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SR011: Giro Payments – Apparent Loss of Audit Trail

Executive Summary

This review was initially raised to highlight the inability of branches to adequately review previous giro payments. The issues raised were unclear and it was subsequently clarified in the e mail chain "SR011 - Two Clarifications Required" dated 6th March 2013 that the enquiry actually related to bill payments.

There is no loss of audit trail for bill payments because branches are able to print and retain the Daily AP (automated payment) Transaction Listing Report. Office copy 2nd receipts are no longer automatically produced in branch. Branches can no longer see the method of payment illustrated on the customer receipt but are able to review all AP transactions recorded on a specific day.

Transaction corrections may well be issued after transaction logs are available to branches (currently 60 days) to review the date of error's transactional history. All transaction corrections should have adequate evidence to support their issue. A dispute process is available for branches to follow if they do not agree with a transaction correction.

Post Office Ltd is confident that adequate information is available to branches for them to assure AP transaction corrections.

General background

Second Sight have been provided with Horizon Transaction Data from 1st March 2007 to 31st January 2012 recorded by Yetminster 267518.

There have been some significant changes in the way AP transactions are processed on Horizon.

1. Original Riposte Based Horizon system

At this point, Office AP Receipts would be produced for all AP Transactions. The Daily AP Transaction Listing Report would also be available to be produced each day. (Note that it is up to the User to produce any report. Horizon can only ensure that certain Mandatory reports are produced prior to Stock Unit Balancing).

At this point reports can be generated showing data up to 42 days old.

Note that this was the status of the system on 2nd July 2007 (see below).

2. 6th July 2010, Yetminster migrated to Horizon Online.

At this point the Office copy of the AP Transaction receipt would no longer be produced. This was one of a small number of specific changes requested by Post Office Ltd and implemented by Fujitsu

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as part of the migration to Horizon Online. However the daily AP Transaction Report was still available.

From this point onwards reports would be able to show data up to 60 days old.

3. Autumn 2010, Policing MoPs (method of payment) went live in Horizon Online Release 2

This introduced some changes to exactly how the MoPs were recorded on AP Transactions and also ensured that cheques could only be taken for a value less than or equal to the total value of the Basket (ie prevents “cash back”). However the facility to adjust Cheques and Cash is still available.

Gas, electricity and council tax payments are processed at Post Office branches through an AP type transaction. This means that:-

1. The transaction is enlivened on Horizon by scanning the barcode on the bill presented.
2. The appropriate method of payment is selected, payment taken from the customer at the end of the customer basket and the transaction completed on Horizon.
3. Horizon will then produce a customer receipt. Duplicate “Office Copy” receipts are only produced in branch for certain transactions of this type. Prior to Horizon on Line two receipts were produced immediately at the time of the AP transaction i.e. before settlement.
4. At the close of business each day, branches are able to print and cut off the Horizon Online™ Counter Daily APS Transaction Listing report – this is not system driven. The report will show all Automated Payment transactions carried out since the previous cut off, including reversal transactions and recovery transactions.
5. After confirming the accuracy of the report the branch “cuts off” the AP listing.
6. The branch then wraps the Horizon Online™ Counter Daily APS Transaction List report around any branch copies of Horizon Online™ AP-ADC transaction receipts and retains in branch for two years.

The Horizon Online™ Counter Daily APS Transaction List report is then available for a branch to refer to should any related enquiries be made. The report does not contain the level of detail compared to the old Office Copy; primarily method of payment.

The removal of the second receipt has caused some operational difficulties for branches and Post Office Ltd Finance Service Centre. The most pointed being disagreements between customer’s and branches over the method of payment used – branches could use their copy receipt to “prove” the method of payment. Finance Service Centre is able to view the method of payment employed and will assume this was recorded accurately at the branch unless both branch and customer agree it was incorrectly recorded on Horizon.

Until Horizon Online Release 2, there was no checking done within Horizon that the MoP recorded against the AP transaction was accurate. It was perfectly possible to record MoP as Cash and then settle the basket with a Cheque or visa versa. The only way to work out the actual MoP was to look at all items in the Basket that contained the transaction. This can be done in the Branch using the

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Transaction Log (filtering it by Session Id) in the Branch. This can also be done in Credence by FSC (Finance Service Centre). Horizon Online Release 2 made changes such that the MoP associated with the AP transaction was calculated after settlement and so could record what had actually been tendered.

Detailed response

The branch was issued with one AP transaction correction (TC) on 11th September 2007. This related to a customer paying 2 BT bills on one consolidated cheque (£91.32) on 2nd July 2007. One of the bills (£37.45) was correctly scanned in to Horizon but the second (£53.87) was not scanned.

The bill for £37.45 was paid at 09:17 by cheque. Later that day at 15:18, the cheque for £37.45 was reversed out (by reversing a transaction for "other stamps") followed by a session where £91.32 of "other stamps" were purchased. Thus the branch were aware of the issue on that day.

This was then followed by the remitting out of cheques for the day.

Immediately prior to this adjustment, another cheque for £66.35 was reversed. Looking back this was actually taken on the previous working day (30th June at 09:50 and was actually taken as part payment for a BT bill for £116.35). There was also a reversal for a cheque for £116.35 at 09:58 on 30th June (again using "other stamps").

If this cheque had in fact existed and been included in the Rems, this would account for the Credit TC issued on 6th December 2007.

The use of "Other Stamps" in an attempt to resolve branch errors reflects both a lack of care and non conformance in the branch.

The use of "Other Stamps" balancing all these adjustments will probably have resulted in some stock discrepancies on stamps at the next balance. Taking the adjustments related to the AP TC in isolation, this would have generated a cash gain of £53.87.

The customer will have been contacted by BT regarding the, apparently, unpaid bill and after the customer has presented their Horizon receipt an enquiry would have been raised via either by the customer or BT to Post Office Ltd.

Neither the branch nor Post Office Ltd would have a sight of the second bill payment as it had not been recorded on Horizon.

The AP & Cheques team would then have identified the client and liaised with one another to determine what had happened.

To resolve these errors a debit transaction correction for £53.87 was issued to the branch in respect of the AP error. A second credit transaction correction for £116.85 was issued to the branch in respect of the cheque remittance discrepancy on that day which actually relate to other errors made that day.

Both transaction corrections were issued over 42 days after transaction date. The branch would have been able to refer to the day's APS Transaction Listing report to see that the second AP

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transaction had not been recorded. They should also have retained records of the day's cheque despatch and been provided with the details of the cheques actually received for processing. As the branch was still on the old Riposte system the 2nd receipts would also have been available for the branch to check against.

We are unable to identify any further transaction corrections of this type being issued to the subpostmaster's branches during her dates of tenure – 5th May 2007 to 29th September 2011. However the branch was issued with 21 cheque remittance transaction corrections. These consisted of 10 debit (loss) transaction corrections totalling £9,509.09 and 11 credit (gain) transaction corrections totalling £1,660.11. This equates to a net debit of £7,848.98.

The incidence of cheque TCs issued to this branch is significantly higher than would be expected. Cheque despatch relates to the current or previous day's transactions so there is no issue with transaction data availability.

Post Office Ltd cannot see a relationship between other cheque remittance errors and the ability to view detailed AP transactional history so these errors have not been investigated further within this review.

The "clarification" e mail of 6/3/13 also makes reference to not being able to "disaggregate" debit or credit card cash withdrawals "at the end of day or at any other time". This statement is incorrect. Full transaction logs are available for 60 days from transaction date. Individual transaction information will not be available to branches after this point.

One personal banking cash **deposit** transaction correction was issued to this branch in September 2009. This was issued less than one month after transaction date so full transactional information was available to branch.

Some transaction corrections will continue to be issued over 60 days from transaction date. Enquiries may have started earlier with a branch but some may not have commenced prior to this 60 day window when full transactional information is available at branch level. The timing of enquiries is initiated by customers or clients raising errors to Finance Service Centre when they are identified.

Transaction corrections will always be supported by evidence. Depending on product type this may be supplied prior to, at the time of, after the transaction correction issue or on request. No transaction correction should be issued that could not subsequently be fully defended if required.

Subpostmasters do not have to "trust POL and accept the Transaction Correction". Branches have a defined dispute process they can follow if they do not agree with a transaction correction. It is recognised that it is far preferable for transaction corrections to be issued as near to transaction date as possible as branches are more likely to have a recollection of events and can check transaction logs if they require.

It is not clear how access to old transaction logs would help branches to "mitigate any loss charged to them".

Transaction date to cheque transaction correction issue for 267518

8 * 1 month

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4 * 2 months

3 * 3 months

4 * 4 months

2 * 5 months

Conclusion

1. It remains unclear what the underlying issue being raised is. The case does not relate to Giro products and the former subpostmaster only received one transaction correction in respect of AP transactions.
2. Office copy receipts are not produced for all AP-ADC transactions but the Horizon Online™ Counter Daily APS Transaction List report will illustrate all transactions carried out in the branch. Therefore there is no requirement for branches to “disaggregate” figures. However the transaction correction investigated occurred on the old Horizon system at which point the second AP receipt was produced.
3. The missing AP transaction which instigated the transaction correction would have been evident to the branch through it not appearing on the Horizon Online™ Counter Daily APS Transaction List report. It would also have been clear that there was no Branch copy 2nd AP receipt for it.
4. The level of granularity contained in the Horizon Online™ Counter Daily APS Transaction List report is not as great as was contained in the old “Office Copy” receipts held in branch. Method of Payment appears to be the area of concern.
5. The majority of cheque transaction corrections issued to this branch would have been issued after a branch would have been able to produce detailed transaction logs beyond the 42 or 60 day period available at the time.
6. The branch would have been provided with full evidence to support the transaction corrections issued.