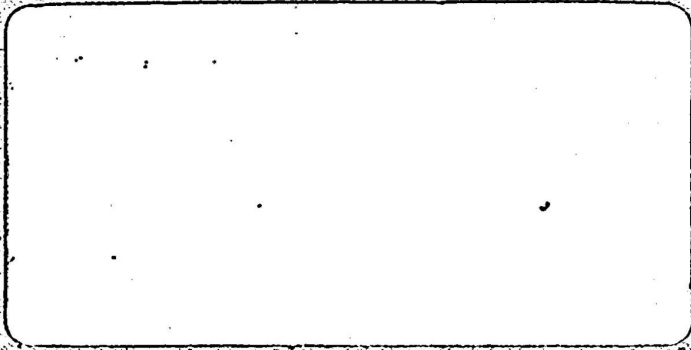THE POST OFFICE

INTERNAL AUDIT

IN CONFIDENCE

Report No: 116 / 99

Issued: February 2000

REVIEW OF HORIZON PERFORMANCE
AND PROBLEM MANAGEMENT
REPORTING

POST OFFICE NETWORK

NOVEMBER - DECEMBER 1999

REPORT DISTRIBUTION

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PART 1:   INTRODUCTION

1.1   A review of performance and problem management reporting for the Horizon system was undertaken during the period November to December 1999. The review incorporated visits to Post Offices, Implementation Teams, Transaction Processing, the National Business Services Centre (NBSC) and Business Service Management in London. The objectives and scope of the audit are outlined within the agreed terms of reference which are included at Appendix A.

1.2   The Horizon system was trialled at some 300 offices. From September 1999 the system was rolled out progressively to a further 1,500 offices. Roll out was suspended in November, to avoid implementation during the Christmas period when offices are very busy, and was expected to resume in January. This pause has provided an opportunity to identify and rectify any problems with the implementation and operation of the system.

1.3   The system is currently operational at 10% of offices and is expected to be implemented in a further 10% of offices by the end of 1999/2000. This review was intended to demonstrate that any problems with the operational system had been identified by Business Service Management and that appropriate action was being taken to rectify them. This will enable us to demonstrate to the business external auditors that the system is operating reliably.

1.4   A reply to this report is not required as all points were discussed and the action plan agreed.

1.5   We wish to express our appreciation to the managers and staff for the assistance and co-operation given during the course of the audit.

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PART 2: MANAGEMENT SUMMARY

2.1 The subsequent paragraphs in this section summarise the main findings of the audit. The report was issued initially to David McLoughlin and Adele Henderson in Business Service .Management (BSM) for comment on 23rd December. It was reissued to Graham Shervington, Head of Service Operations and Mark Haynes, Head of Network Business Support on 11th January after we had been notified of a change of responsibilities within BSM.

Conclusion

2.2 Our audit opinion based on the definition at Appendix B was that the procedures for identifying problems and reporting performance was good. We have recorded in the detailed audit findings the issues identified during our visits and can confirm that all issues reported by Post Offices and Transaction Processing (TP) had been formally recorded as problems. The Implementation Team were addressing some issues which needed to be resolved by 24th January 2000.

2.3 Two issues were identified during the review which had not already been reported as problems. These are:

- the need for a more formal and standardised procedure for notifying system and procedural changes to Post Offices, Retail Network Managers (RNMs), Horizon Field Support Officers (HFSOs) and the Helpdesks;

- the need to establish a process for identifying procedural problems and communicating good practice to post offices, which will form part of business as usual.

2.4 We have also made some recommendations to improve the effectiveness of the process for monitoring and resolving problems once these have been identified.

Chris Paynter

Audit Manager

Ian Johnson

Lead Auditor

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PART 3:   DETAILED AUDIT FINDINGS

<u>Implementation Teams</u>

3.1   ICL Pathway are responsible for managing the implementation process. Post Office Network (PON) implementation team are responsible for supporting offices during the migration phase. The Post Office team also monitor the implementation process, expedite any rectification work which is required and assist in resolving any conflicts between the implementation process and operational requirements.

3.2   The central implementation team were in the process of establishing a database of issues to facilitate central monitoring and identify any areas of concern. Previously the team had relied on regular meetings with regionally based teams. The information on the database will be required to establish responsibility for additional costs if implementation has not been achieved at all offices by the contractual date.

3.3   We visited the local implementation teams based in Bristol and St Albans. The Bristol team was co- located with the ICL Pathway implementation team and had no problems resolving issues. The St Albans team were not co-located. The outstanding issues list, for this team, had a total of 631 offices with issues to be resolved from the infrastructure phase. They resolved snagging issues with the local ICL Pathway team but had experienced difficulty in getting the central ICL Pathway implementation team based at Kidsgrove to resolve other issues. A meeting had been arranged to try and improve the processes for resolving these issues. The team was taking the opportunity provided by the pause in roll-out to clear the outstanding problems.

The main concerns raised by implementation teams are discussed in the following paragraphs.

<u>Support for Horizon Field Support Officers (HFSOs)</u>

3.4   Concern was expressed at the quality of the Helpdesk support provided to HFSOs. The main concerns were the time taken to resolve problems and conflicting advice being provided by both the Horizon System Helpdesk (HSH) and the Network Business Service Centre (NBSC). The need to develop further scripts to enable both Helpdesks to provide prompt and accurate information had been recorded as a problem.

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3.5 HFSOs were not being provided with operational change updates in a timely manner to ensure that the level of instruction given to Post Offices' managers was accurate. We were informed that there was no co-ordinated approach to the communication of updates of reference data, network, system and procedural changes. This resulted in incorrect or inaccurate information being passed to outlet managers. This issue had not been formally recorded as a problem.

3.6 HFSOs expressed concern at the quality of the training they received from Knowledge Pool. In particular, the training relating to cash account completion was considered to be inadequate. We are aware that HFSO training requirements have been addressed with a new training course being developed for new HFSOs and refresher training being provided for existing HFSOs.

Support for Offices

3.7 The main concerns of the Implementation Team were:

- inadequate training for outlet managers and, in particular, insufficient training on completion of the cash account, which is a known problem;

- inadequate support to outlet managers following migration. This situation is being addressed by the proposed changes to the role of Retail Network Managers.

3.8 Concern was raised as to the level of helpdesk support provided to outlet managers. The main concerns revolved around the time taken to resolve problems and conflicting advice being provided by both the Horizon System Helpdesk and the Network Business Service Centre.

Transaction Processing (TP) / TIP

3.9 The volume of errors generated by Horizon offices was a cause for concern. Initially Horizon offices generated twice as many errors as manual offices. The pause in roll-out had resulted in a reduction in the level of errors generated as outlet managers become familiar with the new system. The latest information indicated that the level of errors will return to pre-Horizon levels after 13 weeks. We are informed that TP have based their budget bid for next year on the assumption that an additional 20-35 staff would be required to handle the anticipated volume of errors.

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3.10   A number of issues were identified during the course of the review and these are detailed below:

- numerous manual amendments were being made to supporting documents and to the manual cash account which were not being reflected on the Horizon balance;

- negative figures appeared on the cash account;

- Receipt and Payments tables were not always equal on migration week and during subsequent weeks;

- an official complaint had been received from the Benefits Agency in relation to the format of reporting for Pension and Allowances to Lisahally;

- stock centralised into Hemel Hempstead Secure Stock Office (SSO) at the same time as the office migration. A large increase in QPA errors has resulted due to mispostings into "Remittance to/from other offices" rather than the Supplies Division ;

- reversal problems particularly in respect of Automated Payments transactions;

- a number of outlet managers were incorrectly operating cut off procedures in respect of daily summaries and Lottery transactions;

- the process for accounting for out of hours transactions including Automated Payments and Lottery business;

- the effect on Counters Business Database and settlement of two week cash accounts (extended cash accounts);

- contra entries in respect of Giro rent scheme transactions;

- problems were identified during weeks 29 and 30 in respect of internal transfers. Subsequent fixes initiated by ICL Pathway were not communicated to the Incident Team and had led to numerous unresolved errors during the weeks in question;

- differences had been identified between transaction details received from ICL Pathway and cash account information received. The problem was being dealt with as Acceptance Incident 376.

All issues identified have been reported as problems and appropriate action is being taken to resolve them.

Post Offices

3.11   Overall Internal Audit found that all outlet managers saw potential benefits in the system. This was supported by the fact that none of the managers interviewed would wish to revert back to manual operations. Counter serving time was perceived to be slower than the manual system.

3.12   The main areas of concern identified at offices were:

- the training provided was considered to be inadequate and was identified as the one overriding factor why problems are experienced in the early weeks following migration of the system;

- the level of support received from the Helpdesk functions was considered to be unsatisfactory. The majority of outlet managers were confused as to which Helpdesk to contact in respect of problems they experienced and suggested they would benefit from a single Helpdesk function to resolve any problems or queries;

- the number of systems crashes and screen freezes that were experienced, particularly following the completion of Automated Product transactions. A number of outlet managers raised concerns surrounding internal transfers during weeks 29 and 30. In most instances, however, problems experienced in those particular weeks had been satisfactorily resolved. It should be noted that outlet managers believed that the number and frequency of systems faults were improving and were not negatively impacting upon office operations.

- completion of the weekly cash account was taking significantly longer than under the manual system. Out of the 21 offices visited during the review, 13 offices indicated that the process was slower or significantly slower than before. Information received from outlet managers indicated that balancing time had increased by 70% when compared to the previous manual system. The majority of offices highlighted printer problems being the main cause for the slowness of cash account production. A further issue raised was that the process of rolling over was very time consuming.

- 62% of outlet managers visited were unaware of the procedure for posting items to, or removing items correctly from, the suspense accounts. 24% of outlet managers indicated that they had not received any instructions or training on how to account for suspense account entries.

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All of these issues had been reported as problems.

We recommend that:

Recommendation 1 (Low Risk)

A process should be developed, as part of business as usual, for improving procedures at outlets and for identifying and communicating good practice.

Network Business Support Centre (NBSC)

3.13   At the time of our visit NBSC had spare capacity due to the pause in roll-out. Plans were in place to recruit additional staff to cope with the anticipated increase in calls from 24 January 2000.

3.14   The main problem identified was the fact that it was not possible for the first line helpline to answer the targeted level of calls from the scripts currently available. The average number of calls answered by the first line was 60% against a target of 75%. If calls which had been misdirected to NBSC are excluded, however, then the proportion of calls answered by the first line was approximately 43%.

3.15   We were informed that there was a process for updating the scripts and that a 1,000 amendments had already been made. We were informed, however, that there were still some 700 amendments to be input to the NBSC toolset.

3.16   Approximately 50% of calls received by NBSC were actually for the Horizon System Helpline (HSH). Outlet managers have been used to calling the regionally operated helpline, so they now have a choice of 3 possible numbers to call. We recognise that some information has already been issued regarding the types of calls handled by each helpline, but we consider that a co-ordinated approach is required which involves HFSOs and RNMs as well as communications via publications such as Counter News.

All of these issues have been reported as problems.

3.17   The NBSC Centre Manager also expressed concern about the timeliness of information supplied by PON business units. NBSC need to be aware of changes to products, the network, system processes and procedures in advance of the change occurring.

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We recommend that:

Recommendation 2 (Low Risk)

Formal procedures and timescales should be established for informing relevant parties such as the Helpdesks, HFSOs, RNMs and offices of changes to products, the network and systems processes and procedures, with appropriate monitoring systems to ensure compliance.

Problem Management

3.18   The roles and responsibilities of BSM and the Horizon Project Team were not clearly understood by other business units. In particular there was uncertainty over the responsibilities of the problem management team. This uncertainty is understandable in view of the fact that the Horizon Project team maintain an involvement with the acceptance process and the management of acceptance incidents.

We recommend that:

Recommendation 3 (Low Risk)

A communications exercise should be undertaken to inform business units of the respective roles and responsibilities of BSM and the Horizon Project Team.

3.19   We reviewed the procedures for identifying and recording problems. The process for identifying problems was based on information passed to incident analysts from first line supervisors and those issues passed to the second line which had not been cleared within the agreed timescales. We were satisfied that all the issues raised with us by offices and TP had been recorded as problems.

3.20   We are concerned that a number of problems had been outstanding for several months. One reason for the delay was that a symptom can have a number of underlying causes and it may be difficult to find a problem controller who has the knowledge to deal with all the underlying causes. For example, a policy decision was required on how to account for out of hours transactions. This may have an impact on security, operational procedures, and the generation of error notices in TP and client accounting. PON Security were originally allocated as the problem controller for this problem.

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3.21 We recognise that there was no department within Post Office Counters to make policy decisions relating to outlets and that links were being established with the Operations Directorate established within Post Office Network. We understand that this issue has now been passed to this Directorate.

3.22 We are also concerned that problem controllers are not always aware of the appropriate procedures for resolving issues . One example of the problems encountered relates to the issue of access to the Horizon database by PON Security. The problem controller had approached various managers within ICL Pathway, the Horizon Project Team and BSM. On each occasion a different answer was received.

We recommend that:

Recommendation 4 (Medium Risk)

Guidelines should be provided to problem controllers on the procedures for resolving problems including:

- the need to establish the impact of the problem on other departments;

- procedures for liaison with other departments, including assessing the impact of the problem for each department, reporting progress in resolving the problem, and assessing the effectiveness and impact of agreed changes;

- agreed methods of resolving problems and escalating them where agreement cannot be reached at a local level;

- the respective responsibilities of the BSM problem management team and the Horizon project team.

3.23 Reporting of unresolved problems focuses on the target date for completion of any agreed rectification.

We recommend that:

Recommendation 5 (Low Risk)

Reports of unresolved problems should show:

- the date the problem was initially raised;

- the original target date for correction of the problem;

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- the latest date for completion.

This will highlight problems where the target date is constantly being deferred.

The main areas of concern to the problem management team were:

- the failure to adhere to the product development process resulting in changes being notified too late to allow the necessary changes to be made to reference data;

- inaccurate data being supplied by the reference data team.

These issues have been reported as problems.

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PART 4: IMPLEMENTATION PLAN

RECOMMENDATIONS	AGREED/ NOT AGREED	COMMENT	RESPONSIBILITY
Recommendation 1 (Low Risk) A process should be developed, as part of business as usual, for improving procedures at outlets and for identifying and communicating good practice.	It is not agreed that BSM is responsible for this action.	We will discuss this issue with other sections within the Operations Directorate and with the Horizon project team to determine the responsibility for identifying and communicating good practice.	Head of Network Business Support Centre
Recommendation 2 (Low Risk) Formal procedures and timescales should be established for informing relevant parties such as the Helpdesks, HFSOs, RNMs and offices of changes to products, the network and systems processes and procedures, with appropriate monitoring systems to ensure compliance.	Agreed (for the automated environment only)	The OBC Change Process is designed to link to ICL Pathway and ensure system / processes are changed before the operational process is required.	Head of Business Environment
Recommendation 3 (Low Risk) A communications exercise should be undertaken to inform business units of the respective roles and responsibilities of BSM and the Horizon Project Team.	Agreed	Ongoing. BSM have a detailed communications plan which has been put together by Alison Leavesley and the BSM team. Various articles have already appeared to promote the roles and responsibilities of BSM.	Head of BSM

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RECOMMENDATIONS	AGREED/ NOT AGREED	COMMENT	RESPONSIBILITY
Recommendation 4 (Medium Risk) Guidelines should be provided to problem controllers on the procedures for resolving problems including: • the need to establish the impact of the problem on other departments; • procedures for liaison with other departments, including assessing the impact of the problem for each department, reporting progress in resolving the problem, and assessing the effectiveness and impact of agreed changes; • agreed methods of resolving problems and escalating them where agreement cannot be reached at a local level; • the respective responsibilities of the BSM problem management team and the Horizon project team.	Agreed	Problem co-ordinators via their training / workshops and WLA (Working Level Agreements) have had their roles and responsibilities and procedures for resolving problems fully explained to them.	Head of Service Operations
Recommendation 5 (Low Risk) Reports of unresolved problems should show: • the date the problem was initially raised; • the original target date for correction of the problem; • the latest date for completion.	Agreed	Implemented in the Problem Management Status Report	Head of Service Operations

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APPENDIX A: TERMS OF REFERENCE

Objectives

To confirm that effective processes are in place to allow the Horizon project team to monitor and report:

- the progress of implementation and any issues arising from the implementation programme;
- whether ICL Pathway are meeting the standard of system performance specified in the contract;
- the problems identified from operating the live system;
- progress in resolving outstanding problems.

Background

PA Consultants have been asked to review the Horizon Programmes plans for managing the roll-out of the CSR system to all offices. To avoid unnecessary duplication, the scope of the POIA review will be reduced in this area and restricted to discussion of the procedures with key individuals in order to examine the reporting of progress and problems to management.

We are aware that processes already in place have identified a large number of improvement opportunities and that the agreed approach to resolving there issues is by means of a number of working parties. The effectiveness of the solutions devised by the working parties will be tested at a later date.

Scope of the Audit

The review will cover the following areas:

Implementation

We will discuss the progress of implementation and problems encountered with the Horizon implementation team and a sample of regional implementation teams.

Outlets

We will visit a small sample of outlets in order to identify:

- problems arising from the implementation;
- problems with the operation of the system;
- problems with accounting procedures;

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- confirm that procedures for reporting incidents and problems are correctly deployed.

The visits will be co-ordinated with the Network Audit Team.

TIP

Review the processes for reconciling transaction details with cash account summaries, reporting discrepancies to ICL Pathway and the Horizon project team, and ensuring that discrepancies are explained and corrected.

Transaction Processing

Review the procedures for comparison of cash account and supporting documents and investigation and correction of errors. Understand the underlying reason for these errors occurring. Ensure that issues relating to the Horizon system, the system training or operating instructions are identified, reported and appropriate corrective action is taken.

Service Management

Review the procedures for:

- development and deployment of scripts for the first line helpdesk;
- recording and evaluating incidents;
- identifying and reporting problems;
- monitoring progress in resolving problems;
- monitoring the performance of the system and the helpdesks.

Horizon Project Team

Review the process for managing the resolution of problems and for reporting progress.

Reporting

A draft report will be provided to the Director of Automation and the Director of Operations by 24th December. Action on any recommendations will be agreed with the appropriate managers by 18th January. A final report will be issued by 25th January 2000.

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APPENDIX B: AUDIT OPINION DEFINITION

STANDARDS

GOOD   - no control weaknesses falling into the category of high or medium risk as defined in the definition of risk statement (Appendix C);

SATISFACTORY   - existence of a number of weaknesses in medium or low risk categories which will not give rise to material error;

                      - existence of 1-2 high risk weaknesses in a confined area of the review which would result in an opinion of satisfactory, but unsatisfactory in the specific problem area;

UNSATISFACTORY   - existence of 1-2 or more high risk weaknesses;

                      - existence of a number of medium level weaknesses, which when taken together could result in significant potential risk to the business.

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APPENDIX C: DEFINITION OF RISK ASSESSMENT

The recommendations in this report include an indication of level of risk attached to each weakness being addressed. The criteria used for assessment of these weaknesses are set out below:

HIGH

Management should progress action immediately because one or more of the following apply:

- divergence from Business Strategy, Objectives or Policies;

- potential for, or actual material losses of Business assets, including reputation and data;

- potential for, or actual major disruption occurring either internally within the Business or externally by customers/clients;

- potential for or actual non-compliance with legislation.

MEDIUM

Management should progress action within the short term because one or more of the following apply:

- potential for, or actual significant disruption occurring either internally within the Business or externally by customers/clients;

- poor value for money or inappropriate use of Business resources;

- level of risk identified is less than the cost of control;

- management information not timely or accurate which could result in inappropriate Business decisions being taken.

LOW

Management action is desirable within the short to medium term because one or more of the following apply:

- potential for, or actual limited losses occurring which exceeds the ongoing cost of control;

- potential for benefits from improving efficiency or resource utilisation.