

Cash Shortages Held in Suspense Account

Discussion document HoA Workshop - 30 January 2002.

Background

During Horizon Implementation an alarming increase in Cash Shortages held in table 2A suspense accounts was experienced. In hindsight perhaps this should have been expected following the introduction of a new computerised system with new balancing routines. As a consequence branches who had not previously experienced problems balancing, looked to the Horizon system as a potential reason for a sudden change in performance when they failed to balance correctly. Horizon was an Enigma to many, including some RNM's and so the myth was born. **It must be a system fault!** At its height the shortages were just under £10m - more than three times the pre Automation norm. To tackle this the Horizon Evaluation Review Forum Sub Group (HERF Sub Group) was established, lead by Gail Morley, Head of Transactional Processing, and latterly by Lynn Kelly. The group was targeted with getting losses back to pre-automation_norm and establish if there was any truth in the system having a fault that caused shortages / gains.

The group set about re-enforcing the losses/ gains policy through the Territories and the Retail Line. A practice that had produced excellent results during the Retail line Trial. Information about long term losses, where a system fault had been claimed, was collated by the Territories. The result of the investigations of claims of system faults, which included support from the BSM Problem Management Team, found the system to be sound, and in the cases thoroughly investigated, found poor accounting practices to be chiefly the cause of a downturn in performance.

System Sound

There have been and will probably continue to be faults with the system. These are logged by Pathway and dealt with accordingly. In 98% of the cases the fault has also caused an error notice to be generated and the incident is closed i.e. error issued and account put back in balance. A small percentage do not cause an error and BSM Problem Management deal specifically with these incidents to seek a solution.

Poor Accounting Practices

These fall into three categories - **postmaster inapt**, **postmaster playing the system**, **learning curve**, the latter being the main cause. With tremendous effort both in Territories and BSM the shortages were brought back to acceptable levels at the Year End (£3.6M). The BSM Suspense Account Team set up as part of the Retail Line Review - were successful at reducing amount held in table 2A in the two trial areas and as a result the operation was expanded in May 2001 to take on the whole network in advance

of RLR roll out . The pattern has continued to improve steadily and is now better than pre - automation with amounts held in table 2A lower than they have been since records were first kept in January 1998. However, there are still large numbers of losses held that are over 12 months old, and many than do not comply with business policy.

New Processes for Dealing with Horizon System Fault Claims

A gap that has been highlighted during this work, is that our processes for dealing with these cases are not robust , in the event of the postmaster refusing to make any shortages good . One recourse in these situations would be to take the postmaster to court - but on the many cases we have tested - we are very short of the evidence that would be required . For example are our training records complete , do we have records of support requested and given , is there record of the calls logged , do our scripts on the Helpdesk show a duty of care , do we have a signed record of what was discussed with the Postmaster during visit to investigate the problem . As an off shoot of the HERF Sub Group - we have run two workshops to work through the processes - covering most scenarios that documents the responsibilities of the postmaster , BSM (Customer Relations , Helpdesk , Problem Management , Suspense Account Team) and the retail Line - This has been endorsed by Legal Services .

So what are these responsibilities ? Lets start with the postmaster

Postmaster

- Responsible for any shortages / gains and is obliged to make good / withdraw immediately.
- Investigate cause and if a system fault, or accounting error is strongly suspected , must contact NBSC immediately for balancing support, and if appropriate request authority to hold an amount in suspense account.
- If a system fault is claimed, but at the time of the call not proven, the postmaster would not receive authorisation and would be requested to make the amount good pending investigation.
- The postmaster would be advised to contact HSH and report a system fault, providing they have specific evidence of the fault. If they have already done this they will be asked for the HSH reference number and this will be recorded for future reference. **Without specific evidence a system fault will not be accepted by HSH, or POL (should a claim of system fault be subsequently made at a later date).**

It is not acceptable for a postmaster to put an amount in the suspense account without authority .

Business Service Management

- Will log the call with a unique incident number.
- Register the call as a claimed system fault (Problem Management, Customer Relations, Suspense Account Team)
- Match the call with the HSH call log to identify if the incident has been accepted for further investigation.
- Utilise the information for further enquiries by the outlet , retail line, Transaction Processing , or other internal customers (Problem Management , Customer Relations), and inform either outlet or retail line of the next steps when asked for information.
- Retail Line will be given the background .

Retail Line

- Main responsibility here is the pursuance of the loss.
- Must investigate the postmasters version of the problem , decide whether a visit or a telephone call is necessary, produce a record of the discussion, and obtain a signature from the postmaster confirming the report is a true reflection of what was discussed.
- If new information found, request outlet to ring NBSC but also make good.
- Respond to escalations from BSM Suspense Account Team within 28 days indicating one of the following.
 - date amount made good.
 - date amount written off (if write off considered then retail line representative must check with BSM Problem Management to establish if case previously dealt with as a problem office).
 - request for amount to be treated as a Hardship case (details provided).

*In extreme cases only, responsibility for the amount can be accepted by the retail line representative but in these cases it will be classified as unauthorised as it does not meet current business policy. The representative will be asked to **clear the decision with their Head of Area and to manage the incident to its conclusion**. Regular updates will be requested by the Suspense Account Team.*

- Must make a decision in the event the postmaster does not make good. Recommendation to be made to Heads of Area for consideration of termination of contract , litigation ,write off.

New processes have been written to provide guidance in cases where a branch claims an accounting discrepancy has been caused by a system fault. The onus is on the branch to report they have a system fault to HSH at the outset and is a requirement covered under the Horizon System User Guide. The claim must be substantiated with specific evidence.

The processes cover the existing call handling procedures operated at the

NBSC and HSH, and provide specific information to the retail line when an outlet refuses to make an amount good.

The intention is to cascade the new processes to the retail line and the views of the Heads of Area are sought in respect of the most appropriate method to undertake this exercise.

Current Performance

Since taking over responsibility for providing authorisation for amounts held in suspense accounts and challenging unauthorised amounts held, table 2a (counter losses) has fallen to £2.2M, a fall of 36% (position at period 8).

The activities of the Suspense Account Team have been specifically focused on the reduction of amounts held in agents table 2a (counter losses). The reduction of £970K achieved in table 2a represents a fall of 47%.

The table below indicates how the amounts are spread across HoA patches.

Specific branch details can be found in the reports send to Heads of Area monthly .

As you can see there are large amounts being held that are older than 6 months old. Similarly there are a high % of losses held that are unauthorised.

With the help of the retail line these amounts could be significantly reduced. The business requires the support of Heads of Area before amounts begin to rise again, and the possibility of the business incurring unnecessary losses through potential write off.

Next Steps

- Cascade of the new processes that cover the existing NBSC/ HSH procedures and provide guidance to the retail line in respect of amounts held by branches. Method to be agreed by Heads of Area.
- Amounts held that are in excess of 6 months to be reviewed by Heads of Area and pursued to conclusion.
- Amounts held that are less than 12 months old and unauthorised to be challenged and resolved by AM's/RLM's using the existing Suspense Account escalation process.