by BT, as well as publications about the Strategy Development and Financial Planning processes as agreed between BT Group and Openreach.

There is no Compliance Update section in this issue, as no cases were presented at the March meeting. The BTCC will next review potential breach cases at its next meeting in July 2019.

In the meantime if you would like to get touch please contact us via [cao@bt.com](mailto:cao@bt.com).



**George Ritchie**  
**Director, Commitments Assurance Office**

30 April 2019

# 1 BTCC focus areas

## 1.1 Presentation by the Office of the Telecommunications Adjudicator (OTA)

The guest speakers at the March 2019 meeting were Rod Smith and David Halliday of the [OTA](#). The discussion focussed on two themes:

- Openreach's Duct & Pole Access (DPA) product, and industry perspectives on its current state and future development, and
- the move to All-IP telephony and the switch-off of the PSTN network in 2025, and the issues these changes present for industry.

## 1.2 Update on DCR outcomes

Cathryn Ross, Group Director Regulatory Affairs, provided an update to the BTCC on DCR outcomes. The BTCC noted that over the past 12 months:

- BT and Openreach have achieved full implementation of the Commitments, including the successful delivery of the TUPE transfer
- BT and Openreach have made good progress in driving cultural change so that BT and Openreach people adopt and display the right behaviours and live up to the Commitments in spirit as well as in letter, as evidenced through work such as the review by external culture experts Walking the Talk, and there will be ongoing focus in this area, and
- BT and Openreach have developed and agreed the Financial Planning and Strategy Development processes, and associated guidance notes have been prepared.

The BTCC noted BT's priorities for the coming year would include:

- Ofcom's implementation report, expected during June 2019
- publishing the guidance notes (see section 3.2 below)
- enhancing the information sharing reporting systems, and
- ensuring ongoing compliance with both the spirit as well as the letter of the Commitments and Governance Protocol in light of a changing industry landscape.

## 1.3 CAO work plan in 2019 and into 2020

The CAO provided the BTCC with its assessment of key developments (known or potentially anticipated) during 2019 and into 2020. The CAO proposed that the BTCC should keep under review developments in relation to fibre network investment, the roll out of Openreach's DPA product for use by other CPs wishing to build competing fibre networks, and that any further developments in relation to Openreach's fibre broadband services. The BTCC also noted the potential for further developments in the competitive and regulatory landscape.

The BTCC noted that Ofcom's reporting on outcomes and ongoing compliance monitoring will feed into a broader review of the overall success of the arrangements introduced following the conclusion of the DCR and that Ofcom expects to commence this review during the 2020/2021 financial year.

Against this background, the CAO presented its proposed assurance work plan for the coming year. There are some clear areas of focus that are already known, such as assurance of the Financial Planning and Strategy Development processes, and others which may emerge during the year.

In addition, to enhance its assurance activities, the CAO will evolve its ways of working. The CAO will:

- replicate the approach being taken in the Financial Planning process assurance currently underway<sup>1</sup> in other assurance reviews, so that in addition to providing assurance that the agreed processes are being followed, the CAO can provide the BTCC with the information it will need to assess whether BT and Openreach are effectively maintaining the “DCR balance”, i.e. greater independence for Openreach whilst ensuring that BT is able to fulfil its parent company responsibilities
- become more proactive at the outset of key projects, with the aim of reducing the risk of inappropriate interactions, as well as making real time assurance easier and reducing the need for after the event reviews, and
- clarify assurance objectives at the start of each review, which will help BT and Openreach people know what is expected of them.

#### 1.4 Internal Audit proposals

The BTCC received an update from David Viles, Group Head of Risk, Compliance and Assurance, of BT Group Internal Audit’s draft plan for 2019/20. David explained that Group Internal Audit is developing its plan by focusing on the all of the key BT Group risks, and discussed with the BTCC the proposed audits that are planned that will directly or indirectly relate to the Commitments.

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<sup>1</sup> The BTCC considered the assurance of the first two stages of the Financial Planning process at its February 2018 meeting – see [BTCC Bulletin 3](#).

## 2 Feedback on BT's industry stakeholder event

Cathryn Ross, BT Group Director, Regulatory Affairs hosted an industry stakeholder event on 28 March 2019, which was supported by members of the BTCC and the CAO Director. The objectives of day were to:

- give stakeholders insight into how BT Group is fulfilling its parent company responsibilities and the opportunity to raise any issues or concerns
- show the cultures and behaviours at BT support compliance with both the letter and the spirit of the Commitments
- share details of two key processes (Financial Planning and Strategy Development) with the opportunity for CPs to question the relevant finance and strategy directors on how they work in practice, and
- highlight the roles and work of the BTCC and CAO.

The agenda was developed with input from attendees, and covered the following:

- external culture experts Walking the Talk sharing the findings of their work on cultural maturity and the different cultures in BT Group (as parent), Openreach and in downstream BT CFUs
- how BT's strategy development and financial planning processes work – providing early sight of the Financial Planning and Strategy Development guidance notes, which were published the following day (see section 3.2 below)
- highlight the role of the BTCC and the CAO in overseeing how BT is living up the Commitments, and invite stakeholders to raise any concerns with us about BT's behaviour as a parent of Openreach, and
- assurance in practice – the approach of the CAO in how it goes about its assurance activities.

Attendees included major CPs, BT CFUs (Consumer and Enterprise), the OTA and the Federation of Communications Services. As agreed in advance, Ofcom attended for the Walking the Talk presentation.

BT is considering holding another such event at a suitable date in the future and would welcome feedback from CPs on the event and whether they would find a further event helpful.

## 3 Additional information

### 3.1 Update to the Commitments

Following prior notification to Ofcom's Competition Finance Team, BT has made a minor amendment to the Commitments as a result of the introduction of a new regulatory accounting system called CostPerform. This system has been added to the list of shared management information systems in Annex B.

CostPerform is a new system which fulfils a similar function to the REFINE and Aspire systems (both already listed in Annex B) and which is expected in due course to replace them.

The new version of the Commitments incorporating this amendment can be accessed on [the BTCC's website](#) (version of 4 March 2019).

### 3.2 Publication of Guidance Notes

BT and Openreach have agreed a suite of five Guidance Notes which detail how certain key processes operate as between them. These are published on [BT's internet site](#):

- Background and Introduction
- Guidance Note 1 – Equivalence of Inputs & Equal Treatment
- Guidance Note 2 – Openreach and BT Trading
- Guidance Note 3 – Strategy Development process
- Guidance Note 4 – Financial Planning process
- Guidance Note 5 – Northern Ireland

Offices worldwide

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