POL00031330

Message

From: ron.warmington@ GRO
Sent: 06/02/2013 08:12:14
To: Simon Baker GRO
CC: Rod Ismay GRO ; Angela Van-Den-Bogerd GRO
GRO
Subject: Re: Does POL have (and use) a facility to make entries to Sub Post Office Branch books without the SPMRs knowledge, approval or involvement?

Simon: in due course, it is likely that we will need XML data... But as yet how can we know WHAT data we are looking for? It would be pointless to have Fujitsu send Ian ALL of the data for ALL of the branches for the 19th August 2008, wouldn't it? What would we have him search for? No... We'd first need to know what BRANCHES have been 'adjusted' and/or what USER IDs these people were using. Those essential search criteria would come out from full disclosure - by POL - of the data I've asked for in yesterday's email and that I'm additionally asking for in this email.

We all need to know whether this unit existed; what it was called; what they were MEANT to be doing; what they were ACTUALLY doing; who AUTHORISED and APPROVED and ENTERED transactions there; and,,, frankly,,, we need to assure ourselves that nobody there was stealing money and allocating the resultant shortfall to some unsuspecting and innocent SPMR who later ended up carrying the can for somebody else's theft.

We (Ian and I) did ask, on day zero, whether POL had such a 'central intervention' capability and, to date, we've never really logged a crisp assurance that it does not. I had posed the possibility, at the outset of this investigation, that somebody at the core (of POL) might have been stealing funds and allocating the losses to innocent SPMRs. I reported, to POL and to the MPs, that Ian and I have unravelled many such frauds. And here we have an SPMR asserting something that could have provided someone with an opportunity to do exactly that. We MUST get to the bottom of this soon and either satisfy ourselves, the informing SPMR and Alan Bates, that what has been reported has a completely innocent explanation or we will need to report what was going on there.

Ian: any further thoughts? Ron.

Sent from my iPhone

On 5 Feb 2013, at 20:07, Simon Baker <simon.baker GRO wrote:

> Ron
> I am not exactly clear what you are asking for on the bracknell issue. Is it the horizon XML data?
> Simon
>
> **From:** Ron Warmington GRO
> **Sent:** Tuesday, February 05, 2013 07:33 PM
> **To:** Rod Ismay; Angela Van-Den-Bogerd
> **Cc:** Simon Baker; irh@ GRO <irh@ GRO
> **Subject:** RE: Does POL have (and use) a facility to make entries to Sub Post Office Branch books without the SPMRs knowledge, approval or involvement?
>
> Thanks Rod:
>
> First of all, let me apologise for the typo in my write up. There's a phrase in there that says: "(he has offered to send us a copy of his sworn where he asserts

POL00031330

this)". As no doubt you'll have guessed, that should say: "(he has offered to send us a copy of his sworn affidavit where he asserts this)".

Essentially, there are no surprises in your response. All is much as we expect. Believe me, Ian and I are becoming quite familiar with normal procedures. I should, of course, have added the words "or their delegates" when speaking of SPMRs: I completely understand (and already understood) your point about 'absentee subpostmasters'. Equally, I've no doubt that you understand my real point here, which is all about whether ANYONE in the branch is informed when (or if) a centrally-entered adjustment is made. Equally, it is reasonably self-evident that I'm referring always to adjustments that impact the branch's accounts (in the sense that they could increase or decrease a shortfall), rather than mis-classifications.

As to the TC process, only one SPMR so far interviewed has reported to us that he/she has ever seen any 'Recovery' Screens... and in that one case, she claimed only to have seen one once. Maybe they are... and I am... missing something here and those screens really do appear. Is any *permanent record* of them retained? If so, then, as we look at the many transactions that are now emerging, we would be able to confirm that the SPMR (or his/her deputy) really was informed by Horizon that it was operating in Recovery Mode.

Turning back to the 'Bracknell' issue. I have more information now: The SPMR has pinned down the date, time and location. We are talking about between 11:00 am and noon on Tuesday 19th August 2008 at the Royal Mail/POL Building at (we are checking this now) Downmill Road, Bracknell RG12 1GJ. Let me be perfectly clear about this: This particular allegation won't go away simply by Ian and I looking at flowcharts, procedure manuals or attending a workshop. We will need POL's concentrated efforts *and help* now in working out what this SPMR really did witness on that day in that basement office. WAS there a team there accessing Horizon? And if so were they accessing and passing entries into the LIVE SYSTEM? And if so, were the SPMRs (or their staff) whose accounts were then being 'adjusted' TRANSACTIONALLY INFORMED of those interventions, entries and adjustments *as they happened*? And were some or all of those entries REVERSED OUT? And what AUDIT TRAIL can we see please (and yes, I will need to see a copy of it) to show EXACTLY WHAT HAPPENED on that day and who authorised and keyed in the entries. I'm sorry Rod, but once again, it will serve no purpose if POL tries to educate Ian and me as to what controls are normally... or are meant to be... in place to prevent, detect or control this sort of activity. For these allegations to be once and for all inarguably refuted to the satisfaction of all parties, we will have to be able to produce hard evidence to vaporise them.

Thanks again

POL00031330

Ron

From: Rod Ismay GRO
Sent: 05 February 2013 15:44
To: Ron Warmington; Angela Van-Den-Bogerd
Cc: Simon Baker; GRO
Subject: RE: Does POL have (and use) a facility to make entries to Sub Post Office Branch books without the SPMRs knowledge, approval or involvement?

Ron, Ian,

Please see my interim update below. Can I suggest we discuss this further on the call on Friday and consider a workshop with relevant specialists to bring the relevant clarity and knowledge to the group.

As regards the 2006 text that you refer to, please let me try to clarify that.

"The introduction of the new Post Office Ltd Finance System (POLFS) in Product and Branch Accounting (PBA), Chesterfield means that the finance teams can no longer adjust client accounts on site."

Post Office introduced a SAP finance system in 2006 and a change in branch trading processes.

We have spoken about situations where branches could inadvertently make errors in the values they enter into Horizon and in the clients / products to which they attribute some transactions. Prior to 2006, if a branch miskeyed a £20 transaction to Client A Subproduct X instead of to Client A Subproduct Y then the Horizon data interfaced to the central finance system (CLASS) into the "wrong" general ledger line (due to the branch error). Colleagues in Chesterfield would then investigate data and correct such "wrong line entries" centrally such that the £20 liability went into the right (subproduct Y) account centrally. This did not alter the branches local accounts in Horizon. It was done "on site in Chesterfield".

With the introduction of the SAP finance system a key principle was that we wanted to push awareness and accountability for "wrong line entries" and other errors more clearly back down to the branches, who in turn would then be more informed to avoid repeating the mistake in future. We therefore began issuing Transaction Corrections for things which previously might have been reclassified centrally. May I reinforce here that the desire before and after the SAP change was to notify branches of errors of VALUES, but some errors of CLASSIFICATION were not notified back to the branches before SAP.

The use of "on site" is therefore about making entries in the central system in Chesterfield, not about making entries into Horizon in branch.

Further on in your email you refer to:

- The inference ".that TCs have to be 'accepted' at the branch level and that there exists no power/capability at the centre (in Chesterfield or anywhere else) to impact any branch's accounts without the SPMR's knowledge, approval and involvement."

This is so. TC's appear on screen in branch inviting the branch to formally accept them or to request more evidence. There is a process for following that up if the branch wants more evidence.

However, with some cases of "absentee subpostmasters" who may delegate office leadership to their chosen reps in branch the Spmr may not have seen the item, but they would have chosen to delegate

POL00031330

oversight to another individual in their branch. We would have encouraged and made clear to the subpostmaster, as per their contract, that they have responsibility though.

As regards the subsequent matters in your note there are many controls in the systems to ensure double entry accounting. As discussed on the last call it would be best for us to respond to specific challenges against that by way of investigating specific situations that have been presented to you for consideration.

I would, however, like to differentiate "one sided accounting allegations" from known situations where comms line failures etc cause part of a service to fail despite another part having completed. Eg. Like the card payment situation that was notified to you during your meetings with subpostmasters or former subpostmasters.

Situations can arise such as the bill payment by debit card where the customers bank account is debited via communications through the LINK network, but the update to the bill payment organisation is interrupted. That type of situation leads to "Recovery" processes whereby screen prompts advise the colleague in branch what to do as regards dealing with the failed bill payment. The accounts will remain in balance by "suspense" balances during recovery. We can walk you through processes which confirm the maintenance of double entry accounting in branch and in central systems, involving middleware and data harvesting systems etc.

As regards the final comments and the sworn statement, we will have to discuss the specific point being made. If you can expand on it during our next call that would be helpful. If it is indeed an allegation about 2008 then hopefully we will be able to access relevant records in order to analyse the who, what, whens of the specific allegation.

Kind regards
Rod

Rod Ismay | Head of Finance Service Centre
<image001.png>
No. 1 Future Walk, West Bars, Chesterfield, S49 1PF
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@postofficenews
<image002.png>

From: Ron Warmington GRO
Sent: 05 February 2013 12:16
To: Rod Ismay; Angela Van-Den-Bogerd
Cc: Simon Baker; GRO
Subject: Does POL have (and use) a facility to make entries to Sub Post Office Branch books without the SPMRs knowledge, approval or involvement?

Angela/Rod:

We are looking into an assertion by a SPMR that POL had, in Bracknell, a basement office where entries were being passed over the live Horizon system without the knowledge or approval of the impacted SPMRs. Here is a short write-up that addresses this point. Could you please let Ian and I know what you discover?

POL00031330

Page 9, Section 7 of POL's Horizon Operating Manual (as of December 2006) includes a sentence stating that: *"The introduction of the new Post Office Ltd Finance System (POLFS) in Product and Branch Accounting (PBA), Chesterfield means that the finance teams can no longer adjust client accounts on site."* It is not yet clear whether the reference here to "on site" means "in Chesterfield or anywhere else within POL" or something else. POL is asked to clarify this. The inference (also to be confirmed or refuted by POL) is that TCs have to be 'accepted' at the branch level and that there exists no power/capability at the centre (in Chesterfield or anywhere else) to impact any branch's accounts without the SPMR's knowledge, approval and involvement. What is being asserted by this SPMR is that there did exist a capability to pass as it were 'Journal entries' - or even one-sided transactions - over the heads of the impacted SPMRs and without their knowledge (either as the transaction was executed or perhaps even at any later stage). This SPMR asserts (he has offered to send us a copy of his sworn where he asserts this) that in 2008 he visited a basement in a POL facility in Bracknell where a POL employee demonstrated to him his ability to pass an entry altering a branch's foreign currency cash balance, then, "making light of it" said "I'd better reverse that entry now or the SPMR will have a shortage tonight." If this SPMR's assertion is true and there really was such a capability (and for persons other than the SPMRs to have been using it), then POL will need to report back to the investigators to show all transactions executed there during the period covered by the investigation (broadly the previous seven years - from 2006 to end 2012). POL will also need to establish whether that facility continued to exist after the implementation of Horizon Online in mid-2010.

Thanks and regards,

Ron Warmington

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POL00031330