



CAO Operating Manual: Annex 2

The CAO's Process for Deep Dive Reviews

Commitments Assurance Office, BT Group

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What will we be looking at?

Our methodology will follow broadly the same framework, adapted to suit the particular circumstances

- 1 What happens and why:** understanding the narrative – the chronology and the business drivers
- 2 What is the governance:** what is the RAPID, does it respect “the DCR balance” and, in due course, did it prove robust (architecture)
- 3 What are the processes and controls:** are these and any three lines of defence models working to mitigate/manage risks work as expected (architecture/ways of working)
- 4 What behaviours are those involved displaying:** do they align with expectations (people)
- 5 What do the documents show:** does a review of key project documents and, where necessary, reviews of communications between key individuals substantiate our other findings (evidence – validation of all the others)
- 6 What are the outcomes:** do they align with expectations (outcomes)
- 7 In life and looking back: how do/did key stakeholders feel:** their views about how things are going/went and the outcomes achieved (outcomes)

How We work

Real time assurance
(rather than “after the event”)
to greatest extent possible

- Ensuring matters are set up the right way, with clarity of roles provides a strong foundation for a well managed project or process
- A “critical friend” rather than “marking your homework”
- With assurance “after the event” to fill in the gaps and validate the real time observations

At the outset of a matter

- Understand project objectives, business drivers, RAPID and processes/controls.
- Identify key stakeholders – brief as necessary on review requirements
- Agree process to understand the narrative (e.g. periodic conference calls) and document retention

“In-life”

- Maintain the narrative and document collection
- Observe operation of processes and controls
- Observe key interactions as required (see next slide)
- Observe behaviours
- Offer feedback on positives and negatives (no surprises)

At the conclusion

- Review outcomes
- Seek feedback from key stakeholders
- Produce review report, share with key stakeholders and account to BTCC/Ofcom as appropriate
- Where appropriate, hold after action review of any lessons learned and keep performance of any agreed actions arising under review

Real-Time Business Observations: Rationale

There are a number of key interactions between BT and Openreach that have the potential to impact on whether the DCR balance is being maintained, i.e. whether BT is striving to respect Openreach's greater independence and whether BT are limited their engagement in Openreach's business to what is necessary to fulfil its parent company responsibilities and in line with agreed processes and governance arrangements.

Generally, these will involve meetings between BT and Openreach people. The papers for and minutes of such meetings will evidence the issues under consideration and the decisions reached, but they are unlikely to show how the meetings actually went, whether roles were being respected and what sort of culture and behaviours were being exhibited. That sort of assessment can only be undertaken by observation.

BT has committed to provide greater transparency of how BT is working and of how it is interacting with Openreach. To that end, Ofcom have been invited to observe business training sessions, compliance committee meetings and other business activities. But, there are times when it might be difficult to arrange for them to observe BT meetings – for example if the agenda for these covers matters broader than just BT and Openreach business – particularly in the financial planning and strategy development processes. Here the CAO has a role to play. Observation of key meetings of this type by the CAO provides a mechanism by which Ofcom can be provided with an appropriate high level description of how the meeting went, and a trusted insight into whether the approach being taken by key individuals was as expected and respecting the DCR balance. This sort of observation and feedback has had significant value for Ofcom.

Real-Time Business Observations: Process and Key Meetings

1) Strategy Development process (in line with [Guidance Note 3](#))

- Regular (bi-weekly) meetings with relevant leads in BT Group to understand the process, next steps and how BT Group and Openreach are working together. Where bi-weekly meetings lead to notification of other relevant meetings the CAO will also observe those.

2) Financial Planning process (in line with [Guidance Note 4](#))

- BT Investment Board (BTIB) review of Openreach capex/investment proposals
- BTIB meetings to consider capex allocations (where some of the capex to be allocated is Openreach capex)

3) Openreach Investment cases (in line with [Guidance Note 7](#))

- BTIB meetings which are asked to determine Openreach investment cases (i.e. seeking additional capex outside the MTP envelopes)
- Other meetings to be observed – *under review*