

POST OFFICE LIMITED – INTERNAL AUDIT REPORT

AUDIT TITLE: Branch Technology

REFERENCE: 2017/18-26

DATE ISSUED: 2 July 2018



Executive Summary

Background

Supported by the IT infrastructure of Post Office Limited (POL), is a network of hardware onsite within POL branches, to allow access to the POL IT network, and subsequently POL services. The main POL system, Horizon (POL Retail EPOS system for all POL transactions), is currently accessed via a dedicated terminal (HNGX) in place at POL counters. However, this device reached the end of its life on 31st May 2018 and is in need of replacement. Maintaining stable access to the POL's Network is critical to the day to day operation of POL branches. Therefore, the reliability and functionality of its hardware is needed to prevent disruption to POL services.

The Branch Technology project started in 2015 and was initially scheduled to deliver 22,500 counter terminals by June 2018 at a total cost of £49m. Yet, costs have increased by 9% (circa £5m) as a result of an incorrect estimation of the number of terminals required (4,500 shortfall) and licensing costs. The project is being delivered through a Waterfall approach.

We were informed that a large amount of project budget and time was spent before the Project began deployments, due to limited effective governance arrangements. POL appointed a Senior Responsible Officer (SRO), Project Manager and Delivery Lead with the relevant deployment experience that has helped to support the successful delivery of the IT network deployment and are currently overseeing the hardware deployment activities.

The installation of new branch hardware was previously coupled with the delivery of IT network switchover (including installation of network hardware). However, the project was separated in order to ensure that the off-boarding of Fujitsu (branch network) and British Telecom (admin network services) was completed by 31 March 2018 to avoid the incurrence of additional service charges and penalties. This has contributed to delays to the Branch Technology project (now planned to complete by September 2018), as the network switchover had to happen before the branch hardware is delivered. Further delays have occurred due to delays in the procurement of the hardware (out of scope of the review) and technical difficulties developing a routinely deployable product (review being performed by the project to identify the root cause).

Scope & Approach

The objective of this review was to consider how the overall Branch Technology project is managed and whether it is on track to deliver successfully. The Branch Technology project has been running in parallel with the wider IT Networks project, which has been subject to a separate IA Change Assurance review.

Specifically, this review assessed the following areas:

- Ongoing Performance and Project Monitoring
- Dependency Management
- Transition to BAU
- Project Governance

The agreed Terms of Reference for this review is attached as Appendix 1. The observations in the report are based on a review of core project documentation and interviews with key stakeholders. The list of stakeholders interviewed is attached as Appendix 3.

Conclusion

There remains a significant volume of deployments outstanding, specifically 62% of counter terminals have not been deployed, with 10,270 counter terminals deployed at the time of the review. The project team remains confident that deployments can be completed by September 2018 and we were informed the impact of slippage would be limited initially. However, slippage past October 2018 would result in deployments being paused due to POL's 'change freeze' commencing in November 2018. We were

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informed that deployments must be completed by March 2019 as Fujitsu will have issues supporting the current application of HNGX beyond this date, resulting in additional costs ranging from circa £0.5m to £1.5m.

The project is dependent on a number of factors to be able to deliver the outstanding deployments by September 2018. Specifically:

- Delivery to the required timetable is reliant on Computacenter exceeding contractual requirements of deployments per day, although we recognize Computacenter are incentivised to exceed contractual requirements to reduce their own costs as they pay for an 'engineering day' rather than per individual deployment.

However, if contractual requirements were not exceeded, significant delays would occur and there is no mitigation plan documented.

- While daily rates of branch visits have on occasion met and exceeded the required rate of 80 branches to meet the September 2018 target, there is also a requirement for deployments to operate at a 95% success rate and be completed within 1 hour per counter.

However, on-going issues with installation has resulted in a current success rate of only 85%, with several weeks in April 2018 falling to 50% due, we were informed, to issues with Computacenter being able to personalise counters. Deployment success rate that continued to operate below target would contribute to slippage in the September 2018 target.

We recognise that the project has entered the latter stages of its lifecycle and is currently in the 26th month out of a proposed 30. However, while there have been improvements since the project was initiated in 2015 and ineffective governance contributed to initial budget overrun of 10%, there remain areas for improvement in the governance arrangements of the project. There remains a risk that further cost and delays incur prior to deployment being completed. As a result some observations raised in this report should be considered as lessons to be learnt for future deployment projects, with high priority actions implemented immediately in the Branch Technology project to support successful deployment by the September 2018 target.

Management Comment

"Thank you for this IA report on a project critical to the stability of day to day operations for our branch network. I am grateful to the team for the outcomes delivered so far. However there are risk themes emerging in this report consistent with other projects across the business which we need to learn from and address in future projects. As regards this project I would like the SteerCo to address the remaining delivery schedule to include contingency plans in the event Computacenter revert to delivering at contractual obligations. Also to assess risk of equipment suppliers to meet the delivery schedule."

Debbie Smith, Chief Executive, Retail

"The Branch Technology programme has delivered an enormous amount of change, providing much needed investment to modernise IT equipment in branch for postmasters. The scale has been unprecedented and to date the team has transformed over half of the estate. The team has also, over this time, delivered the novation of all branch connections from BT to Verizon – a huge undertaking that was delivered on time by the end of 2017/18.

I note and accept the report's comments that aspects of programme management have not been present and best practice in all aspects, the focus having been on practical deployment. I also welcome the report's approach that "some observations raised in this report should be considered as lessons to be learnt for future deployment projects" and will make sure these are acted upon."

Tom Moran, Network Development Director

Report rating:



**Needs Significant
Improvement**

Summary of Findings

The table below provides a summary of the findings and their ratings.

Finding		Rating*	Action Owner	Date
Scope Area: Project Governance				
1	Lack of documented roles and responsibilities	P2	Jason Black	31 July 2018
2	Ineffective Risk and Issue management	P2	Simon White	31 July 2018
3	Lack of formal systems integrator and SLA monitoring	P2	Jason Black	Action complete
4	Lack of Project Documentation	P3	Jason Black	31 August 2018
Scope Area: Ongoing Performance and Project Monitoring				
5	Deployment delivery timeline remains challenging	P1	Jason Black	31 August 2018
Scope Area: Dependency Management				
6	Incomplete review of project dependencies	P3	John Donovan	31 August 2018
Scope Area: Transition to BAU				
7	Transition to BAU activities are not actively tracked	P3	John Donovan	31 August 2018

* P1 = High Priority, P2 = Medium Priority, P3 = Low Priority

Detailed Findings and Agreed Actions

Scope Area: Project Governance

The project has consistent governance meetings in place, which includes a weekly project meeting between the Project Director and Work Stream Leads. There is a fortnightly Steering Board with representation from senior management, for which reporting decks are created with a standing agenda and a list of attendees.

The following good practice was noted:

- We have reviewed and identified a documented change control process, approved by the Project Steering Committee and that sets out any impacts on the project e.g. increase in cost or time, or reduction in benefits.
- Project Senior Responsible Owner and Head of Deployment have extensive recent experience of delivering similar projects.
- The structure of work streams are aligned to deliverables, creating clear lines of accountability for the work stream lead to deliver the solution and monitor individual task completion and slippage.

1. Lack of documented roles and responsibilities

Finding (P2)

A project manager was in post until March 2018 who was responsible for all project documentation, governance and co-ordination of third party suppliers. The review identified:

- There is currently no project management role leading the BT project and no plans to fill the vacancy due to the project now focused solely on deployments.

We acknowledge that the Head of the Branch Deployment Centre is considered responsible for the roll-out, and the vendors have project managers in place to oversee the delivery of their work streams. However, the additional responsibilities of project management have not been re-assigned, such as risk and issue management, project planning and BAU transition. The project has also not replaced that central coordination role, providing strategic oversight over the totality of the project.

Since the completion of fieldwork, we were informed that a junior project manager had been appointed to perform risk and issue management and project planning.

- Roles, responsibilities and accountabilities of key project positions, including Project Sponsor, Project Manager, Head of Branch Deployment, and Workstream Leads have not been documented and communicated.
- An organogram or roles and responsibilities document for the project has not been produced.

Risk

There is a risk that responsibilities and product ownership is not fully understood resulting in key tasks not having a clear owner or being completed.

Agreed Management Action

Re-allocate remaining responsibilities from the project manager role to existing team members and ensure that these roles are clearly documented and understood by all those involved.

Action Owner: Jason Black (CIO, IT 4 IT)

Date: 31 July 2018

2. Ineffective Risk and Issue Management

Finding (P2)

While the top three project risks are reported as part of the Health Check report to the POL Change, Risk and Assurance Team on a monthly basis, the review identified:

- An updated risk and issue log was produced on 4th April 2018 by Project PMO Support. However, 2 out of 21 open risks recorded on the original log were not transferred to the new log.
- The risk and issues log are not submitted and reviewed in full by any project governance group
- The top three project risks reported to POL Change, Risk and Assurance Team do not align to the top three risks in the risk register.
- There is no responsible owner for risk and issue management within the project.
- Mitigation recorded in the Risk log to justify closure is insufficient. For example, 'transition run rate falling below required levels' was closed without sufficient mitigation or justification recorded.
- There is no defined and documented process for updating the RAID log with new risks and issues that have arisen.
- The updated risk and issues log has incomplete fields, specifically:
 - 9 out of 14 issues do not have any mitigating action recorded.
 - 6 out of 14 issues have no timescales recorded for completing mitigating actions.
 - Risks do not have nominal realisation dates upon which the project team assess that they become issues that will impact delivery.

Since the completion of fieldwork, we were informed that a junior project manager had been appointed to perform risk and issue management and monthly health check reports were developed that outline current risks and issues.

Risk

If the RAID log is not up to date and actively managed, risks, issues and mitigation plans may not be tracked leading to potential delays and impact on overall project costs.

Agreed Management Action

As part of the reallocation of the project management activities the team need to define a responsible owner for risk and issue management, and introduce a regular documented review to confirm that appropriate mitigations are in place for risks and issues.

Action Owner: Simon White

Date: 31 July 2018

3. Lack of formal systems integrator and SLA monitoring

Finding (P2)

The Branch Technology project is heavily reliant on third party vendors, to deliver the project. POL are following the Government's Towers Operating Model to deliver the project. Computacenter are responsible for the hardware base build and coordinating the installation of the terminals, via a further third party (ByBox). Fujitsu have been responsible for the development of the application and Atos are responsible for first line support. However, the review identified:

- There is no longer a systems integrator to coordinate the activities of the third parties to support successful delivery. Project Team members have tried to fill this role by meeting with vendors on a regular basis to fix urgent issues. However, these activities are not centrally coordinated and the outcomes of the meetings are not shared across the entirety of the third party eco-system.

We were informed that POL have not been able to alternatively contract without additional risk and cost, however this decision has not been documented.
- We acknowledge that difficulties have been experienced with Computacenter's delivery of the

project and contract managers receive high level performance information but this is not detailed information that is aligned to SLAs.

As a result, monitoring of SLA performance is not performed by the project (due to lack of SLA knowledge) or by contract managers (due to lack of detailed information). The contract managers are also not part of the project management team.

Risk

There is a risk that POL pay for services that are not delivered or contractual requirements are not fulfilled.

Agreed Management Action

Introduce a process to track daily deployment performance against schedule. (We were informed after the completion of fieldwork that a process had been introduced to track daily deployment performance against schedule.)

The lack of a systems integrator is a lesson to be learnt for future projects and no further action required for Branch Technology.

Action Owner: John Donovan (Head of Branch Deployment Centre)

Date: N/A – Action Complete

4. Lack of Project Documentation**Finding (P3)**

While the focus of the project has been on-delivery, there is a need to maintain project documentation in order to support the successful delivery of the project and ensure that the project can be assessed effectively upon completion. The review identified:

- A business case or project charter have not been documented for the project.
- The number of terminals being replaced by the project has not been defined and documented. We were informed terminals would not be replaced in seasonal branches or branches currently closed. However, that decision has not been defined or documented.
- While the primary objective of the project is known, the supporting objectives, potentially linked to timing and cost or concurrent implementation of software and terminals as originally planned, have not been defined and documented.
- Governance documentation, such as terms of reference, was not produced during project initiation for the governance groups within the project, such as defining attendees, agenda, input and outputs, escalation thresholds etc.
- While we were informed that completion of deployments before the change freeze in November 2018 was the project's primary objective, the success criteria for the project has not been defined, documented and approved. For example, whether implementation is classed as success or whether other factors including cost, timing and approach will be considered. Specific, Measureable, Attainable, Realistic and Time-Bound (SMART) targets have not been set for the project to achieve and success be measured against.

Risk

As the project is already a significant way through its lifecycle the value of creating all governance documents is significantly reduced (though this is a lesson to be learnt for wider POL programmes). However key documentation, particularly regarding project success and closure, is still needed to avoid the project failing to deliver the desired outcomes or additional costs being incurred to meet the original requirements of the project.

Agreed Management Action

A document should be produced that clearly sets out the initial scope and objectives of the project, in order to assess delivery against upon project completion.

Action Owner: Jason Black (CIO, IT 4 IT)

Date: 31 August 2018

Scope Area: Ongoing Performance and Project Monitoring

At the time of the review, 10,270 counter terminals had been deployed with 62% remaining outstanding. The project team remains confident that deployments can be completed by September 2018 and we were informed the impact of slippage would be limited initially.

The following good practice was noted:

- Health check reports are published every month and reviewed by the POL Change, Risk and Assurance Team.
- A detailed deployment schedule has been documented that sets out a six week schedule for deployments, accounting for the required rate of successful deployments in order to meet the deadline. The schedule also considers regional location of sites and availability of engineers in order to effectively maximize the daily rate of deployments.
- We were informed that the deployment schedule is reviewed daily, with consideration given to the risk of delay and the required volumes needed to achieve the implementation deadline.
- Project spend is reviewed by the central finance team on a regular basis and commentary is provided on any variances from forecast performance and shared with the project team.

5. Deployment delivery timeline remains challenging

Finding (P1)

At the project outset, Computacenter was responsible for developing a deployment schedule but this has since been re-assigned to the Head of Branch Deployment. Microsoft Dynamics is being used to schedule visits, which enables users to input a variety of variables e.g. size and type of branch, location and number of terminals, to create a forward look of six weeks.

The initial plan of 43 visits per day across 43 weeks was amended as the timeframe was not feasible, as 43 consecutive weeks in a year are not available once accounting for bank holidays and POL's change freeze. The new deployment plan is scheduled to be delivered by September 2018.

However, there are a number of key challenges that may impact the feasibility of the project to meet the plan completion date, specifically:

- The deployment timeline requires Computacenter to consistently deliver 80 branches a day, despite being contracted to deliver 45. There is no mitigation plan in place should Computershare revert to delivering against contractual obligations. The deployment plan requires deployments to operate at a 95% success rate of the 80 branches visited per day. However, on-going issues with installation has resulted in a current success rate of 85%, with several weeks in April 2018 falling to 50%. We have been informed that a delivery rate of 65 branches per day with a 90% success rate is required to complete deployments before the end of change freeze deadline in November 2018. We were informed that slippage of deployments beyond March 2019 would require Fujitsu's existing contract to be extended, resulting in additional costs ranging from £0.5m to circa £1.5m.
- There is no defined and documented contingency for deployment or documented tracking against the use of contingency.

Risk

There is a risk that deployments are not completed at the required day rate or success rate and delays in delivery result that may result in increased costs.

Agreed Management Action

Continue to monitor the ongoing project roll out and identify contingency and slippage options and ensure appropriate mitigation activity is in place.

Action Owner: Jason Black (CIO, IT 4 IT)

Date: Contingency and slippage options should be identified by 31 August 2018, with continuous monitoring until project closure.

Scope Area: Dependency Management

The installation of new branch hardware was previously coupled with the delivery of IT network switchover (including installation of network hardware). However, the project was separated in order to ensure that the off-boarding of Fujitsu (branch network) was completed by 31 March 2018 to avoid the incurrence of additional service charges and penalties. Yet, the projects remained very much aligned, as the network switchover has to happen before the branch hardware is delivered. Computacenter (contracted by Verizon) are also responsible for performing network switchover activities and installation of new network hardware, via a further third party (ByBox).

The following good practice was noticed:

- The project teams have combined the Network Transformation and Branch Technology Steering Groups so that key stakeholders are aware of progress across both projects. The SRO (Jason Black) and Deployment Work Stream lead (John Donovan) are consistent across both projects.

6. Incomplete review of project dependencies

Finding (P3)

The review identified:

- No dependencies are recorded for the project within the RAID log or completion plan.
- There is no process to report dependencies, including to obtain agreement that no dependencies exist.
- While not reflected in project documentation, there are dependencies that are not recorded or being actively or effectively managed. Specifically:
 - The project was reliant on the success of the network transformation project that was completed April 2018 and has also been significantly impacted by the delay of HNGT.
 - The project has significant dependencies on third party providers, e.g. Computacenter are responsible for coordinating the installation of the hardware.
 - The project made an assumption that a number of terminals would be replaced by HNGT. The assumption was not recorded or the dependency communicated to the other projects. No updates were obtained from the other projects and there was not process to actively manage the dependency. As a result, the assumption was not correct and Branch Technology has been required to enhance the scope of the project by 4,500 terminals at additional cost not included within the original budget.

Risk

There is a risk that inter-dependencies across the project are managed ineffectively and result in further delays or cost increases.

Agreed Management Action

Define and document high risk dependencies that may impact deployment timeframes and introduce a process to actively manage and mitigate high risk dependencies.

Action Owner: John Donovan (Head of Branch Deployment Centre)

Date: 31 August 2018

Scope Area: Transition to BAU

We observed that Branch Technology completion plan identified the success criteria's and deliverables for acceptance of Branch Technology into BAU, and it requires the following processes to be in place: support, release and test management, and patching & system maintenance.

The following good practice was noticed:

- The current project completion plan sets out owners and deliverables for each transition activity.
- We were informed that an early life support team and BAU escalation team are in place to support the transition to BAU along with a call centre to provide support and resolve concerns for two weeks post deployments.

7. Transition to BAU activities are not actively monitored

Finding (P3)

The review identified:

- Completion dates are not in place for all required activities to transition to BAU.
- The completion plan is not reviewed by the project steering committee, and was previously monitored by the Project Manager, and it is unclear who has taken on that responsibility with the Project Manager role vacant.
- The Project Manager was also responsible for the delivery of 12 of the 25 transition, we haven't received any evidence that they have been reallocated.
- Resources required to deliver tasks are not recorded on the completion plan and there has been no documented review to confirm project resources are sufficient to complete tasks within set timeframes.

Risk

Without an actively managed closure plan, there is a risk that transition to BAU is not successful or slippage occurs.

Agreed Management Action

Update the completion plan to address the issues identified, finalise target completion dates and ensure progress is actively monitored and managed.

Action Owner: John Donovan (Head of Branch Deployment Centre)

Date: 31 August 2018

Lessons to be Learned

In addition, whilst not recommending detailed action across all areas of our findings at this stage in the project lifecycle, we have noted a number of significant issues within the BT programme that need to be considered for other POL change programmes in the future. In particular there is significant lack of core project documentation such as a business case and an integrated project plan which make it hard to ensure deployments will be delivered to time and budget with a clear understanding of the dependencies across the wider change portfolio. For future projects, we recommend that there are regular reviews of documentation as part of the gating process to ensure that those documents that are considered as business critical are developed. An advisory review of the Change Framework is being performed and these lessons will be incorporated in the recommended governance arrangements.

Distribution List

Executive Sponsor:	Debbie Smith (Chief Executive, Retail)
Distribution:	Rob Houghton (CIO) Tim White (Strategic Portfolio Office) Jenny Ellwood (Risk Director) Jason Black (CIO, IT 4 IT) John Donovan (Head of Branch Deployment Centre) Tom Moran (Network Development Director)
Audit Team:	Robert Gold Ben Jervis
Key Dates:	Fieldwork: 27 February 2018 to 10 May 2018 Draft Report: 18 May 2018 Final Report: 2 July 2018

Appendices

Appendix 1 - Terms of Reference

Audit Reason

Maintaining stable access to the POL's Network is critical to the day to day operation of POL Branches. Therefore, the reliability and functionality of its hardware is needed to prevent disruption to POL services.

In order to ensure that the POL Network Infrastructure is fit-for-purpose and is able to manage future service demands, it is essential that project delivers a solution that works for the future. This review will consider how the overall project is operating and whether it is on track to deliver successfully.

This review is part of the FY17-18 Annual Audit Plan – approved by the Audit and Risk Committee (ARC)

Scope of Audit:

The purpose of this review was to consider how the overall Branch Technology project is managed and whether it is on track to deliver successfully. The Branch Technology project has been running in parallel with the wider IT Networks project, which has been subject to a separate IA Change Assurance review.

This review will assess the following areas:

- **Ongoing Performance and Project Monitoring:** Assess the level of confidence in the delivery of the project's aims and objectives, in relation to the timescales, costs and delivery requirements as outlined in the project's business case. Understand the project team's ability to manage delays and risks that may undermine successful delivery of the project;
- **Dependency Management:** Due to the interdependencies of the Branch Technology project with the IT Networks and Project Solar projects, assess the processes in place to identify, monitor and manage key project dependencies;
- **Transition to BAU:** Understand and assess the planned processes to manage the transition of the Branch Technology project from project phase to BAU, in consideration of hardware management and associated maintenance practices; and
- **Project Governance:** Assess current methods of project, benefits, dependency and risk management to ensure alignment to POL policy and One Best Way Framework. Assess the appropriateness of these governance processes with consideration to the life-cycle stage of the project.

Timelines:

- Planning and scope agreed/ ToR issued: 27 February 2018
- Fieldwork completed: 10 May 2018
- Draft report issued to initial stakeholders: 18 May 2018
- Report finalised: 2 July 2018

Appendix 2 - Report and findings rating guide

Audit finding rating descriptions:

Ratings	Description
P1 (High priority)	Issues arising referring to important matters that are fundamental and material to the system of internal control. The matters observed might cause a system objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency .
P2 (Medium priority)	Issues arising that if not addressed may in time adversely impact the controls environment.
P3 (Low priority)	Issues arising that would, if corrected, improve internal control or efficiency in general but are not vital to the overall system of internal control.

Report ratings:

The specific rationale for the report opinion rating will depend on a variety of factors including:

- The number of control issues identified
- The priority rating given to these issues
- The significance of the risks attaching to the area under review
- The overall status of the control environment for the business area under review

We will categorise our report opinion according to the below rating:

Rating	Description
Satisfactory	Generally appropriate design and operation of the key controls tested with only minor control weaknesses or process inefficiencies identified.
Needs Improvement	Some weaknesses in internal controls which need resolving. A number of non-compliance issues with internal and external guidelines and weaknesses in records, systems and controls were identified.
Needs Significant Improvement	Inadequate internal control environment which requires management attention and improvement as priority. A high number of non-compliances with internal and external guidelines and weaknesses in records, systems and controls were identified. Examples may include reputational damage or inappropriate use of assets.
Unacceptable	Major breakdown in internal control environment which requires urgent Senior Management intervention. A significant number of non-compliances with internal and external guidelines and weaknesses in records, systems and controls were identified. Non-compliance with regulatory/contractual requirements, significant reputational damage or significant inappropriate use of assets.

Appendix 3 – List of Interviewees

A list of the stakeholders interviewed during our audit has been set out below. We would like to take this opportunity to thank the staff involved in the audit for their time, co-operation and response to our information requests.

Jason Black	Project SRO
Andrew Swaffer	Programme Manager
Jon Donovan	Head of Branch Deployment
Angus McDonald	IT Contract Manager
Gareth Coles	IT Contract Manager
Chirag Kachalia	Release Manager
Max Jacobi	IT Finance Lead
Qamar Asghar	Project Finance Lead
Mark Baldock	Change, Risk and Assurance
Amber Petrie	PMO Analyst