

ICL Pathway
Bringing
Technology
to Post Office
Counters &
Benefit Payments

Monthly
Progress
Report



July 1998



ICL Pathway

Pathway Programme Monthly Report

Ref: PA/REP/028
Version: 1.0
Date: 19/08/98

Document Title: Pathway Monthly Report - July 1998

Associated Documents:

	Reference	Vers	Date	Title	Source
[1]	PM/PRO/002	1.0	26/09/96	Pathway Programme - Project Planning, Reporting and Control	

Approval Authorities:

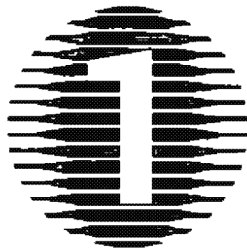
Name	Position	Signature	Date
J. H. Bennett	Managing Director		



ICL Pathway Monthly Report

Contents:

- ① Managing Director's Summary
- ② Systems Report
- ③ Commercial and Financial Report
- ④ Customer Requirements Report
- ⑤ Customer Service Report
- ⑥ Quality and Risk Report
- ⑦ Business Development Report
- ⑧ International Sales Report
- ⑨ Organisation & Personnel Report
- ①⑩ Post Office Client Report



Managing Director's Summary

Managing Director's Summary

MANAGING DIRECTOR'S SUMMARY

- We have now had further discussions with the Horizon Programme Office with respect to the joint plan. The central concept is the de-coupling of the BA Benefit roll-out plans from the POCL infrastructure/physical roll-out. This is an acceptable approach from a programme perspective although we have had to flag very clearly serious commercial and acceptance issues which need to be handled separately but in parallel for resolution. From a delivery perspective the programme plan now under discussion is the best way forward.
- Testing work on new NR2 did progress sufficiently well for Model Office activities to start on schedule on the 3 August for the reset of the environment. In addition business scripts have started from the 10 August. With BA not prepared to join the Model Office activities until the 7 September, we are still looking closely and are in consultation with the Horizon Programme Office to determine the best matching of all our activities to enable Model Office in its entirety to complete by year-end. Outline plans for this have made good progress so far.
- The DSS Model Office testing of JSA CAPS continues to run without problem.
- On NR2+ we now have a target date of the end of August for a Release 2 Content Description (RCD) proposal to go from Pathway to the sponsors. Agreement on this will then allow us to confirm a target date for delivery which currently remains January 2000.
- The service performance of R1c (live in 204 Post Offices) continues to run well.
- The next key milestone on acceptance is to get the Acceptance Test Specifications all signed-off. This is a major challenge and will require considerable activity and support from the sponsors.
- Letters have been sent out from POCL to some 2,100 post offices entering them into the process to prepare for National Roll-out. The first 150 site surveys of these post offices has now been completed.

HM TREASURY REVIEW

- We now have some knowledge of the missing sections from the Treasury Independent Panel report concerning their specific criticisms of POCL and BA.
- The Government Working Party report was finalised as planned on the 24 July 1998 and issued to ministers.

**ICL Pathway Pathway Programme Monthly Report
Managing Director's Report**Ref: PA/REP/028
Version: 1.0
Date: 19/08/98

- As previously reported a substantial Government re-shuffle was announced on the 27-28 July with new ministers being appointed within DTI, DSS and HM Treasury.
- ICL sent letters to both the existing ministers and the new ministers straight after the re-shuffle was announced highlighting the importance we attach to the programme, our views of where the programme should be developed and the absolute need for ministers to take urgent decisions on this programme, notwithstanding their new appointments and the impending Parliamentary recess.
- In the event four ministers did indeed meet on the 30 July without the officials being present. This included Peter Mandelson DTI, Alistair Darling DSS, Stephen Byers HMT and Ian McCartney from DTI.
- We now understand that this meeting did place further work to be done particularly within DTI and the Post Office. This work was for the Post Office to respond with regard to their long term business strategy, the importance they attach to the move towards banking systems and how all this fitted together with the implementation of the Horizon programme. We have spoken to both DTI and POCL to help where possible in the completion of this work which led to a DTI report being produced on the 7 August to go to Peter Mandelson in DTI.
- The best understanding we still have is that ministers will try to reconvene in mid-August (although there is no date yet known for this) for them to complete their discussions and produce a final recommendation to go to the Prime Minister during the balance of August.
- A successful visit was held with the Social Security Select Committee on the 27 July and they expressed enthusiasm about the system we demonstrated and were impressed with its capabilities. We subsequently followed up by providing them with more information on the benefits of the card based payment system compared to any current achievable alternatives centred around automatic credit transfer (ACT). We have reason to believe the Chairman of the Select Committee supported our views and has said as much to the DSS Cabinet Minister, Alastair Darling.
- We were also able to have a successful demonstration of the system to Dame Ann Bowtell, Permanent Secretary of the DSS in her office on the 28 July. Although she was caught up in the middle of the briefings for the incoming ministers, she never the less gave us a full hour of her time and clearly learnt a lot more about the system. The other DSS officials present were however more antagonistic.
- We have now had our first joint review with POCL on the shaping of a banking system to meet their business requirements. This preliminary meeting determined terms of reference for a two month study with the output to be suitable for review by both Keith Todd, John Roberts and Stuart Sweetman by the end of September. We shall need to push hard to keep the progress going on this review and to ensure that it does come up with an outline business case and an implementation plan.

- A visit to Pathway by the Chairman of the Government Working Party has been arranged for Wednesday 19 August, and this is likely to include members of the No.10 Policy Unit.
- In summary, the fundamental decision for the Government remains unchanged which is, does it support the implementation of the payment card system and does it continue to see this as the best way forward for UK Government at large taking into account the interest of all parties.

ISSUES

- Maintaining progress on all Model Office activities.
- Gaining full agreement from the sponsors on the programme replan through to National Roll-out.
- Achieving sponsor sign-off of Acceptance Test Specifications.
- Obtaining ministerial commitment to re-structure the BA/POCL programme.
- Entering commercial discussions on the restructured programme.



Systems Report

Systems Report

MONTHLY SUMMARY

- The first half of the month was focused on resolving the problems associated with the accounting aspects of EPOSS and rerunning the appropriate system tests. The latter half was spent preparing the data centre, communication network and other supporting infrastructure for the first stage of model office testing due to commence 3rd August.
- We successfully completed the Direct Interface Testing (DIT) with POCL and the second cycle of Business Integration Testing (BIT). This completes the functional interface testing activities with the sponsors but there are three further cycles of BIT to run in parallel with model office. In addition, we continued to support the CAPS Job Seekers Allowance (JSA) model office activity. The second cycle finished 24th July and we are preparing for the third cycle which is scheduled for completion 21st August. There have been very few incidents with the Benefit Payment software developed by Pathway but we are unable to determine whether this can be said for the Benefit Agency systems.
- Reference data continues to be a source of concern even though we have received several updates from POCL for the model office and live versions. The end to end control of this critical data is not adequate but we expect POCL to make vital organisational changes in August in an attempt to address this issue.
- The development team again found itself under enormous pressure to clear the backlog of software problems but the demands of priority testing and the model office preparatory work prevented them from making the desired progress. This is now the most significant issue facing the programme.
- Progress on NR2+ has been patchy, design and development work continues on Soft EVP, Key Management System, CAPS Online enquiries, AP Smart and PSTN but is obviously impacted by the concentrated effort on NR2.

PROGRESS

- The design team finally succeeded in securing agreement with POCL regarding the detailed office migration processes and fallback and recovery of benefit payments in the event of ISDN or PC failure. They have also jointly resolved the FAD code requirement and overcome the temporary Post Office closure problem identified as critical issues in previous reports. A way forward has been agreed with POCL regarding the Style Guide and apparent inconsistencies between screen and keyboard.

- The development team cannot meet the deadline (17th August) for resolving all outstanding PinCL's for the commencement of Model Office Rehearsal 2 (MOR#2). Too many of the fixes would now not be available until Model Office Test (MOT) which would run this risk of destabilising the software baseline prior to this critical activity. Therefore we have proposed an alternative schedule which allows for another cycle of the model office rehearsal (i.e. MOR#3) without adversely impacting Live Trial. POCL are considering this approach and we expect a response shortly.
- The testing and integration teams continue to perform well and be responsive to the ever changing needs of the delivery programme. However, there are some signs of tiredness and lowering of morale as we continue to be bombarded by ill-informed press articles.
- Progress on the technical, performance, security and systems management is steadily improving but still more management effort is required on all sides.
- The production of the PPD's and the User Guides is on schedule. The first draft version will be available for the first cycle of model office. They will continue to be revised during subsequent cycles, with the final copy signed off prior to the start of model office test.

CURRENT CRITICAL PROBLEMS

- The volume of PinCL's against the Counter and EPOSS software is considerably greater than that which can be handled by the current development team within the time remaining. An action plan had been devised and is in the process of being implemented. It involves the temporary reallocation of staff from other parts of the programme and the daily monitoring of progress for an intensive four week period.
- The quality and the change control processes associated with POCL reference data is causing a considerable amount of rework for the programme. This is delaying progress on a number of fronts and must be addressed urgently.

ISSUES

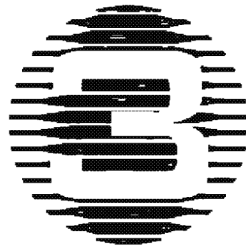
- The performance of the system and our ability to explicitly test certain areas is causing concern. Some believe that the hardware and time available is insufficient to confirm the behaviour of the system when fully loaded. There is also a concern that the sponsors will require 'proof' of compliant performance before giving 'Acceptance' rather than proof of scalability.

ICL Pathway**Pathway Programme Monthly Report
Systems Report**Ref: PA/REP/028
Version: 1.0
Date: 20/08/98

- It is now clear that the interception of the Pentium 2 PC and the flat screen will have a beneficial impact on the ICL Pathway solution, in terms of performance and presentation. It is therefore crucial that the delivery and testing schedules fit neatly with the model office and roll-out plans.
- The current test strategy includes the concept of 'full case' tests being run in the Business Integration Test stream. This involves the amalgamation of several product/system tests e.g. benefit encashments, bill payments and the sale of stock items. This is now proving to be difficult to achieve but certain parts of 'Acceptance' depend upon this activity. Alternative approaches are now being sought.
- The current architecture for the TIP interface module may not be capable of supporting the entire network. The simulated tests suggest that it cannot harvest the daily transactions generated by EPOSS and send them to POCL in the overnight time slot available. Further work is being undertaken to improve the performance characteristics of the current product while an alternative architecture is being proven in parallel.

COSTS

- The budgets for the systems directorate continue to be refined and regularly reviewed but are now being used to monitor expenditure on a monthly basis.



Commercial and Financial Report

**ICL Pathway Pathway Programme Monthly Report
Commercial & Finance Report**

Ref: PA/REP/028
Version: 1.0
Date: 19/08/98

Commercial & Financial Report

MONTHLY SUMMARY

JULY ACTUALS 1998

KEY NUMBERS (£000'S)

		Month of July 1998		Year to Date / End July 1998		
		Actual	Variance vs. F'cast.	Actual	Variances vs.	
					July F'cast	"Budget"
Trading/Project Costs	Revenue	13	(70)	387	(70)	173
	Project Costs before Capitalisations	7,863	957	56,035	957	(7,538)
	Declared PBT Losses	97	2	1,163	2	(623)
Cash/Balance Sheet	Business Operating Cash Flow	(11,361)	477	(65,756)	477	(10,912)
	Project WIP			147,628	955	(6,358)
	Net Fixed Assets			37,702	653	(1,527)
	Total Borrowings			155,711	477	(6,054)
		End of July 1998				
		Actual			Variances vs.	
					July F'cast	"Budget"
Headcount:	Permanent	153		34		(18)
	Non-Permanent (ITs and Temporaries)	13		(6)		(11)
	(Memo): Freelancers procured through ICL IT Contractor Services	166		8		(53)

Most key numbers were better than forecast in July.

Project costs were almost £1m lower than forecast, of which around £0.6k was due to timing variances on subcontract costs

Although the lower project costs were more than matched by working capital movements, there were lower than forecast capital additions, leading to a favourable borrowings variance of almost £0.5m.

**ICL Pathway Pathway Programme Monthly Report
Commercial & Finance Report**

Ref: PA/REP/028
Version: 1.0
Date: 19/08/98

JULY ACTUALS 1998

PROJECT COST ANALYSIS (£000'S)

	Month of July 1998		Year to Date		
	Actual	Variance vs F'cast	Actual	Variance vs July F'cast	"Budget"
Revenue	13	(70)	387	(70)	173
Direct Cost of Sales	1,693	63	10,802	63	(1,606)
Gross Margin (Deficit)	(1,680)	(7)	(10,415)	(5)	(1,433)
Opex:-					
Labour - Own Staff	711	102	4,441	102	(641)
Travel & Subsistence	61	-	298	-	56
Freelancers	1,781	126	10,025	126	(1,792)
ICL Subcontracts	376	199	8,512	199	(823)
Other Subcontracts	616	475	5,299	475	(342)
Depreciation	1,123	12	7,370	12	(1,863)
Marketing	7	44	381	44	315
Professional	153	(64)	1,000	(64)	(396)
Other opex	366	77	2,452	77	(450)
Gross Project Opex	5,174	971	39,778	21	(5,936)
Interest costs/(income)	1,009	(7)	5,842	(7)	(168)
Costs before Capitalisations	7,863	957	56,035	30	(7,538)
Declared PBT Losses	97	2	1,163	2	(623)
Capitalised into WIP during year	7,766	955	54,872	955	(6,915)

Revenue was lower than forecast due to the lack of invoicing for change control work; this should be rectified in August.

Direct costs were close to forecast and virtually all categories of opex expenditure also recorded favourable variances. The only exception was legal costs, where accruals have been maintained at a high level in view of current activities.

Payroll related costs - for both permanents and freelancers - reflected the lower than forecast headcount numbers whilst savings against forecast in the sub-contract areas were mainly of a timing nature, particularly in the areas of skills transfer from Oracle to CFM. The first month of revised inter-company trading arrangements was slightly more favourable to us than forecast. Net expenditure on international activities was close to forecast in the month, but the profile of income and expenditure in this area is going to change, following the award of consultancy work in Namibia.

**ICL Pathway Pathway Programme Monthly Report
Commercial & Finance Report**

Ref: PA/REP/028
Version: 1.0
Date: 19/08/98

JULY ACTUALS 1998

HEADCOUNT

Permanent Headcount

Systems (excl. Implementation)
Implementation
Customer Service
All other departments
Totals - Permanent Staff

End July 1998		
Actual	Variances vs.	
	July F'cast	"Budget"
22	16	(8)
39	6	(9)
43	9	(4)
49	3	3
153	34	(18)

Recruitment of permanent staff still lags behind forecast assumptions, particularly in the systems area.

Non-Permanent Headcount

Industrial Trainees and Temporary Staff

Freelancers sourced through
ICL IT Contractor Services
Systems (excl. Implementation)
Implementation
Customer Service
All other departments

Totals - Higher Skills Freelancers

Totals - Non-Permanent Staff

Grand Totals

End July 1998		
Actual	Variances vs.	
	July F'cast	"Budget"
13	(6)	(11)
124	6	(40)
3	2	1
6	3	2
33	(3)	(16)
166	8	(53)
179	2	(64)
332	36	(82)

ITs are being used as a cost effective alternative to freelancers wherever feasible, and their numbers swelled in July because of a combination of early intake and overlap with outgoing ITs.

**ICL Pathway Pathway Programme Monthly Report
Commercial & Finance Report**

Ref: PA/REP/028
Version: 1.0
Date: 19/08/98

JULY ACTUALS 1998

CASH FLOW (£000'S)

	Month of July 1998		Year to Date		
	Actual	Variance vs. F'cast	Actual	July F'cast	"Budget"
Inflows/(Outflows)					
Net Project Costs - capitalised into WIP	(7,766)	955	(54,872)	955	(5,915)
Project costs taken straight to P & L	(97)	2	(1,163)	2	(523)
Depreciation	1,123	(12)	7,370	(12)	1,863
Movement in other Working Capital Items	(3,889)	(1,133)	(8,311)	(1,133)	(1,369)
Fixed Asset Additions	(732)	665	(8,780)	665	(3,868)
Business Operating Cash Outflow	(11,361)	477	(65,756)	477	(10,912)
Opening Net Borrowings	144,349	0	89,955	0	4,857
Closing Net Borrowings	155,711	477	155,711	477	(6,055)

BALANCE SHEETS (£000'S)

	July 1998 - Pathway Total			
	July Actual	July Forecast	ICL "Budget"	
Net Fixed Assets	37,702	38,355	36,175	The lower than forecast project costs in July were fully reflected in adverse working capital variances.
Project Work in Progress	147,828	148,583	141,270	
Other Working Capital	(11,370)	(12,503)	(8,731)	
Totals	173,960	174,435	168,714	
Share Capital	20,000	20,000	20,000	The improved cash flow and resultant lower borrowings levels were due entirely to the lower fixed asset additions.
Retained Earnings	(1,751)	(1,753)	(943)	
Group Pooled Borrowings	(2,978)	(2,496)	70,748	
External Loans	158,689	158,684	78,909	
Total Borrowings	155,711	156,188	149,657	
Totals	173,960	174,435	168,714	

Customer Requirements Report



Customer Requirements Report

MONTHLY SUMMARY

- The Acceptance programme moved forward with the publication of the last Acceptance Specification (AS) and many ASs were published for approval. Some progress was also made towards gaining such approvals. The Acceptance Criteria database was reworked for the current set of ASs.
- The team has reoriented to handle both the New Release 2 (NR2) Acceptance and the business-sensitive PinICLs (incident reports) in tandem. The goal is to gain Acceptance approvals subject to agreed Known Problems as a matched set.
- In addition, Requirements work on post-NR2 Releases has progressed.

DETAILED PLAN ACTIVITIES**NEW RELEASE 2**

- The Model Office Rehearsal scripts were reviewed, and issues defined for clearance before the MOR started.
- A further, albeit only documentary, change to the NR2 CAPS interface definition was handled.
- The issue concerning the use of the FAD code as the unique outlet identity has been resolved for the present, in the manner that Pathway had proposed: changes must be few and handled by closing and reopening outlets. The projected volumes of changes are well within our capacity for adopting this approach. POCL still assert the right to adopt a wholesale reorganisation of FAD codes in which case we will need to deal with the problem if it arises.
- DSS Reference Data: data for post offices and benefit offices will be maintained automatically via the download from DSS. All other data will in principle be static for the duration of NR2 and subject to the Change Control process. This static data and the Feeder Benefit Systems / EDS end-to-end process will be documented.
- Tony H has secured agreement to his *Functional Specification for CAPS Contingency Payments*.
- The PinICL traffic is just beginning to build up. Several have been dealt with, mostly clarifications of encashment rules and encashment reporting and some have required follow-up on business rules with Horizon or CAPS.

**ICL Pathway Pathway Programme Monthly Report
Customer Requirements Report**Ref: PA/REP/028
Version: 1.0
Date: 19/08/98

RELEASE NEW 2+

- A new version of the SADD, Version 5.1, was output for customer review. It distinguishes the few points of functionality that are not required at New Release 2+. Looked as a definition of what is not delivered at NR2 it paints a particularly encouraging picture.
- Two new versions of the Security Functional Specification (SFS) were output, Versions 3.1 and 3.2, the latter being a customer review level.
- The Access Control Policy (ACP) is in course of revision.
- Joint CAPS/PDA/Pathway reviews continue to work well and are now directed towards NR2+, although we expect some 1C to migration issues.
- Discussions with CAPS on possible application of Hopewiser to generate delivery point suffix data have not progressed; there may be a possibility to run within CAS as an alternative.

CARS

- No CAR work this period.

A2AS

- Requirement 545: The APS Service Overview has been issued. When POCL have added some material on POCL Audit this A2A will be complete.

CCNS / CRS / CPS

- Tony H sponsored several CPs and raised several CCNs in response, on behalf of CAPS, as part of the push to get Contract Controlled documents up to date.
- We maintain our position on CP1286/1385, keyboard changes, that every effort should be made to avoid changing engravings.
- The HAPS Disaster Recovery proposal has been issued via CCN
- Revised Requirements Schedules were received for changes relating to CCN 117. A preliminary review indicated a few that were unacceptable and a more thorough review will be conducted.
- A CP was raised to specify the requirements for SLA reporting for CAPS online transactions.

ACCEPTANCE

- [For a blow-by-blow report on the progress of this area attention is drawn to weekly reports.]
- There are signs of positive co-operation in some POCL and general areas but DSS are still very much at arm's length.

**ICL Pathway Pathway Programme Monthly Report
Customer Requirements Report**Ref: PA/REP/028
Version: 1.0
Date: 19/08/98

- Security: The plan is to obtain recommendation approval for the AS by 21/8/98. An updated version of the ATS is with the customer. The AS has been maintained for three HLTPs that have been updated.
- "Service Levels" (Performance): Responses to a second tranche of comments were completed. Changes in the HLTP support for this area are in the works.
- OBCS: Approval recommendation achieved.
- APS: Awaiting approval recommendation, expected momentarily.
- EPOSS: AS published, no response. The customer claims there is no resource available. I have discussed this with Colin Oudot who is hiring additional staff for this area.
- Ref Data: AS published, no response.
- TIP: It now seems likely that the basis of Acceptance will be Direct Interface Test (DIT), which has basically been achieved already.
- POCL Infrastructure: Revised with a small number of points outstanding. The main issues are going to be those which are really manifestations of some customer staff's need for technical assurance – interfaces, scalability, performance.
- BES: Issued for approval. This was a big exercise, incorporating all comment received and including HLTP scenarios.
- PAS & CMS: Revised specifications are with the customer. Yet a further tranche of comments has been received for CMS, evidently sat on for some weeks; I will take the opportunity to give the customer a roasting. Unfortunately the comments are from CAPS and have real value as compared with those from COBAP.
- DSS Interface: A final tranche of review comments from CAPS are awaited. These are not expected to be difficult.
- The DSS are unlikely to sign any of these documents off until they have copies of every document set out in the Associated Documents list, and every HLTP has been updated and baselined.
- Audit, End-to-End, Policies & Standards, Schedule C3: This group of general specifications was published for recommendation approval.
- Reconciliation: A sometimes difficult review of the second version of this was held and a third version will be required. I expect this to be a most difficult area.
- A complete rework of the Acceptance Test Database for NR2 has been achieved using data from the current Acceptance Specification documents. About 15 criteria in obsolete categories, or duplicating other entries, remain to be dealt with.

NEW BUSINESS SUPPORT

- EFTPOS: We have now started regular meetings with POCL and NatWest, their Merchant Acquirer. Dave C has produced a Statement of Requirement for them. We expect to invite Retail Logic, our preferred Host software supplier, to future meetings.
- LFS: Some progress on completing and agreeing the drafting of the LFS Schedules. Final versions or final comment reviews are now in place and this should give us a complete of schedules to support the CCN in the next week. The only outstanding issue is a final commercial review. This could remove SLA penalties in return for a price reduction.

OTHER TEAM ACTIVITIES

- A couple of days assistance was provided to International in support of the Hungarian post office, including presentation and workshop activities.
- DCH chaired the Workflow Management Coalition technical standards meeting this month and is a contributory author to a recently published book on workflow and image processing.
- Margaret Gordon visited Requirements as a follow up on her earlier talk to Pathway on the forthcoming Data Protection Act.

CURRENT CRITICAL PROBLEMS

- None.

ISSUES

- HLTPs for third party Security testing must be rapidly put in place.

Customer Service Report



**ICL Pathway Pathway Programme Monthly Report
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Version: 1.0
Date: 19/08/98**Customer Service Report****MONTHLY SUMMARY**

- Service performance in July continued to be generally good despite an alarming rise in the ingenuity shown by post office staff attempting to improve their transaction times by accelerating the flow of paper through the receipt printer. Some counter staff are removing receipts from the printer before printing has finished. The consequence of their action is that the transaction is incomplete and can give rise to subsequent duplicate encashment. Urgent attention is being given to resolving this operationally and by improvements in the application code.
- We failed to achieve the BA target for transaction reconciliation errors. Incomplete transactions (formerly described as incomplete transactions) continue to be the main cause of concern. Our performance in July was 0.11% of transactions generated reconciliation errors. Although this is very disappointing, the BSU is in command of the situation and several software fixes are pending that will prevent most of these occurrences.

RELEASE 1C VITAL STATISTICS

- Installed base : 204 Post Offices
334 counters
- Number of Cards issued 35,997
- Number of Active Cards in use 29,191
- Total number of BES Counter Transactions 430,263
- BES Counter Transactions in June 69,241
- Total value of Benefit Payments received £13.8m
- Value of Benefit Payments received in June £2.6m
- Total value of Benefit Encashments made £12.9m
- Value of Benefit Encashments in June £2.1m
- Total number of OBCS Transactions 4.8m
- Number of books impounded 14,674
- Potential fraud avoided > £2.1m

PROGRESS

OPERATIONS

- The performance of our Sequent platforms continues to be a concern and is being monitored very closely. I shall be visiting them in August to review progress.
- The Energis network has also continued to be problematic although I am now much happier that the underlying root cause of the congestion problems we experienced has been discovered and rectified. Energis have admitted that their Wadden-2 switch (secondary overflow route for the South of England) had not been configured correctly for Pathway. A complete audit of the whole Pathway/Energis network configuration has been initiated and should identify any other problems well in advance of Operational Trial.
- An Operational Readiness Review (ORR) of ICL Outsourcing was held in July. This was a major review encompassing all of their contracts with Pathway. I was encouraged by the completeness and quality of their preparation for this but a number of issues were raised which have now been included in the risk register. Review meetings will now be held weekly as we enter the Model Office stage and get ready for operational trial.
- Reference data management is still high risk and is likely to remain so until we have gained practical experience through Model Office and live pilot.

BUSINESS SUPPORT

- The BSU continues to work well and again has been able to reconcile all transactions within SLA time-scales. Unfortunately we failed to achieve the volume SLA for transaction reconciliation failures. This was entirely due to the increase in human error and misoperation by post office staff. The BES software at RIC is insufficiently resilient to human error. Similarly, our training programme and counter procedure documentation needs to be strengthened.
- We have reviewed the emotive issue of 'lost' transactions with POCL and have agreed that henceforth they shall be known as 'incomplete' transactions. The term 'lost' will in future be confined to those transactions that are performed at a single counter office that loses all of its filestore at a time between connections back to the correspondence server. These transactions are genuinely lost from the system and must be re-input by post office staff.

BA & POCL SERVICES

- The Energis network failure caused several duplicate transactions.

**ICL Pathway Pathway Programme Monthly Report
Customer Service Report**Ref: PA/REP/028
Version: 1.0
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- ORRs were held of De La Rue, Royal Mail and Girobank in preparation for NR2 Model Office. All are performing very well.
- De La Rue is planning a building move around Easter '99 and they have been careful to involve us in their planning process to avoid problems at the start of National Rollout.

CUSTOMER SATISFACTION

- Feedback from Manager Care Visits and Service Visits continues to be good.

SYSTEM SUPPORT

- The SSC is now heavily involved in preparing for Model Office support.

**INFRASTRUCTURE SERVICES
(MIS / PROCESS ENGINEERING / PERFORMANCE / IT)**

- It appears that the information received from BA on their Benefit Migration plan was not presented clearly and was therefore misinterpreted. The problem has now been resolved and Peter Robinson has been able to re-forecast card volumes. These are now approximately in line with our expectation and reflect the slippage in the programme plan.
- A useful meeting was held with POCL and Horizon to address the Printer Time Benchmark. Ithaca presented a very good picture of their printer and we were able to convince POCL that there is no risk of printer performance degrading with age. We await their final conclusions but I expect they will drop their requirement to measure each receipt printed.

CURRENT CRITICAL PROBLEMS

- None

ISSUES

- None



Quality and Risk Report

**ICL Pathway Pathway Programme Monthly Report
Quality & Risk Report**Ref: PA/REP/028
Version: 1.0
Date: 19/08/98

Quality & Risk Report**MONTHLY SUMMARY**

- FRM progress. POCL have raised 2 issues regarding the targeted EVP CCN - manual entry after card reader failure and multiple EVPs at a single session. No suspect fraud incidents have been reported.
- Risk Management. The Programmes Risk Register for July shows no reduction in the overall; NR2 design and development risks are decreasing, testing risks increasing. Acceptance risks remain high and NR2+ risks are surfacing. The joint National Roll Out Risk Register has been completed and procedures for reporting and monitoring agreed.
- System Security. Progress continues to be made with development of procedures, preparation for Release 2 and definition of penetration testing. Delivery of NT access controls is late and may raise R2 authorisation issues. Other issues that have arisen include transmission of personal data in clear over the ICL network, and access to Government data from outside the UK.
- Audit. Progress is being made with developing standards and procedures for Release 2. Issues are beginning to arise around the Acceptance Test Specification and actions taken to speed up the review process. The delivery of the solution remains a high risk.
- Year 2000 Conformance. Issues are beginning to surface with 3rd parties, which are being monitored closely. Business Continuity risks are being identified and quantified, with the objective of developing a Contingency Plan.

PROGRESS**FRAUD RISK MANAGEMENT****RELEASE 1C**

- During July no suspected fraud incidents were reported.
- An analysis of irregular encashment patterns is due on the 5th August.

NEW RELEASE 2

- The user testing of FCMS has been delayed by two weeks.
- The NR2 reports were reviewed. Concern was expressed at the quality of a number of the reports some revisions have been requested from CFM.

- Quarry House (Leeds) as the site for the BA FCMS PC's has been confirmed. However BA Security are having difficulty in securing accommodation there and therefore surveying of the site has not yet been undertaken.
- Progress has been made with FRM security and FCMS administration procedures.
- CP1296 has been raised regarding card detail checking at the counter and a workshop held to explore issues. As a result, further CPs have been raised for NR2 and NR2+.

NEW RELEASE 2+

- CCN243 for Targeted EVP continues to be a problem. POCL have raised 2 issues - keyed entry volumes (card reader failure) and multiple EVPs at a single session.

RISK MANAGEMENT

- Programme Risks. A risk report for June has been completed. The overall risk rating has not changed. NR2 design and development risks have decreased, but NR2+ has increased, mainly in the area of management of TSC. As timescales for NR2 get compressed, testing risks are increasing. Acceptance risks are remaining high, as sign off of the test specifications slips.
- NRO beat rate risk analysis. A revised format has been agreed. The Register has also been converted to Access to allow easier reporting and data entry. Joint risk and mitigation action reports through Risk Management and better quality reporting is now being received. The major risks are now:
 - availability of Post Offices
 - scheduling of the POCL security 2000 upgrade with Horizon surveys

SYSTEM SECURITY

GENERAL

- A full review of anti-virus software availability and automatic update is being undertaken after a potentially significant infection. Good progress has been made, but the whole process needs overhauling to benefit from the introduction of the NT server.

RELEASE 1C

- A post implementation security review of the HSH and SMC in Stevenage was undertaken with the Horizon FSG.

**ICL Pathway Pathway Programme Monthly Report
Quality & Risk Report**Ref: PA/REP/028
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- New Rambutan keys were sourced to replace keys that expired during July.
- The findings and recommendations in the Bootle and Wigan site security review report were discussed with representatives of Alliance & Leicester. Ways forward were identified and are being costed by A&L.

NEW RELEASE 2

- The test Security Event Management solution in Bracknell has been audited to ensure that the events specified are included. Work has also begun on specifying the browser configuration to allow monitoring and interrogation of the security event database.
- A very positive response to the Pathway IT Security Management Processes has been received from the Horizon FSG and the Security Review Panel.
- Processes and procedures to support Acceptance and/or underpin the Security Management Procedures are in progress.
- The FSG's formal response to the Admiral Management Services Penetration Test & Scoping report stimulated work during July to identify a broader scope of technical tests. This work has also helped to scope the non-technical (procedural) penetration testing required to address Fraud risks. A paper has been produced defining a framework to ensure that technical and procedural penetration testing share a common objective and structure.
- A solution has been identified for authenticating HFSO's during PO migration. The process has been agreed with Development and Implementation and is subject to a CP.
- New cryptographic key seed values (DSA and TBKMA) have been sourced from CESG to support MOR, MOT and NR2.
- Delivery of NT access controls is late. This is high risk, as it was largely the reason that R1c was limited to 200 offices.

NEW RELEASE 2+

- Meetings continued to agree the design for the Key Management Application, associated database and off-line key generation for Release 2+.
- Security requirements for Landis & Gyr (AP Smart) testing have been developed for unit testing in Kidsgrove and system testing in Bracknell.

QUALITY

- A letter has been sent to WTPlc reminding them of our contractual right to audit their operations, and a follow up audit is proposed for August.
- Microtouch have responded to our concerns about monitor reliability by setting up an accelerated high temperature test of 288 monitors.

**ICL Pathway Pathway Programme Monthly Report
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- 25 PCs have failed at installation with further failures during testing. Failed units are being brought back for diagnosis either by TVC or Fj ICL.
- Support to Acceptance Test planning / preparation continues.

PROCESS MANAGEMENT

- Asset Data collection process development continues to be supported supported.

AUDIT

- An initial audit of the process to apply R1C PinICL fixes to R2 has not identified an existing robust process. Interim ideas for improvement opportunities have been made.
- Develop Audit Function. The draft Audit Manual has been completed and provided to BA / POCL for comment.
- Audit Trail Functional Specification. BA's comments (late) have indicated again a lack of understanding of its purpose and a desire to totally restructure. They have also indicated that they are reviewing what is needed for acceptance. A review of the Audit ATS is planned for 21/8/98.
- Audit Design continues to cause some concern, particularly regarding the tape silos and solution for moving data between sites. The ability to deliver the solution in due time remains a high risk.

YEAR 2000 CONFORMANCE

- A number of issues have arisen with 3rd parties, which are causing concern and are being pursued, including NT4, UNISON, SQL-Server v6.5, Solaris 2.6.
- A standard questionnaire has been drafted as the basis for discussing service providers Year 2000 compliance programmes. The first will be with Energis.
- Progress has been made with DSS and POCL in tying down dates for interface testing. DSS dates for testing with future system dates is into Q1/1999. This testing is highly desirable but relatively low added value and any defects are easier to resolve (all data centre based).
- A paper describing the Business Continuity issues arising from the change of Millennium, the types of mitigation options available, and recommended actionees has been drafted.

CURRENT CRITICAL PROBLEMS

ISSUES

- Sign off of the EVP CCN.
- Quality of reports produced by CFM and the correction process.
- Personal and other sensitive data is being transmitted 'in clear' over the ICL corporate network, either appended as evidence to PinICL's or in the body of PowerHelp text. Efforts are underway to identify a solution to enable the encryption of the data.
- Oracle 'follow the sun' support for PAS/CMS potentially provides access to restricted Government information from outside the UK. A precedent was set by the Inland Revenue project and their advice is being sought.
- No evidence of practical Pathway management of third party security testing activities. Horizon have little confidence that these elements of security testing are under Pathway control.
- Delivery of NT access controls.
- Audit delivery.
- Getting pro-active supplier management underway together with ownership of decisions/recommendations, e.g. NT4 Service Pack 4, remains a concern.
- Lack of progress on establishing a controlled inventory of hardware and software used within Systems Directorate (for Y2k purposes).

Business Development Report



Business Development Report

MONTHLY SUMMARY**CUSTOMER EDUCATION**

- There was substantial press interest and activity during July, provoked by the news of the Treasury Review and the Post Office results announcement. Although we have opened August with a very balanced piece in the Observer, interest continues to be fuelled by speculation in the Trade Press which is in turn fed by "government sources".
- Planning for the approach to communication post the Treasury Review announcement of results has started and will shortly be circulated to narrow group for initial comment and approval.
- Government Communication continues to be a clear priority. This month saw two successful meetings with Frank Field (slightly overtaken by events), a presentation to the Social Security Select Committee here in Feltham and demonstrations to Dame Ann Bowtell (Permanent Secretary to the DSS).
- Customer Education and TV advertising: advert now approved but further action is on hold until the outcome of CAPS Nile 2 replan is known. Our recommendations are now a contract controlled document (properly baselined therefore - hurrah!). CAPS have raised the CR on removing the word "cost" from the requirements and hence once this is received, we can progress to formal acceptance.

BUSINESS DEVELOPMENT

- Logistics Feeder Service: Final contract schedules will be completed in the middle of August.
- Generics: Design have now taken on a new designer - he will commence joint working with us this month.
- Personal Banking Services: Joint working has commenced with POCL on scoping and delivering their 'Network Bank' opportunity. This opportunity has the largest transaction volume potential of any of the new business targets.
- Automated Payments - Smart: We now have all required documentation from POCL for the AP smart product set.
- Marketing Suite: We expect to move into the expanded marketing suite in late August.

AGREEMENTS TO AGREE

- The period saw the first Agreements to Agree which have been agreed with the associated CCNs being approved to amend the Contract clauses appropriately.

PROGRESS

CUSTOMER EDUCATION

- Articles have appeared in the Sunday Times (dour post office angle) Financial Times (optimistic) The Independent (balanced but dour) The Guardian (automation from the post office perspective) Computing, Computer Weekly and Government Computing (rumour based) and most recently in the Observer (balanced and positive)
- Comments on the effect of the Replan on Customer Education have been provided and with a Change Request, can be handled: there is a cost impact. Customer Education Media & SIG roll-out activities are all on hold.
- Government Communication continues to be a clear priority- internal network meeting is being organised, meetings held with A&L and regular meetings with ICL group. No further activity with ministers and officials. Main recommendations of the report on government communications are in abeyance - overshadowed by the three 'Rs' - recess, reshuffle and review.
- Customer Education Acceptance CAPS have raised the CR to remove the word "cost" from the requirements and hence once this is received we can progress to formal acceptance.

BUSINESS DEVELOPMENT

- Logistic Feeder Service: Work on commercial deal is continuing, with final negotiations due to be completed by the end of the month.
- Personal Banking Service: Joint working has commenced with POCL on scoping and delivering their 'Network Bank' opportunity. This opportunity has the largest transaction volume potential of any of the new business.
- Future Business Opportunities: Work has now started to scope, plan and resource how the infrastructure can support multi-channel opportunities (expanding it to support kiosks, web sites, digital TV sites, and call centres) and ticketing (travel, hotels, leisure events). We are investigating from a design/architecture point of view, as well as the likely cost, resource and timescale implications

**ICL Pathway Pathway Programme Monthly Report
Business Development Report**Ref: PA/REP/028
Version: 1.0
Date: 19/08/98

- Automated Payments - Smart: We now have all required documentation from POCL for the AP smart product set.
- Card Design: The request to revise the PO logo on the reverse of all the Payment Cards is progressing. Full approval should be expected during September after which we may then invoice for the work (£12,255) as per CCN285.
- Agreements to Agree: Steady progress continues to be made with this time consuming exercise. Progress on difficult areas such as the Style Guide, suitability of offices for automation and reconciliation are all making progress although they remain difficult areas.

CRITICAL PROBLEMS**CUSTOMER EDUCATION**

- Press interest is unlikely to abate - matters will become more acute as we move to a pronouncement of Treasury findings: our reputation will need to be protected by some serious briefing activity. Our customers' preferred lines and media approach do little to support our reputation. To achieve successful communication we will need a very high level customer input and support.

BUSINESS DEVELOPMENT

- Logistics Feeder Service: : POCL have had their business case for SAP/ADS signed off by CEC with less budget than they require for LFS based on their assumption that they would be able to negotiate ICL down further: a commercial deal is still some way off. However, POCL look ready to forego any liquidated damages remedy payments against any failure to achieve SLAs. On that basis our risk profile is significantly reduced, and therefore there is scope for some movement on the price.
- Personal Banking Services: POCL want to move more slowly than we do and seem unconvinced that the Horizon infrastructure is appropriate for on-line banking services. We clearly have different views on the assumptions that would underpin a business model. In mitigation we are defining a clear set of deliverables for joint working against an agreed set of timescales. In ICL Pathway we have also commenced work on a document which details the capability of the Horizon infrastructure against banking industry standards for on-line banking services.

International Sales Report



**ICL Pathway Pathway Programme Monthly Report
International Sales Report**

Ref: PA/REP/028
Version: 1.0
Date: 19/08/98

- International Sales Report

MONTHLY SUMMARY

- No submission this month

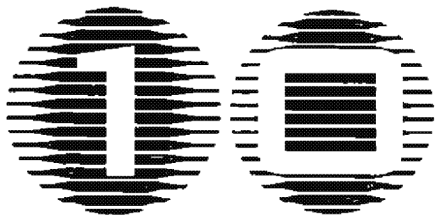


Organisation & Personnel Report

Organisation and Personnel

MONTHLY SUMMARY

- No submission this month



Post Office Client Report

ICL Pathway Pathway Programme Monthly Report
The Post Office - Client Director

Ref: PA/REP/028
Version: 1.0
Date: 19/08/98

The Post Office - Client Director's

MONTHLY SUMMARY

- No submission this month