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Document Title: Audit of Implementation

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Abstract: This report documents the outcome of an internal audit of Implementation. The audit was one of a planned programme of audits within ICL Pathway for 1999. Its prime objective was to confirm the state of readiness of the Implementation operation for the advent of National Rollout. Terms of reference for the conduct of this audit were circulated on 31 March 1999 and the initial interviews were conducted on 29 April. A draft report was circulated to Implementation management for comment on 10 August; formal comment was received on 8 September and the report has been amended where appropriate. Where these comments refer to action taken subsequent to the review, the action has been annotated in the body of the report and will be followed up during the CAP phase.

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0   Document control

0.1   Document history

Version	Date	Reason
0.1	10/08/99	First draft for comments
1.0	08/09/99	Issued following receipt of management comments

0.2   Approval authorities

Name	Position	Signature	Date
M. Bennett	Director Quality & Risk		

0.3   Associated documents

Reference	Vers	Date	Title	Source
IA/PLA/001	1.0		Internal Audit Plan 1999	

0.4   Abbreviations

ATDB	Activity Tracking Database
BA	Benefits Agency
CCB	Change Control Board
CP	Change Proposal
HSH	Horizon System Helpdesk
IPE	Implementation Programme Executive
IPM	Implementation Programme Manager
MTC	Minimum Training Compliance
NRO	National Rollout
OMR	Organisation Management Review
POCL	Post Office Counters Limited
QS	Quantity Surveyors
RFI	Ready for Installation

RODB	Rollout Database
SLA	Service Level Agreement
TED	Technical Environment Description
TEI	Technical Environment Implementation
WT	Workplace Technologies plc

0.5   Table of content

1   Introduction

Implementation is an operational unit within ICL Pathway responsible for managing the national rollout of the Horizon system into Post Office Counters Limited. The division was recently reorganised and now comprises four sections:

- The rollout team, based at Kidsgrove, with responsibility for delivery of the programme, technical design, scheduling, supply of components, monitoring survey and modification costs, and running the rollout helpdesk.

- Training and Migration, based at Feltham, responsible for defining the training requirements and managing the delivery of training and migration (training is carried out by a subcontractor and 'in office' data migration is effected by POCL).

- Four Field teams, one in each of the POCL regions, managed from Feltham. Their role is to manage the implementation and subcontractors in the regions and liaise with POCL on work to be carried out. They are Pathway's primary interface for issue resolution.

- Business Operations, based in Feltham, covering programme office, finance and acceptance.

In addition there is a small HQ group based at Feltham comprising the Implementation Director and a Financial Controller (recently appointed).

2   Scope & Conduct

The audit forms part of the 1999 programme of planned internal audits into aspects of ICL Pathway's organisation and activities. The emphasis in this audit was to confirm the readiness of the constituent parts of the Implementation operation for the advent of national rollout, and to evaluate the adequacy of controls over expenditure.

The audit was undertaken in accordance with the Terms of Reference (attached as Annex 1). The audit resources planned were not all available when the audit was conducted; the assistance of Pathway's Y2k manager, Ian Honnor, is gratefully acknowledged.

3   Management Summary

3.1   General

This audit was carried out much later than initially planned, largely due to staff availability and organisational restructuring within Implementation. The principal general findings of this audit were:

- At the commencement of the audit there was a general dearth of process and procedure documentation for all functions. This was recognised as a major area of concern, and process engineers were appointed to produce the required documentation. Management focussed their effort primarily on areas identified by the audit, as they did not believe they would achieve comprehensive coverage of the outstanding areas in the time available (authorisation has been obtained to utilise process engineers for 6 man months).

- Some areas, notably the Quantity Surveyors (who authorise the payments for surveys and re-surveys) and the people responsible for purchasing equipment, operate with a large degree of independence and minimal internal control, as detailed in paragraphs 4.2.3 and 4.4. These are specialised areas run by competent staff, and appear to be operating well. Working practices have evolved over time, but the absence of formalised and documented processes and procedures results in a huge degree of dependence on the present incumbents. Should they suddenly be removed, significant disruption would result.

- Agreement was reached on the preparation of business contingency plans. Most of them should have been completed by the end of June 1999, but there has been little progress in this area to date.

3.2   Financial Control

When the audit commenced there was not an effective system of budgeting or variance analysis – control was exercised via high-level financial reviews. Line managers did not have a mechanism to enable them to exercise effective financial control, nor was there an apparent delegation of this control to them. During the course of the audit a Financial Controller was appointed; he has done a good job of developing a detailed forecasting model against which actual expenditure is being compared. At the most recent review it was noted that the level of detail in the forecast (which was appropriate for line managers' control purposes) exceeded that which was readily available from the central accounting system, resulting in the need for manual analyses of actual results for comparison against forecasts.

Controls over payments to suppliers were generally effective.

The processes around placing orders and paying suppliers for their delivery of goods and services were reviewed. The processes were well established and generally

known, but for the most part not documented. Controls around purchasing and payments were effective, but at a detail level there was scope for improved efficiency.

[Note: The Implementation Director confirmed that corrective action has commenced. This will be verified during the Corrective Action phase of the audit.]

3.3   Support Systems

A number of support systems have been developed locally to assist individual staff members or groups to carry out their functions more effectively and efficiently. They have not benefited from the controlled environment of testing, change control or Y2k compliance. They were generally not documented and were dependent on one key individual for their effective operation. Principal among these was the Activity Tracking Database, which has become a business-critical application.

3.4   Sub-Contractor Management

Early indications were that this was an area of concern – less sites were being fed into the survey process than were agreed contractually, and there was a higher dropout rate to re-survey than was initially envisaged. The experience in Live Trial indicated that there were numerous problems in offices which had been indicated as RFI (this was after more review and checking had been carried out on those sites than will be available to the rest of the estate in NRO). These issues are being addressed by Implementation; at their request the Pathway Quality Manager conducted an audit of WT processes and the managerial control of processes carried out by sub-contractors on behalf of WT (QU/REP/004). Implementation management have determined that WT is their only source of concern in this area and have instituted an action plan which is reviewed weekly.

3.5   Asset Management

The operational functions of purchasing and managing the storage and distribution of components are controlled by two employees. The processes for the ordering of equipment and payment of invoices are reasonably sound (with the exception of verbal confirmation of the receipt of goods in some instances). From the point of receipt, however, the same people have total control over the stock. They manage the receipt and issues of stock, maintain stock records and track the progress of goods ordered and issued. There is no independent internal control process to verify the accuracy of their stock records.

[Note: The Implementation Director confirmedthat corrective action has commenced. This will be verified during the Corrective Action phase of the audit.]

All stock purchased is being stored in a single location at Byley – current value about £20M. In the event of destruction of the warehouse (e.g. by fire) the rollout process would be decimated as some of the stock (e.g. Ithaca printers) are imported and have

long lead times. Pathway does not have effective control over assets removed from post offices.

- Currently assets are removed by Exel when they go on site to do an installation at an automated site (both ECCO and release 1c sites – the former equipment belonging to POCL, the latter to Pathway. Similar issues will arise with ALPS equipment). The equipment is placed in overshippers and taken to the Byley warehouse where it is sorted and listed by Exel staff. Only at that point is Pathway informed of what equipment is held.

- There are no documented procedures covering the shipment to POCL of equipment belonging to them (ALPS and ECCO kit).

4   Detailed Findings

4.1   Communication Channels and Management

The primary focus of this audit was to confirm the Implementation Team's readiness for National Rollout. Due to the geographic dispersion of the different parts of Implementation, communication between the various locations was considered as one of the key areas that would need to be managed effectively. Discussions with management indicated that meetings are held in a matrix thatcovers Implementation, POCL and suppliers.

Implementation

The Implementation Director attends CCB and Pathway Management Team Meetings weekly and briefs all his direct reports on the same day. They also meet monthly (this meeting follows a fixed agenda including recruitment, progress and issues). Formal minutes are not recorded but the Implementation Director records and monitors actions via his daybook.

IP staff recently attended a 'functional' meeting. The intention is to hold such meetings at 2 or 3 monthly intervals to provide an opportunity for the staff dispersed in the IP regions to share their experiences and provide motivation.

The Implementation Director's direct reports provide him with weekly reports of their activities and copies of their diaries.

POCL

Following BA's withdrawal a new process has been proposed by POCL and accepted by Pathway for reporting. It consists of a fortnightly checkpoint meeting, which is preceded by a session between the Implementation Director and his Horizon counterpart to ensure that the meeting is presented with a consensus view and that any new issues are understood before being exposed to a wider audience. These meetings are chaired, minuted and actions monitored by POCL.

Suppliers

Meetings are held in a hierarchical structure along peer group levels, from the Managing Director's "Suppliers Round Table" meetings, through the Implementation Director's management briefing forums, to the supplier management forums led by line managers. Detailed minutes of proceedings are not kept for the latter two forums but action plans are agreed, documented and monitored.

4.2   Financial Control

4.2.1   Budgeting and Variance Analysis

Budgets had not been prepared in sufficient detail to facilitate effective management control over expenditure (Implementation's total expenditure is expected to be about

£200M). A Financial Controller was appointed for Implementation subsequent to the commencement of the audit; at the time this area was reviewed he was preparing detailed monthly expenditure forecasts. The approach taken has necessitated the introduction of a more comprehensive accounting structure, which will result in more meaningful reports for control purposes. Actual results are being reported in the required format, but currently need to be manually analysed and input into an Excel spreadsheet to produce the division's financial report.

4.2.2 Cost Control

Implementation's Financial Controller has recently instituted a monthly review with his division's managers responsible for budgets. The proposed reporting format (which had not been introduced fully at the time of the audit) will include a forecast spreadsheet (comparing actual and forecast expenditure and reflecting variances), general ledger report and (in the longer term) purchase order commitment report. The intention of the purchase order commitment report is to list all open purchase orders, reflecting the value originally approved, as well as the amount already expended and the balance available.

4.2.3 Payments to Suppliers

Survey / re-survey fees

In general there was effective control over payments made to subcontractors. Processes and procedures for authorising work to be done, as well as payments for the work completed, were well established and consistently applied. The processes and procedures were, however, not documented. Due to the high degree of automation in the processes and the limited staff complement, this represents a significant risk exposure as the effectiveness and efficiency of the processes are wholly dependent on the present incumbents. Limitations of the staff complement and the degree of specialisation required to perform the function effectively have resulted in a division of responsibilities that is not ideal to support effective internal control in the system, specifically segregation of duties and independent authorisation.The Commercial Manager (who manages the Quantity Survey Department) is responsible for the entire process from work authorisation to settlement by:

- authorising quotes for irregular work to be done;
- authorising the subcontractors' invoices;
- agreeing the amount to be paid on each invoice;
- arranging for any credit notes to be issued to Pathway where appropriate.
- His department monitors the reconciliation of the accounts and maintains the document trail.

The highlighting of these system weaknesses is not intended to suggest that there has been any impropriety in this area – the audit concluded that sub-contractor payments for surveys and re-surveys were competently managed and well controlled. The total costs to be incurred on these fees was budgeted at £40M; it appears thatthe final cost will be within budget. In addition, this department has recovered more than £1.5M arising from sub-contractors' over-invoicing.

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> *The processes and procedures around the authorisation of category C quotes and the verification of invoices for payment have been agreed as one of the high priority areas to be reviewed by the Process Engineers in the short term. Audit endorses this prioritisation and will review the progress during the Corrective Action phase of the audit.*

Standard rates have been agreed for work to be carried out at most sites. Quotations are submitted for irregular items – "Category C" work carried out by WT and all modification work carried out by Pearce. Category C items are authorised by the Commercial Manager (Quantity Surveyors' team) while modification work is authorised by one of the region's IPEs. (At the time of the review quotations for modifications were being authorised by the IPM but it had been agreed that they would not be able to meaningfully review all quotations at the peak of national rollout. A decision was made to delegate this responsibility to an IPE – the organisation structure had been amended and provided for 2 IPEs in each region; the Implementation Director has indicated that this has now been increased to 3 per region). One of the checks carried out is a comparison of the amount quoted to a table (parameters are based on the number of counter positions). If these amounts will be exceeded the office is suspended from the programme and referred to POCL, who will decide whether the installation should proceed. If they approveit, they are responsible for payment of the excess amount. The high level agreement is covered by a contract controlled document, but there is not a formal process detailing how the excess costs this will be recovered from POCL.

> *Processes must be formalised for expenditure in excess of Pathway's agreed limits. In particular, the authorisation procedures and documentation must be formalised, and the mechanism and control over the management of charges to be recovered from POCL must be agreed and documented.*

An error in the RODB caused the status of an outlet to be reflected as "RFI" (ready for installation) if the "preparation date" was earlier than the current day. The RODB status was thus not being used to verify an invoice for payment – reference was instead being made to the "preparation actual date" held on the RODB. This dateis, however, input by the supplier. A further check is now being carried out to ensure that Exel have received the completion pack before an invoice is passed for payment. A retrospective application of this comparison resulted in £56000 being deducted from WTs payment (where they had been paid for conducting the survey but had not forwarded the completion pack to Exel).

Payment must be made within 30 days of presentation of invoices. Accruals are not raised for costs incurred, but for which invoices have not yet been presented.

Equipment

Controls in this area were generally effective, although occasionally informal (e.g. the routing of invoices and delivery notes is not consistent. Invoices may be sent to Kidsgrove or Feltham. Delivery notes are seldom forwarded to Feltham in support of payments. Where a delivery note has not been received, confirmation of receipt of the goods will generally be obtained by telephone, hence accountability for errors cannot be confirmed at a later stage).

There is scope for improvement in the efficiency of processes and procedures – effective working practices have evolved, but have not yet been documented. Several of the processes involve the transmission of documents between Kidsgrove and Feltham, where the process can be amended for greater speed and efficiency (e.g. KID01 fax details of a request to FEL01; FEL01 prepare a "purchase order request" form and fax it to KID01 for signature – not authorisation. It is sent back to FEL01 and is signed by the Implementation Director. An "order request" form is made out in duplicate and authorised, then entered in the Oracle system to produce a requisition. The requisition and photocopies of the other manual forms are sent to Finance to generate a purchase order).

The Process Engineers should review the efficiency of document handling activities in their formalisation of the processes and procedures covering the order placement and payment authorisation for equipment.

There is not an end-to-end control over the tracking of equipment. Existing records will be able to monitor the number of assets of each description from their receipt to delivery to Celestica for preparation. At that point the serial numbers are recorded for the first time and a copy is sent to Feltham and recorded on anExcel spreadsheet to track the movement of assets. When Exel do an installation they scan the bar codes of the equipment installed and forward this data to Customer Service. There is no comparison between these two sets of records.

The end-to-end control over equipment, from its receipt into the warehouse to its installation in an outlet, should be covered by a formal process, which should ensure that all equipment is accounted for and that the various records are reconciled where appropriate.

4.3   Management of Subcontractors

4.3.1 Training

Peritas (ICL Training Services) are responsible for developing the training material and delivering the training. Pathway define the training requirements and manage the delivery of the service. The Training and Migration function's role is thus supplier management (Peritas) and customer management (POCL).

Most of the measures employed in the reporting process relate to the 9 contractual SLAs against which Pathway measures its compliance. Peritas supply four reports:

- A daily report detailing people who have failed courses

- A daily report of people who have not arrived for their training courses

- A daily report of offices that have not met the Minimum Training Compliance (MTC) requirements

- A weekly report outlining user awareness events, invitations sent out, refusals to attend, etc.

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Peritas provide a monthly evaluation report, which summarises feedback of the level of attendees' satisfaction with the course content and venues (SLA based areas). It also provides details of the number of attendees at courses and the number of courses held. Minimum Training Compliance criteria require that the outlet manager and 50% of the outlet staff be trained (and pass a test) before an outlet can go live. The training required for MTC must be completed in the 5 days prior to installation. There is,however, provision for POCL to override this requirement.

Pathway management reports are produced on a weekly and monthly basis, and are mainly SLA-based. A monthly evaluation meeting is held with Peritas and an evaluation report is produced.

At the end of each training event sub-postmasters are required to complete an evaluation form, as Pathway is contractually required to provide feedback to POCL. These forms are completed at the end of an event. Peritas accumulate the forms, input the data and send the overall results to Pathway on a weekly and monthly basis. They also review the comments to establish a trend analysis. Since there is not an independent analysis (Peritas are accumulating the results of the evaluation of themselves and communicating those results to Pathway), Pathway are not in a position to defend the results if challenged.

There should be an independent evaluation to confirm the accuracy of the results of the sub-postmasters' evaluation of the training received.

The main concern in this area is the speed at which changes can be communicated to field staff. Training PCs are not ISDN-enabled. Updates are e-mailed or posted to trainers; for new releases all trainers will be "recalled" by Peritas – during peak national rollout they will have about 200 contract/temporary trainers in the field. Peritas employ regional training managers whose responsibilities include ensuring that all updates have been received. They will also have a role in ensuring that overall quality control standards are maintained. Apparently they currently do random checks. It is anticipated that random sampling procedures will be introduced but these have not yet been formalised. A further complication is that there is not a formal communication process to inform Trainingwhen changes are effected in the live system. It was also noted that there were regional differences in the training material being presented.

It is imperative that a process be introduced to ensure the consistent application of the latest training material, and that these processes be formally documented. The communication of changes to the live system which will impact the training process must also be addressed.

[Note: The Implementation Director confirmed that corrective action has commenced. This will be verified during the Corrective Action phase of the audit.]

There is not a formal procedure for ensuring that feedback received from training programmes is incorporated into the programme to achieve improvements. The Training and Migration Manager has been tasked with producing a Training Programme Feedback Plan, which will define how feedback received during national rollout can be applied to the existing material and made available to the training PCs

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in the field. It is understood that a major review is planned to take place during the December pause, but there is currently not a documented strategy for this.

> *Formal processes must be introduced to pro-actively incorporate feedback from training programmes in future releases. The specific objectives of the December review should also be defined to ensure that the appropriate staff are available as required.*

Where the criteria for MTC have not been met, POCL frequently sanction the continuation of installation (e.g. where the criteria have not been met due to maternity leave or due to a high proportion of casual/temporary staff in outlets). Pathway procedures and responsibilities in such an instance have not yet been formalised.

> *Agreement must be reached regarding the process to be followed where MTC has not been achieved. Procedures must be agreed with POCL and documented. Roles and responsibilities must be clearly defined.*

4.3.2 Surveys and re-surveys

Installations carried out during the previous month are reviewed at the Supplier Management Forums run by the Rollout Manager. The recently initiated Inspectorate Service, provided by OSD, is tasked with auditing 10% of all Infrastructure and Installation sites independently. It was noted that, at the Live Trial sites installed, there was a snagging ratio of about 60%. The subcontractors used by WT at the time of the preparation of those sites have since been replaced. These issues are being addressed by Implementation; at their request the Pathway Quality Manager conducted an audit of WT processes and the managerial control of processes carried out by sub-contractors on behalf of WT (QU/REP/004). As this is the subject of a separate review it was not pursued any further in this audit.

4.4   Acquisition, Storage and Distribution of Equipment

These functions are currently being performed by two staff members – formerly it was the responsibility of PPC, an ICL company which has now been disbanded (both of the present incumbents were employed by PPC). Their work procedures and methodology have not changed, and their records are maintained on their own stand-alone PCs (they will apparently be connected to the network in the near future). They have no formally documented processes or procedures.

> *The effective management of the functions responsible for the acquisition, storage and distribution of equipment is a crucial element of rollout. Currently the successful execution of these functions is dependent entirely on the skills and knowledge of the present incumbents. It is important that these processes and procedures are documented as a matter of urgency.*

The separation of responsibilities in the procurement and stock management functions is not conducive to strong internal control (the capability whereby successive processes within a system monitor earlier activities and highlight errors or irregularities):

- The same staff members forecast the stock requirements (using a stand-alone system which is not correlated to existing systems such as RODB; authorisation of the order is based on the same forecast);

- initiate the placement of the order;

- receive the stock

- control stock movement and storage.

- The only stock records available are maintained by the same people, also on their stand-alone system. They provide the data on stock movements for the financial records to be updated at month-end.

This is not intended to suggest that there has been any impropriety. The audit opinion in this area is that these functions are competently managed and well controlled, albeit with very strong dependence on the current incumbents (with no formally documented processes, as mentionedearlier).

> *The Process Engineers' reviews should include an end-to-end analysis of the procedures and should identify controls/monitors relevant to the process. In particular, there should be a correlation between the forecast requirement for equipment and the RODB (which holds precise details of the number of counters per outlet and the outlets being installed at any time), and between the stock records and the financial records.*

[Note: The Implementation Director confirmed that corrective action has commenced. This will be verified during the Corrective Action phase of the audit.]

The forecasting of equipment to be purchased is not based on information from the Rollout Database, but on a forecasting model developed under Excel. Stock on hand, which forms part of the calculation of items to be ordered, is manually input from the stock records. The intention is to use the results of the physical stock counts in future – these will probably be undertaken quarterly.

The ordering procedure is as follows:

- Order initiation takes place at Kidsgrove and is based on a forecast produced on an Excel spreadsheet with no direct interfaces to any other records (such as RODB).

- The requirements are e-mailed to Feltham{Marlene Henderson} to complete a "Purchase Order Requisition" (manual document). The request details the supplier, item, quantity and price.

- The "Purchase Order Requisition" is sent to Kidsgrove for signature (not authorisation).

- It is then sent back to Feltham for authorisation and order origination. The order is then sent to {Marlene Henderson} for placement and a copy is sent to Kidsgrove to progress.

- Goods are usually delivered to the Byley warehouse, but may also be shipped directly to Ashton (Celestica). The receipt of these goods will not be recorded in the normal way, and will be confirmed with Celestica by telephone.

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> *The Process Engineers should review the ordering process during the course of producing their documentation, specifically to assess whether the required functions can be carried out more efficiently and/or effectively.*

All equipment purchased for the installation programme is housed in a warehouse at Byley, owned by Exel (the same distribution hub from which the Exel installation teams operate). They manage the warehousing of the stock, including the acceptance of deliveries on Pathway's behalf– these goods are then isolated until checked by Pathway staff. The value of current stock holding is about £20M, and includes 18000 Ithaca printers (imported), 9000 Epson 200 printers in black (model no longer made; colour non-standard) and 36000 scanners. The current stock of PCs is about 1950 166MHz machines. Most of these will be used in training – 1400 by Pathway and 350 by POCL. 332 were added to stock as returns from 1c counters.

> *At least two separate locations should be utilised for the storage of equipment purchased for the installation programme. The loss (e.g. by fire) of the entire stock of a line of imported components, which may have a lead time of a few months, will seriously hamper the installation programme.*

There is not a formal, controlled process for handling stock that is removed from counters and returned to the warehouse, nor for recording and authorising stock write-offs. Assets are removed by Exel when they go on site to do an installation at an automated site (both ECCO and release 1c sites– the former equipment belongs to POCL, the latter to Pathway. Similar issues will arise with ALPS equipment). The equipment is placed in overshippers and taken to the Byley warehouse where it is sorted and listed by Exel staff. Only at that point is Pathwayinformed of what equipment is held.

> *Formal procedures should be implemented for handling stock returned to the warehouse and for writing off stock items where appropriate. Procedures should include guidance on packaging (to prevent or minimise damage), labelling, control and maintaining an audit trail of movements until delivered to the nominated depot.*

All items to be installed in POCL are routed through Celestica for preparation, and then delivered to Exel in overshippers. Requests for goods to be delivered to Celestica, and confirmation that the required stock has been received, are generally communicated verbally or occasionally by e-mail.

4.5   Scheduling and Monitoring of the Programme

Scheduling is effected by inputting parameters into the RODB, which then produces the schedules of offices to proceed to the next phase of the programme. It also provides exception reports to indicate which offices have dropped out and at what stage.

Monitoring is carried out by field staff. Each regional office produces a report of successful installations on a daily basis. They will also produce a weekly report of exceptions from the RODB and ATDB and a weekly report showing trends. Field staff will manage Pathway staff and subcontractors in the regions. IPEs are responsible for

issue management (they must manage the issue resolution process to the point where the office can be re-scheduled), as well as liaison with the planning team for the scheduling and re-scheduling of offices. They also approve quotes for modifications.

Escalation procedures have not been documented, although a hierarchy of escalation has evolved through usage and existing practices.

> *To facilitate speedy resolution of issues arising when the peak rollout rate is achieved, escalation routes for outstanding issues need to be clearly defined and documented.*

4.6   Support Infrastructure

Outlets operating in the live environment are supported by the Horizon System Helpdesk (HSH), which is the Postmasters' primary contact point. While they are being prepared for live operation the Rollout Helpdesk (ROHD) provides the primary liaison for the parties involved in the rollout. When Postmasters raise calls related to the implementation, they raise a call on HSH and HSH raise a call on ROHD. At the time of the review the documentation was still being finalised, but the contents of the existing manuals was sufficient to provide a good induction for a new starter, and generally adequate to ensure that principles and procedures were applied consistently.

'Priority' and 'severity' ratings are allocated to each call. These have not been fully defined, although all staff questioned appeared to have a similar view on their application.

> *It is recommended that 'priority' and 'severity' ratings are formally defined to ensure their consistent application, particularly relevant when rollout is running at peak rates.*

ROHD statistics were reviewed. Reports were not available directly from the system, and on one occasion could not be produced. Statistics at 29 April reflected a weekly average of about 1000 calls; about 2500 were open calls and the trend indicatedan increase of about 100 open calls per week. Reports were not available at 30 June, but the ROHD Manager indicated that there were about 1800 open calls at that stage, and that the trend was a decrease of about 100 calls per week. He also mentioned that a support team from HSH would be reviewing their reporting requirements shortly.

> *Reporting requirements from the ROHD need to be addressed to facilitate accurate and timely statistics being obtained easily.*

The ROHD Manager indicated that they did not have appropriate codes for all the entries they needed to make in the PowerHelp system.

> *A CP must be raised to request the appropriate PowerHelp codes needed by ROHD.*

There are no SLAs or other agreements with HSH or any suppliers. There are operational level agreements which they attempt to meet, but these are not formally binding. They are included in the Problem Management Registers, which are in place for all but one of the suppliers (Pearce).

4.7   Implementation Support Systems

It was noted that several support systems had been developed in isolation, initially to assist individuals or small groups to control their functions more effectively. Some of these systems have now become business-critical, but have never been subjected to formal testing or acceptance criteria, such as Y2k compliance. Principal among these is the ATDB (activity tracking database), which is the primary tool used by field support staff. Similar issues (although not on the same scale) apply to the sitecosting database used by the Quantity Surveyors; this is used mainly for comparing quotes with invoices and for forecasting payments. Changes will also be required when the RODB is moved to a secure server, as QS currently have direct links into it to runtheir queries against invoices presented. The architecture of the replacement solution will, however, facilitate the maintenance of the current working practices.

Issues around systems being developed outside of the formal development environment include the following risks:

- They may not comply with the requirements of the TED and TEI.

- They may not have effective control over change management or backup.

- They may not have appropriate visibility when major changes are planned (e.g. Workplace 2000).

- They are not run from a controlled server– most are run from local workstations and are backed up to a server periodically.

- They have not been subjected to the standard testing processes, such as Y2k compliance.

- They are not documented

- The are generally dependent on one key individual for technical support.

> *All stand-alone systems must be identified and at least be formally documented, subjected to Y2k testing, and benefit from formal, tested contingency planning and change management.*

4.8   Resourcing Plans

The resource levels have been derived from conducting an OMR based on the Infrastructure project and experience gained during live trial. A spreadsheet of resources required for national rollout has been developed covering the full range of positions required. This identified a peak of 104 personnel required for the period 8/99 to 3/00, to an average of about 95 from 4/00 to 1/01, followed by a tailing off as the installation tail reduces.

No key posts have been identified nor has any formal succession planning been undertaken.

4.9   Sub-Contractor Contingency / Business Continuity

This has been acknowledged as a weak area, both from the perspective of ensuring that Pathway's subcontractors have plans in place to ensure their own continuity of service, and from the Pathway perspective of losing a sub-contractor.

> *Business continuity plans must be formalised as a matter of urgency. They must be formally documented and tested.*

[Note: The Implementation Director confirmed that corrective action has commenced. This will be verified during the Corrective Action phase of the audit.]

5   Annex 1 - Terms of Reference

1.   **Audit Aims**

This audit will provide assurances about the policies, procedures and practices applied in the Implementation Programme for New Release 2.

2.   **Objectives**

2.1   To evaluate the operational and management control over the financial commitment involved in the implementation process.

2.2   To assess the communication and co-ordination between the various units involved in implementation (Feltham, Kidsgrove, Field personnel, POCL Regional offices and POCL HQ interface).

2.3   To assess the degree of preparation for the effective control over the implementation programme, specifically addressing:

Control and monitoring of the four Implementation Programmes;

Management of subcontractors

Programme Planning, Scheduling and Monitoring mechanisms

Counter Baseline Management (hardware and software, including procurement)

Monitoring, co-ordinating and reporting Implementation Activities

Support infrastructure (HFSO, HSH and Rollout Helpdesk)

Implementation Support Systems (RODB and ACDB)

Asset Management

Security

Resourcing Plans

2.4   To ensure that Management Reporting structures are adequate to communicate relevant information to interested parties in a timely fashion

3.   Exclusions

The migration of the existing Data Service Centres will not be included as that function is the responsibility of Customer Service.

4.   Dates

The audit will start during the week commencing 26 April 1999 and be completed before Live Trial, with a final report to the Managing Director and Implementation Director, ICL Pathway.

5.   Approach to the Audit

The nature of the Implementation programme and availability of audit resource means that it will not be possible to complete theaudit in a four- week block. Rather a series of interviews and site visits will be conducted at mutually agreed dates at the location where the work is carried out.

The available procedural documentation will be scrutinised and used to structure interviews where the emphasis will be on confirmation that procedures are successfully deployed and complied with.

Every effort will be made by the audit team to minimise interruption to the normal work of the Department although this has to be tempered with the need to complete the audit within the required time scales.6.   **Audit Resources**

ICL Pathway   **Audit of Implementation**   Ref: IA/REP/013
                                                  Version: 1.0
                                                  Date: 08/09/99

The resources for conducting this audit will be drawn from the following members of the Quality and Risk Management Directorate:

Jan Holmes	:	Pathway Audit Manager
Patrick Cattermole	:	Fraud Risk Manager
Stanley Loam	:	Internal Auditor
Barry Procter	:	Pathway Security Manager
David Groom	:	Pathway Quality Manager
Graham Hooper	:	Alliance & Leicester Internal Auditor

7. Reporting

At the conclusion of the audit a draft report will be produced and discussed with the auditees. Corrective actions will be agreed and documented in a Corrective Action Plan. A final report will be produced and distributed to the Managing Director, Implementation Management members and the Quality & Risk Management Director.

Further distribution will be at the discretion of the Implementation Director.

8. TOR Distribution

Jim Flynn	:	Implementation Director
Bob McDermott	:	Rollout Manager
Graham Chatten	:	Programme Office Manager
Eamonn Long	:	Implementation Business Operations Manager (QA Leader)
Celia Tebbs	:	Modifications Manager (QA Leader – Kidsgrove)
Bryan Day	:	Rollout Database End-to-End Project Manager
Martyn Bennett	:	Director of Quality and Risk Management
Audit Team Members		