
From: Rod Ismay[GRO]
Sent: Fri 20/03/2015 2:43:13 PM (UTC)
To: Mark Underwood1[GRO]; Alisdair Cameron[GRO]
Cc: Belinda Crowe[GRO]; Parsons, Andrew[GRO]
Subject: RE: Second Sight's Part Two Report and assertions made in relation to Suspense accounts

As described in Post Office's response to Second Sight dated 30 January 2015, the releases to profit should be considered within the overall context of Post Office performing around 2.5billion transactions per annum, with a combined value in the order of £60bn. The amount of unresolved credits that end up in Post Office's P&L is therefore less than 0.001% of all transactions (by value) undertaken by branches. [[this text is from the attachment in Chris Aujard's email to Second Sight 30 January]]

(Also to clarify 2.10 - We didn't say we write off all debit balances)

Post Office explained that it investigates both debit and credit differences with clients, however, in the event that further evidence cannot be obtained on debit items then post office takes the charge on these to its P&L account. Post Office does not charge unsubstantiated, unexplained debits to branches. Post Offices takes the hit for these in P&L earlier than the credits. As regards the credits, it holds those in suspense for three years in order that should further information come to light, then Post Office would be able to issue the credit to the relevant branch.

Thanks, Rod

Rod Ismay | Head of Finance Service Centre

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From: Mark Underwood1
Sent: 20 March 2015 10:05
To: Alisdair Cameron
Cc: Rod Ismay; Belinda Crowe; Parsons, Andrew
Subject: RE: Second Sight's Part Two Report and assertions made in relation to Suspense accounts

Hi Rod if you could, as detailed below, pull together the numbers and rebuttal to the below paragraph by COB today that would be fantastic.

Mark

23.11. We note that Post Office's control and reconciliation procedures rely on correct information being supplied by third party clients. It follows that, if incorrect information is provided by any client company, this can give rise to a loss being charged to a branch. We also note that, for most of the past five years, substantial credits have been made to Post Office's Profit and Loss Account as a result of unreconciled balances held by Post Office in its Suspense Account.

This needs to be challenged. We are comparing our data with that of third parties in the normal way. The value of the differences is tiny compared to the value of transactions being processed – Rod can give you the numbers. The credits

are not at all substantial in that context and the amounts relating to branches are even smaller - £33k from memory in the most recent year.

From: Alisdair Cameron
Sent: 18 March 2015 09:09
To: Mark Underwood1
Cc: Rod Ismay; Belinda Crowe; Parsons, Andrew
Subject: RE: Second Sight's Part Two Report and assertions made in relation to Suspense accounts

2 Comments below. Thanks Al

From: Mark Underwood1
Sent: 18 March 2015 08:37
To: Alisdair Cameron; Rod Ismay
Cc: Parsons, Andrew; Belinda Crowe
Subject: RE: Second Sight's Part Two Report and assertions made in relation to Suspense accounts

Hi Alisdair & Rod,

Have you managed to take a look at the below request just yet? We are hoping to get our response to their Part Two Report finalised by the end of this week.

Many thanks

Mark

From: Mark Underwood1
Sent: 13 March 2015 13:24
To: Alisdair Cameron; Rod Ismay
Cc: Parsons, Andrew; Belinda Crowe
Subject: Second Sight's Part Two Report and assertions made in relation to Suspense accounts

Alisdair and Rod,

On Tuesday we received Second Sight's updated Part Two report.

Within the report is a section where they assert Second Sight has experienced significant difficulty in obtaining access to a number of documents they believe are necessary for the purposes of their investigation. This includes *"detailed transactions relating to items held in Post Office's Suspense Account(s) and to disputed transactions on a number of third party client accounts held by Post Office"*.

Below are the relevant paragraphs relating to your recent meetings with Second Sight and this assertion.

Could you let me know if any of the below paragraphs are factually incorrect and whether as they say, Post Office has agreed to provide the information as detailed in paragraph 2.12?

Transaction data relating to third party client accounts

2.9. Post Office operates a number of client accounts with business partners such as Royal Mail, Bank of Ireland, HMRC, DWP, DVLA and many others. Transactions from branches relating to these business partners are allocated to the appropriate client account before being reconciled with information provided directly from the business partner. Normally these transactions are matched without difficulty but occasionally errors occur or disputes arise where the transaction details shown on Horizon and the transaction details reported by the third party client differ.

2.10. In these circumstances an adjustment referred to as a Transaction Correction (TC) may be generated in order to correct an error previously made in a branch. Post Office has told us that its policy is to write off unexplained debit balances on third party client accounts, but that any unexplained credit balance will be left open in case the matter is subsequently resolved. Eventually these long outstanding credit balances will be transferred to Post Office's general Suspense Account and may be taken to its Profit & Loss Account ("P&L Account") if they have remained unresolved for more than three years.

2.11. A number of Applicants have reported that they have suffered unexplained losses or have received TCs relating to transactions with Post Office's third party clients. We had informed Post Office, on 18 June 2014, of our wish to investigate the possibility that some of these unexplained losses could be represented by transactions subsequently taken to the credit of its P&L Account.

2.12. We have been advised that, in each of the financial years 2012, 2013 and 2014, amounts in excess of £100,000 have been taken to the credit of Post Office's P&L Account and we have asked for a detailed breakdown of those amounts, together with corresponding transactions from the individual third party client accounts. This is a complex issue and, whilst Post Office has agreed to provide us with this information. Information has been shared on the operation of the suspense account credits and we agreed at the most recent meeting that we had no further questions on the suspense account itself. We have recently asked for some numerical data on aspects of the client accounts themselves, to confirm that we can close this issue. This information is outstanding.

In addition at paragraph 23.11 of their report Second Sight state:

23.11. We note that Post Office's control and reconciliation procedures rely on correct information being supplied by third party clients. It follows that, if incorrect information is provided by any client company, this can give rise to a loss being charged to a branch. We also note that, for most of the past five years, substantial credits have been made to Post Office's Profit and Loss Account as a result of unreconciled balances held by Post Office in its Suspense Account.

This needs to be challenged. We are comparing our data with that of third parties in the normal way. The value of the differences is tiny compared to the value of transactions being processed – Rod can give you the numbers. The credits are not at all substantial in that context and the amounts relating to branches are even smaller - £33k from memory in the most recent year.

Is this factually correct?

Many thanks for your help

Mark

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