POL00029623

Branch Accounting Incidents

This note summarises the sequence of events on the two specific incidents known as:

(1) Receipts & Payments Mismatch (R&P), and
(2) Local Suspense issue (LS)

With the passage of time it is not possible in all cases, to confirm exact dating and exact sequence of events, however, this paper attempts to present the most definitive summary based on records to hand and on recollections of conversations at the time.

Receipts & Payments Mismatch

This affected 64 branches. Fujitsu noted the incident as part of routine control monitoring. Resolution took several months due to:

(a) Complexity of understanding root cause of the issue, and
(b) Complexity of agreeing what remedial action should be taken and how it should be deployed

The broad timeline was:

Date	Event	Comments
March 2010	First incident	Tbc - Pilot branch for Horizon Online. [WR confirming dates]
Aug-Oct 2010	Bulk of incidents	Tbc – main rollout
March 2011	Letters to branches	Correspondence with 62 of the 64
June 2013	2 remain	Tbc – how held and history of correspondence?

In most cases, the branches impacted had noted what were likely to be genuine gains at the time. A gain typically arises due to a branch either having:

- failed to record a cash receipt from a customer (not keyed the transaction on Horizon),
- made an error in giving change to a customer, or
- had a loss in a preceding week but later found the relevant funds (back of drawer etc).

In the situation of a gain, the branch will have physically counted its cash on hand and found that it exceeds the value which Horizon says is held as cash on hand. The remedial action should normally be in the first example above for the branch to determine what transaction it had failed to record, or in the latter scenario the subpostmaster would take money out of the till in compensation for the money they had to put in earlier when they had temporarily misplaced the funds.

The impact of this incident would have been that branches entitled to take money out would actually have seen the Horizon cash figure increase to align to the physical cash they had declared and therefore they would not have been able to take the money out.

Reasons for the time lapse between the original branch event and the final correspondence include:

- Complexity of understanding root cause
- Prioritisation and distinction from other service issues (blue screens etc) as HOL rolled out
- Complexity of determining what remedial action was needed
- Requirement for at least one Branch Trading period to be completed smoothly after the software fixes had been deployed

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- Protracted debate about why it had to be resolved with this form of branch correspondence as opposed to a Transaction Correction
- Clarity of messaging of this discrete incident, within the wider context

The values in question fell into the following ranges:

	Number	Value range
Gain	2	250-1000
	4	100-250
	2	50-100
	5	25-50
	13	0-25
Loss	16	0-25
	4	25-50
	5	50-100
	7	100-250
	5	250-1000
	1	>1000

Letters were sent to 62 of the 64 branches in March 2011. These were tailored into groups according to the type of branch and how the event would have been dealt with in that type of branch.

The impact on the 62 branches was that:

- Delayed benefit for branches who had a “gain” originally – they had a 6 month gap before receiving the benefit of that gain
- Immediate benefit for branches who had a loss – they would have benefitted from not having to make that loss good at the time, and subsequently it was written off centrally
- Delayed benefit for branches who had other gains and losses which netted off against each other

Phone calls were made to all the branches to help explain the unusual events.

For reasons that are unclear, 2 branches were not communicated to at the time. These remain open issues - £9.92 at Liphook and £0.27p at Winsford. Some factors in the delay are likely to be:

- X
- X

The actions planned to resolve these 2 branches are:

- X

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Local Suspense Issue

This has arisen due to an error in the data archiving process in Horizon.

In very rare situations of a branch deleting a stock unit at a particular point in time in the month, this conflicted with the archiving process. It led to genuine loss or gain values in the deleted stock unit, in an earlier year, reappearing on their anniversary date in subsequent years.

This has impacted 14 branches, 4 of which are Crowns (Aberystwyth, Inverness, East Dulwich & Lower Edmonton).

Bowness Road – Zubeir Patel
Dundas - David Cheape
Gilford - Mr D Moore
Grange - Southern Cooperative Society Limited
Houndslow – WH Smith
Lower Regent Street - LONDON RYMANS LTD
Merthyr Dyfan – Costcutter Stores
Rosyth Terminus – Martin McColls
Wardles Lane – Tates, AF Blakemore & Son Ltd
Willen Village - Mr J Mistry

The other impacted branches are Crowns –who I have not prepared letters for.