

ROYAL MAIL CONFIDENTIAL

Audit Rating: Substantial Assurance
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POST OFFICE LTD

HORIZON ELECTRONIC

CASH ACCOUNT REVIEW

MARCH 2005

REPORT DISTRIBUTION

To:	Antony Smyth	Ernst & Young, External Auditors
For Information:	David Mills Peter Corbett Dave Miller Vicky Noble Ric Francis Sue Lowther Rod Ismay Derek Foster	Chief Executive, Post Office Ltd Finance Director, Post Office Ltd Chief Operating Officer, Post Office Ltd Head of Client Accounting & Cash Management, Post Office Ltd Executive Director Operations, Post Office Ltd Head of Information Security, Post Office Ltd Head of Risk and Control, Post Office Ltd Internal Audit & Risk Management Director

EXECUTIVE SUMMARY

Internal Audit & Risk Management (IA&RM)

Telephone:

GRO

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Post Office counter transactions are recorded in an automated cash account within the Horizon system. The transaction information is transferred electronically to the Counter Business Database (CBDB) for further processing into the Post Office Ltd financial ledger.

IA&RM undertake an annual review of the Horizon system electronic cash account and the system interfaces to CBDB in accordance with an approach agreed with Ernst & Young. The review is used to support Ernst & Young in their review of Post Office Ltd's financial statements. The objective of the review is to provide assurance on the effectiveness of the controls over the Horizon electronic cash account and the integrity of the data held on the Horizon and CBDB systems. The following is a summary of the work completed:

- At the completion of week 36 cash account period a visit was made to Mosley post office. A copy of the cash account was obtained and a reconciliation performed with the supporting documentation on hand, e.g. weekly summaries, reports from Horizon and dockets on hand (pension and allowance dockets, green giros etc). No discrepancies or issues were identified.
- The week 36 cash account for Mosley post office was reconstructed by cash account line-by-line from data held in the CBDB system using the Audit Command Language (ACL). No issues were identified over the accuracy and completeness of data held on CBDB.
- Fujitsu, who provide the Horizon system, supplied a data extract from their audit server that backs up all the transactions performed across the post office network. ACL was used to summarise the transaction data for the week and reconciled on a line-by-line basis. Again, no discrepancies were identified in completing the reconciliation.

As no discrepancies or issues were found during testing, IA&RM can provide **substantial assurance** on the effectiveness of the controls over the Horizon electronic cash account and the integrity of the data held on the Horizon and CBDB systems.