Royal Mail Group

Witness Statement

(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a)
and 5B, MC Rules 1981, r 70)

Statement of	Carole CROSS
Age if under 18	Over 18 (If over 18 insert 'over 18')

This statement (consisting of four (4) pages each signed by me) is true to the best of my knowledge and belief and I make it knowing that, if it is tendered in evidence, I shall be liable to prosecution if I have wilfully stated in it anything which I know to be false or do not believe true.

Dated the   22nd   day of   February   2010

Signature

I am employed as a Financial Services and Bill Payments Manager for Post Office Ltd and have been so employed since June 2009. I have worked in the Finance Division at Chesterfield since 1995.

I have been asked by Jon Longman of the Post Office® Security Department to provide an overview of how transaction corrections are processed.

It should be noted that Product & Branch Accounting work with electronic data streams and that paper documentation is not available

TRANSACTION CORRECTIONS

Post Office Ltd branches are required to record transactional and remittance activity on the Horizon system. The Horizon system can only record what the operator has told it has
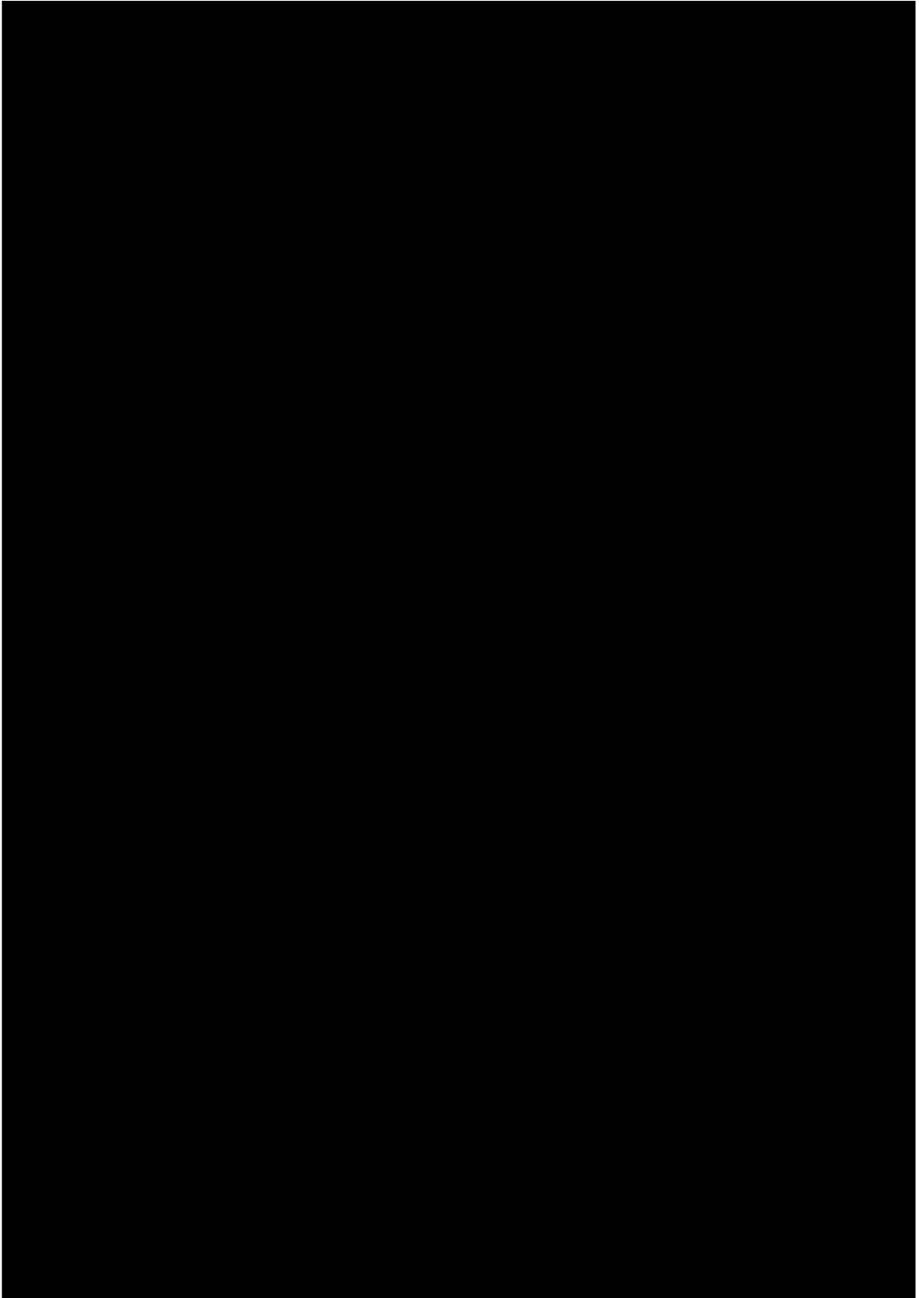
Signature ⌐ **GRO** ¬   Signature witnessed by ⌐ **GRO** ¬

GS011 (Side A)   Version 5.0 05/07
Royal Mail is a trading name of Royal Mail Group plc. Registered number 4138203. Registered in England and Wales. Registered office: 148 Old Street, LONDON, EC1V 9HQ

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Witness Statement

(CJ Act 1967, s9; MC Act 1980, ss 5A(3)(a) and 5B, MC Rules 1981, r 70)

Continuation of statement of   Carole CROSS

happened.

This data is then transmitted to the Post Office Finance System (POLFS) at circa 19.00 each day.

Transactional and remittance data is also sent, electronically and/or by hard copy to Post Office Ltd clients and in some instances data feeds back from clients into POLFS.

These streams of data should subsequently "match" against one another and are then "cleared" from POLFS. Where a discrepancy appears an investigation is initiated in Post Office Ltd's Product & Branch Accounting team (P&BA).

If this investigation does not enable Horizon data to be matched a transaction issued to correct the branch's accounting position. Evidence is provided (elect copy) to the branch to support the transaction correction.

[handwritten: System re TCs generated by P+BA.]

Branches are entitled to challenge any transaction correction by providing sup information to P&BA. (Simply claiming a transaction correction is not proper constitute a valid dispute).

If a dispute is accepted, or P&BA receive further information from other sources e.g. client, further Horizon entries, to indicate the initial transaction correction is no longer valid, a compensating transaction correction is issued.

Branches have 3 options when accepting transaction corrections:-

Make good cash – either taking cash out (credits) or putting cash into the till (debits).

Make good cheque – putting a cheque into the till to make up a cash shortfall.

Settle centrally (over £150 only) – this does not impact the Horizon cash position and transfers the debt or credit onto a Customer Account. This is then recovered via the debt recovery process within P&BA. This option does allow branches additional time to find

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Witness Statement

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information to support the issue of a compensating transaction.

All transaction corrections need to be accepted prior to monthly branch trading rollovers.

I have explained three transaction corrections below for West Byfleet Post Office® between 2005 to January 2008. To explain in detail every transaction correction for West Byfleet Post Office® would be a major resourcing issue. However, if specific transaction corrections can be identified that require explanations then this could be addressed.

Example 1

The third example on the branch transaction record dated 19.12.2005 related to a £397.08 transaction correction relating to a pre order of US dollars. Here the dollars would have been delivered to the branch and collected and paid for by the customer. However the sale has not been identified as being recorded on Horizon and therefore the branch will be in an apparent surplus position which will be corrected by the transaction correction.

However on 9.1.2006 an equal an opposite transaction correction was issued. This indicates that the sale has retrospectively been entered in to Horizon or the branch has contacted the issuing team to explain why the transaction correction would not be proper to the branch. The most likely reason for this would be that the customer had not in fact collected and paid for the dollars. The branch would then be instructed to return the currency to First Rate (Post Office Ltd foreign currency supplier) and, on receipt, the compensating transaction correction issued.

Example 2

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Not all transaction corrections are caused by the branch.

Transaction correction issued 31/8/07 was generated by a failure of a cash remittance scan on despatch to Cash Centre. The cash was delivered to the cash centre but the value remained in the branch accounts as "Cash in Pouches". The transaction correction clears (debits) the "Cash in Pouches" in the branch and credits the Cash Centre cash balances to reflect what actually happened.

Example 3

Not all transaction corrections directly impact cash.

Transaction correction issued corrected the volume of scratchcards remitted into the branch following activation on the Camelot terminal. If the branch has already "corrected" the volume of scratchcards in the branch by "adjusting stock" then an equal and opposite adjustment will be needed to correct the scratchcard position.

Adjusting stock upwards acts as negative sales and would create a gain in a branch. Conversely adjusting stock downwards creates a loss.

There is no overall financial impact on the branch but if the adjustments take place at different times then gains and losses will appear.

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