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POST OFFICE GROUP EXECUTIVE

Post Office Response to Second Sight's "Thematic Issues"

1. Purpose

The purpose of this paper is to:

- 1.1 update the Post Office Group Executive on Second Sight's "Thematic Issues" and what Post Office has done to address these.

2. Background

- 2.1. In recent years a small number of postmasters have through the Justice for Subpostmasters Alliance (JFSA) alleged that Horizon was responsible for discrepancies in their Post Office branch accounts causing them detriment including the loss of their business and in some cases imprisonment.
- 2.2. To address these concerns, in June 2012, and in collaboration with the JFSA and a group of MPs led by the Rt Hon James Arbuthnot MP, Post Office appointed independent forensic accountants, Second Sight Support Services Limited (Second Sight), to investigate.
- 2.3. As Second Sight (SS) discussed with the former postmasters their concerns, they concluded that there were common issues being raised by the former postmasters; SS started to document what they called "Thematic Issues". Following a year's work with a number of postmasters, Second Sight published an Interim Report on 13 July 2013 in which they referred to these "Thematic Issues"
- 2.4. In August 2013 Post Office established the Initial Complaint and Mediation Scheme (The Scheme) in order to provide an avenue for any postmasters with concerns to raise them directly with Post Office. SS has maintained their "Thematic Issues" report and further populated with the issues of the 150 Applications that were accepted into the Scheme. Second Sight's "Thematic Issues" report details 17 "Thematic Issues"

3. Current Situation

- 3.1. As Post Office has investigated each of the 150 Applications to The Scheme, the findings and potential improvement opportunities have been cross referenced with SS "Thematic Issues" report.
- 3.2. Of the 17 "Thematic Issues" documented Post Office conclusion is that:
 - 9 were due to user error;
 - 2 were due to fraud;
 - 4 were due to lack of awareness of the postmaster and/or their staff;

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- there was no evidence to support the issue raised for 1 of the “Thematic Issues” raised.
- training and support issues were claimed by 130 Applicants to have been an issue and whilst our investigations have found that in the main training was adequate and was provided to the business standard at the time, we could have done better in some cases and in areas such as ATM and Lottery.

4. Improvements to Date

4.1. As a result of our investigation process and in conjunction with the Branch Support Programme we have already introduced improvements to address the “Thematic Issues” and/or have identified further improvement opportunities. These are set out fully at Appendix 1.

- **User error** – to mitigate the risk of user error within branch we have for 6 of the “Thematic Issues” already introduced improvements. For 7 of the “Thematic Issues”, further improvement opportunities have been identified.
- **Fraud** – the 2 “Thematic Issues” detailed are False Accounting and Pension & Allowance reintroduction fraud. Improvements have already been introduced to raise awareness of False Accounting and to offer support to postmasters at the earliest opportunity. Pension and Allowances were replaced by POCA.
- **Lack of awareness** – in 3 of the 4 “Thematic Issues” improvements have already been made to raise awareness with and improve the understanding of the postmaster. Further improvement opportunities have been identified for all issues raised.
- **No evidence to support** – this is where postmasters have claimed they were not aware of the terms of the Spmr contract they entered into and/or had never received a copy of that contract. Although there is no evidence to support this claim, improvements to raise awareness of the terms of the contract have been implemented.
- **Training and Support** – improvements to the training offer have been introduced in recent years to reflect the new Mains and Local operating models. Further improvements have been made to classroom training content with online training going live 5th February.

5. Key Risks

- 5.1. Whilst through the investigation of the 150 Scheme Applications Post Office has demonstrated that Second Sight’s “Thematic Issues” are not thematic but in the main simply a collection of the errors the Applicants have made, there is a risk that Second Sight will draw different conclusions and be damning towards Post Office in the publication of their final Part 2 which is scheduled for April 2015.
- 5.2. In order to mitigate this risk, the Sparrow team is working very closely with Second Sight to try to inform the content of the report by providing factual information to Second Sight on the topics they have identified. Furthermore a robust and well-articulated communication strategy is wrapped around The Scheme.

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6. Conclusion

- 6.1. Through the work of the Branch Support Programme and the outputs of the Mediation Scheme Investigation team the “Thematic Issues” raised have all been addressed by Post Office. Second Sight has as evidenced by the Select Committee evidence session on 3rd February chosen to ignore or not believe Post Office investigation findings or the formal responses Post Office has made to Second Sight’s questions.
- 6.2. Given 6.1, the Sparrow team need to continue to engage Second Sight in the content of their final Part 2 report with a view to ensuring its factual accuracy.

7. Recommendations

The Group Executive is asked to:

- 7.1. note the update on Second Sight’s “Thematic Issues” and what Post Office has done to address these.
- 7.2. receive a further update ahead of the publication of Second Sight’s final Part 2 report scheduled for end April 2015.

Kevin Gilliland
12th February 2015

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Issues identified by Second Sight	Number of Cases that cite this issue	Post Office Findings	Improvements to date	Further improvements
Transactions or transaction corrections not entered by the postmaster or staff User Error	51	No evidence of remote access. All claims of 'ghost' transactions have been explained in POIRs: enforced log out from Horizon; Operator error supported by receipts and recovery screens.	Horizon change request in train for auto-reversal as part of recovery process to be stated as such on the transactional log, rather than the User ID. This will remove any confusion for the user/postmaster.	Once Horizon change request is completed, this change and horizon recovery process refresh communication to be published in Subspace online and Branch Focus to ensure awareness.
Transaction anomalies associated with CASH or STOCK Remittances User Error	39	PO investigation has identified user error in all cases. Given that there is no reconciliation between Swindon and branches this could mean that discrepancies in remittances have gone unnoticed resulted in a loss or gain at branch.		Simpler advice notes are required to ensure alignment between the information on the advice note and the Horizon system i.e. value or volumes the same as Horizon requirements. Scope the cost and benefits of introducing: (1) 100% check for new branches/operators for a fixed period. (b) 100% check for all remittances into Swindon.
Transaction anomalies associated with Pensions and Allowances	15	Scheme cases investigated have shown branch fraudulent activity.	None as P&As were replaced by POCA several years ago.	NA

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Transaction anomalies following telecommunication or power failures User Error	59	A loss of telecommunications or power in branch will not directly cause discrepancies. This is dependent on the postmaster correctly following the Horizon recovery process on the screen. A lack of understanding of the recovery process was found in the earlier cases in particular.	The Horizon recovery process has been re-communicated to branches in Branch Focus.	A network wide communication is required to ensure that postmasters understand that power failures and loss of connectivity in themselves cannot cause discrepancies.
Transaction anomalies associated with ATMs. Stock user management. User Error	34	POIRs detail a number of postmasters did not follow PO procedures correctly. Not having individual ATM stock units exasperated the in-branch issues.	New operator guide was issued to ATM branches in Feb 2013. Introduced Post Office delivered on site training for all new ATM's installed. TC's issued more timely.	(1)Post Office to monitor via HORIce that all ATMs have separate stock units and that they are called the same to enable filtering by HORIce. (2)ATM on line training to be developed; go-live Q1 15/16. (3)Scope whether on-line link to horizon (PING) is possible. (4)More user friendly issue resolution process between POL and postmaster to be introduced. (5) Easy to understand reports from BOI. (6)Ensure knowledge base at NBSC is up to date and regularly reviewed.
Transaction anomalies associated with Lottery Terminal or Scratch Cards User Error	39	POIRs show that scratchcards activation and rem in process caused problems for branches. Branches would probably have benefitted from face to face training.	PING 2012 addressed lottery sales and Scratchcard activations TCs. Post Office introduced policy of face to face training to be provided with lottery and scratchcard network extensions.	Mandatory stock unit for Lottery. Clearer instructions regarding scratchcard TC's to cover both parts of the transaction Auto rem in/activation. Ensure knowledge base at NBSC is up to date and regularly reviewed. On line training module for Camelot products to be developed; go-live Q1 15/16.
Transaction anomalies associated with	14	Time expired as MVL discs no longer used.		

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MVL User Error				
Transaction anomalies associated with Foreign Currency User Error	21	Other than for one case in the Scheme that involved postmaster selling at unauthorised exchange rates, POIRs evidence user error.	Bureau de change 2nd receipt introduced 19/09/2014 since which point no charge backs have been to postmasters.	
Transaction anomalies associated with Bank/GIRO/ Cheques User Error	53	Problems with Rem out cheque process were due to user error. Giro deposit errors were due to mis-key errors by users.	Horizon change request in train for automation of cheque rem out process. Go-live May 2015.	Further work required to scope ways in which the risk of mis-keys can be mitigated.
Transaction anomalies associated with Stamps, Postage Labels, Phone cards or Premium Bonds User Error	41	Stamps Philatelic/definitive move from one to other. Postage labels - rejects/spoilt lack of understanding difference. Phonecards not an issue isolated user error.		Rem in initiative barcode sheets of stamps. Labels - better instructions to be communicated to network.
Hardware issues e.g. printer problems, PIN pads, touchscreens and Pay Station Lack of awareness	75	Lack of understanding of what hardware functionality/capability.		Need communication to explain functionality of hardware and that hardware problems in themselves cannot cause discrepancies.
Failure to follow correct procedures or mis-advice by POL'S Helpline Lack of awareness/ understanding	81	Whilst some Applicants have claimed wrong advice from the NBSC there is no evidence of this in the call logs. That said the Operator can only respond to the caller's explanation of the problem and where the explanation offered by postmaster is poor this could lead to inaccurate advice being given by NBSC.	HORIce tool has been trialled with tier 2 and the results are favourable in being able to look at branch data to establish what the branch has actually done rather than rely on the branch relaying this information to NBSC operator.	Customer satisfaction metrics to be introduced by NBSC and hardwired into performance scorecard for NBSC. More information on the call log is required especially when recording the advice given to the branch. HORIce user licences to be extended so that more operators are equipped with the tool.

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Training and Support issues including Helpline and Audit	130	Claims of lack of training at various stages. PO investigations have found little evidence of lack of training across the 130 cases rather that Applicants were adequately trained at appointment but that some chose not to be hands on choosing instead to rely on their staff.	Work aids reviewed and refreshed for new entrants. Escalation approach for balancing related issues has been refreshed to ensure the flow of appropriate referrals from NBSC to Branch Support team and the field team where necessary.	On-line training for new entrants goes live Feb 2015 with a network wide roll out in Q2 15/16. New HORIce led support approach to be formally introduced Q1 15/16.
Limitations in the Transaction Audit Trail available to Subpostmasters Lack of awareness	73	Postmasters claim of lack of paper trail however since the introduction of Horizon postmasters have had access to in-branch reports for up to 42 days after the transaction. This was extended to 60 days on the introduction of Horizon on-line.	HORICE - 6 months data	More emphasis on balancing and the use of in-branch reports included in new training package - go-live Feb 2015. Self-help via on-line training modules and 'how to' videos. Network wide communication required to raise awareness of the reports that are available in branch and how to use them to best effect.
Process issues at the end of each Trading Period Fraud	78	Applicant's claim of having to falsify account in order to trade the next day is incorrect. Some Applicants appear to have been or claim to have been not aware of the in-branch reports available to them to search for discrepancies. PO investigations have evidenced that some Applicants chose not to seek help from NBSC or any other PO facility.	NBSC now have access to HORIce that enables them to look at branch data and see what the branch has done. This results in the correct advice being given to the branch rather than the NBSC relying on what the branch tells them they've done.	More emphasis on balancing and Branch Trading included in new training package - go-live Feb 2015. Access to HORIce to be embedded into NBSC BAU.

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The contract between the Post Office and postmasters No evidence	63	Scheme applicants claim they didn't realise the terms of the contract. PO investigations conclude that applicants did receive contract and in all probability understood the terms as they had worked within those terms for a considerable time before claiming lack of awareness.	The extracts of the contract regarding responsibility for cash and stock and misuse of PO funds is explained during interview process and PTV visits	Contractual obligations regarding misuse of Post Office cash and false accounting will be included in new entrant training - go-live Feb 2015. Refresh of contractual responsibilities throughout PTV
The lack of an outreach investigations function Lack of awareness	97	SS claim that some Applicants had an expectation beyond Post Office contractual obligation in that they expected someone to go to branch and find their discrepancy or tell them where the money had gone.	Introduced a refreshed escalation process from NBSC to Branch Support for large or unexplained losses or where branches request support. If NBSC or Branch Support is unable to resolve an onsite visit is arranged.	To introduce a Mediation Scheme type investigation process into BAU. Need to formalise FSA report visits etc. and offer the opportunity to postmasters for a face to face meeting to share the findings and improvement opportunities. HORice to be an integral part of this process.