Reconciliation Controls

Ref: Reconciliation Controls
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1.   Introduction

This paper was prepared by Gareth Jenkins to document for Post Office Ltd aspects of reporting and settlement where reports could be improved.

It has been updated following a discussion with Pete Newsome and Torstein Godeseth in Fujitsu as to how these proposed changes should be progressed.

2.   Overview of Processes Investigated

The following processes were investigated:

1. Cash Reconciliation between Horizon and POL SAP
2. CTS Reports and Settlement
3. NB101 / NB102 Reports for Banking Settlement
4. MoneyGram Reconciliation and Settlement
5. Camelot Reconciliation and Settlement

These are explored in more detail below.

2.1   Cash Reconciliation between Horizon and POL SAP

This is what was looked at last week.

The requirement is for a new report to be delivered by HORIce that is similar to the current "Estate Cash and Bureau Balance" Report. The changes required are as follows:

1. Initially, only Cash is required.

   The current report provides levels for all currency and also Currency in Pouches. Although initially these are not required, it is likely that a reconciliation of Currency holdings would also be beneficial, so it is proposed that the calculation of Currency Balances is retained. It is straightforward to filter them out if not required.

2. Cash (and currency) levels should be calculated at the end of the Trading Date rather than the end of the Journal Date

   The current report is constructed by joining the Opening Balances to the Cumulative Summary data which is calculated at midnight GMT. POL SAP data is based on data calculated at the end of the Trading Day (ie 19:00 Local

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time). This means that there is a mismatch for those Branches that trade in the evening.

It is proposed that the report is calculated by joining the Opening Balances and the Daily Summaries which are separated out by Trading date as well as Journal date.

Care is needed to ensure that the correct TP / BP is used in the case that a SU is rolled over after 7pm.

3. Pending Transfers need to be taken into account

A separate report was produced "GIJ - Outstanding Transfers 2" which calculated the value of Pending Transfers per Branch at End of Day. Post Office Ltd would still like this report, but would also like the value of the Pending Transfers to be included in the Horizon Cash Levels.

Also if calculating currency levels, then Pending Transfers should also be included.

> *Should the Outstanding Transfers Report be extended to also include Currencies?*

The expectation is that the Cash Levels in Horizon and POL SAP would match up and Post Office Ltd would expect to check this periodically (eg once per month).

> *If the values don't match then this will require investigation by POL.*
>
> *I'm concerned about introducing a further level of reconciliation and any implications that may but on Fujitsu to investigate them. I suspect that there are differences in some branches going back to operational issues in the very early days of POL SAP and its predecessors. There has been not attempt at full reconciliation since the initial levels were loaded back in 2004.*

We need to be able to define how far back such a report can be produced.

> *Opening Balances are held for 3 TPs and a min of 62 days and Daily Summaries are held for 84 days so I would guess that we could guarantee data for 60 days (ie 2 months).*

David Jordan of Post Office Ltd has indicated that he would like to extend the amount of data held in Horizon. However Horizon was never designed to retain data for any longer than is required to pass it through to Post Office Ltd back end systems and to enable Fujitsu to support operational issues. The auditing of transactions is a separate function and is done outside the online Horizon database and is not designed for producing such queries.

If Horizon is really required to support more historical reporting, then a significant re-design is required.

2.2   CTS Reports and Settlement

I now understand what Post Office Ltd do with the CTS Report that we send them each day. The process is as follows:

1. The report is pulled down from PODG as a text file and loaded into an Excel Spreadsheet

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2. A new copy is made of a Master Spreadsheet (which has been set up based on Reference Data and maps all the products that might appear in the CTS file to tabs aligned to the clients that Post Office Ltd need to settle with). The Data from Horizon is pasted into the first tab

3. The control total from the bottom of the CTS Report is pasted into a control total field

4. This results in a spreadsheet with a detailed tab for each Client with which settlement is required and the data from the CTS file is reflected in the appropriate tab. There is also a control tab which shows totals from each Client tab and adds them up and compares the totals with the total from the original CTS file. Should these control totals not match, then this is highlighted.

5. Different members of the team then use the data from the individual client tabs on the appropriate day (settlement may be 2 or 3 days later – dependent on the client) and use that to set up the settlement payments.

6. One Member of the team maintains a paper list of all the clients and ensures that all the client settlements have been made at the appropriate time.

David Jordan is concerned about the need to paste the data between spreadsheets, but it seems hard to come up with anything much simpler.

I propose that nothing is changed here.

2.3 NB101 / NB102 Reports for Banking Settlement

Horizon's DRS system generates NBS 101 / 102 reports for reconciliation with Banking clients. There are a number of such reports:

1. Link

2. Santander

3. Card Account

4. E-Pay

5. Global Pay

6. Global Pay - AMEX

The settlement team seem to only be concerned with the first 3.

> *It would appear that e-pay is ignored and settlement is done purely on e-pay data received. This seems unlikely and perhaps this needs further investigation with other teams that are perhaps out of scope.*
>
> *Plastic settlement is handled by a different team and appears to be out of scope.*

The main complaint is about the NB102 reports. The issue is that these reports do not break the information down by Client. As the Settlement figure on the NB101 is aligned to the LREC files, which are calculated according to the LINK cut-off (approx. 20:00 rather than 19:00 which is when data is posted to POL SAP), exact matching in POL SAP is not possible. POL SAP has separate accounts for each

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Client bank and so since the exceptions don't indicate which client they relate to it is difficult to account for the exceptions.

The reason that separate accounts are needed for each client relate to the fees that the clients pay Post Office Ltd for providing banking services. These are client specific. However Settlement of money paid out is all done through Link.

> *This issue is also relevant to Santander.*

2.4   MoneyGram Reconciliation and Settlement

The process here is complicated! In summary:

1. MoneyGram send a daily settlement file to Torstein Godeseth in Fujitsu. This is a password encrypted .zip file

2. He then decrypts the file and emails it to Chesterfield

> *Apparently there is a problem in decrypting the file that can't be resolved! In the past, then POL had a password and could do it, but for some reason they don't fully understand this is no longer possible.*
>
> *After discussions with Torstein, this appears to be a consequence of the standard Laptop Build used by Post Office staff which doesn't support Password encrypted .zip files*

3. In Chesterfield, they then run a macro (provided by Torstein) which generates 2 output files

> *There were complaints that this macro now takes 10 to 15 mins to run each day when in the past it used to just take a few seconds. It isn't clear why Torstein ended up writing a macro to assist in this process!*

4. The first of these is a .csv file which is then renamed and loaded up into PODG where it is sent to POL SAP for overnight processing

> *On a Monday, there will be 3 files generated, so the POL SAP support team have to manually load 2 of them. Similarly after Bank Holidays!*

5. The other is an .xlsx file which is used by the reconciliation team to compare with a daily file received from Fujitsu of MoneyGram transactions.

A simple solution to the issue is for a PODG transformation to be commissioned whereby PODG delivers the two files that are required directly to Chesterfield.

> *Apparently, that was what was originally requested, but there was an issue with the timescales and costs thus resulting in the present mess.*

Should we be looking at pushing MoneyGram transactions through DRS so as to get NB101 and NB102 reports? Post Office appear to be attempting to duplicate the reconciliation in POL SAP.

This needs some further investigation.

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2.5   <u>**Camelot Reconciliation and Settlement**</u>

It would appear that PING has gone live for Camelot (at last). However it would appear that the Horizon postings for Camelot don't come through until 2 or 3 days late. This seems to imply that the TA is used to handle the Camelot posting not just the cash associated with it.

> *I need to find out more about exactly how PING for Camelot works.*
>
> *Perhaps we could process the Camelot file in BRDB (as we do for PayStation) rather than it being processed in Credence. That would probably also remove the TA feed from Credence to Horizon.*

This needs further investigation.

3.   Further areas of Investigation

More work is required to investigate the process with MoneyGram and Camelot before any firm proposals can be made. It is proposed that CRs are raised with Fujitsu so that these investigations can be carried out.

4.   Suggested Horizon Changes

As outlined above, there are two areas where firm changes can be described and be introduced to the formal Change systems:

1. Enhance the "Estate Cash and Bureau Balance" Report in HORIce as described in section 2.2.

2. Enhance the NB102 reports to break them down by Client as outlined in section 2.3. Detailed report layouts will need to be agreed between Post Office Ltd and Fujitsu as part of the design of this change.

It is proposed that CRs are raised with Fujitsu requesting that these changes are made.

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