

Message

From: Alisdair Cameron [GRO]
on behalf of Alisdair Cameron [GRO]
Sent: 08/02/2017 17:16:16
To: Jane MacLeod [GRO]
CC: Amanda Radford [GRO]
Subject: RE: Private & Confidential: Subject to Legal Privilege: Suspense Accounts

Jane, can I be invited to the set up and scoping meetings with Amanda please and copied into future requests and information exchanges. I am not sure you have answered the burden of proof question, which is critical: if you are asking lawyer questions, you need rigorous answers and that means systematic review. I need to make it really clear that random people from FSC must not be relied upon to give answers that are legally reliable. Thanks AI

From: Jane MacLeod
Sent: 07 February 2017 17:10
To: Alisdair Cameron [GRO]
Subject: Fwd: Private & Confidential: Subject to Legal Privilege: Suspense Accounts

AI

You asked about suspense accounts. Mark Underwood has provided the summary below which hopefully addresses your specific questions, however if you have further questions, we should probably discuss in person.

On the privilege point, I have asked the lawyers to prepare some advice that can be circulated to the business. Thanks for flagging this.

Jane

Jane MacLeod
Group Director of Legal, Risk & Governance
The Post Office
[GRO]

Sent from my iPad

Begin forwarded message:

From: Mark Underwood [GRO]
Date: 7 February 2017 at 15:52:17 GMT
To: Jane MacLeod [GRO]
Subject: RE: Private & Confidential: Subject to Legal Privilege: Suspense Accounts

Thanks Jane,

- ? The Claimants' allegation is that POL's suspense accounts have and continue to hold sums that, if properly accounted for, would explain or offset losses in branches.
- ? Angela, Patrick and I met with Paul Hemsley before Christmas to brief him on Sparrow and the allegations being made as part of the Group Litigation. Mark Westbrook from Deloitte joined us on the call to share with Paul his understanding of how the Suspense Accounts operate, based upon the workshops he had held with FSC as part of the 'Chairman's Review'.

- ? Paul visited Chesterfield a week or so later to meet with Lorraine Garvey and gain a better understanding of the processes and controls governing POL's suspense accounts. Upon his return, Paul met with Angela and I, along with BD on the phone, to discuss how best to provide BD with enough evidence to defend POL against the allegation being made against it.
- ? It was agreed that if we performed a 'deep dive' into the suspense account with the largest balance and the product(s) responsible for the largest proportion of this balance, we could then take a view on whether this investigation was representative of POL's suspense accounts in general or whether further work would be needed in relation to other suspense accounts or other products. The planned scope of the work is to:
- o Investigate the end-to-end accounting process (from transaction in branch to final reconciliation) for the Products and produce a detailed description of that process including:-
 - (a) why accounting discrepancies may arise;
 - (b) how discrepancies are resolved;
 - (c) what happens to unresolved discrepancies;
 - (d) how and why are some discrepancies transferred to the Client Credit Account (or to any other suspense account);
 - (e) what happens to debits / credits in a suspense account; and
 - (f) what safeguards are in place to ensure that any debits / credits in a suspense account, or taken into P&L from suspense, are not related to a shortfall, surplus or other accounting discrepancy in a branch.
 - o Review line items and account balances over a certain period to provide assurance that the processes and controls described above are adhered to. A decision will be made as to the size of the sample after the first phase of the work, based on the volumes of data involved.
- ? The purpose of the questions posed by BD in the below email was to enable us to understand which suspense accounts had the largest balance, and which product(s) were responsible for this balance. It was at this point that we became aware that Paul H had produced a paper for AI. Given this paper would likely help inform the scope of work, we asked Danielle whether she was able to share it with us, hence her email to AI.
- ? As of this morning we have a SoW, which we have asked Deloitte to provide a quote for. Paul H had agreed that the work should be performed externally. Given the sensitivities; that Deloitte are able to hit the ground running; and that it will be easier to assert legal privilege over their work, it would be our preference to award to work to them – price dependant of course.
- ? Once we had the SoW and a price back from Deloitte it was planned that we would meet with and brief Paul's replacement (is this Amanda?). We are of course happy to keep AI informed as well.

Let me know if you wish to discuss any of the above further.

Mark

Mark Underwood

Head of Portfolio: Legal, Risk & Governance

GRO

From: Jane MacLeod
Sent: 07 February 2017 12:03
To: Mark Underwood1
Subject: FW: Private & Confidential: Subject to Legal Privilege: Suspense Accounts

See below



Jane MacLeod

Group Director of Legal, Risk & Governance
Ground Floor
20 Finsbury Street
LONDON
EC2Y 9AQ

GRO

From: Alisdair Cameron
Sent: 06 February 2017 13:36
To: Jane MacLeod <GRO>
Cc: Amanda Radford <GRO>
Subject: FW: Private & Confidential: Subject to Legal Privilege: Suspense Accounts

Jane, can we talk about this please as this is my first level of awareness that something new was happening.

- (1) What work are BD now doing? I need to understand the scope to make sure we are supporting it, dovetailing it with our work and have people with the right skills doing it. I suspect that the answers below don't help much. Also, we need to understand how certain we have to be of the accuracy and completeness of answers – this feels like a top of my head best endeavours sort of answer which may do more harm than good.
- (2) Please can I and Amanda be copied on everything as we have the accountability for preparing the accounts.
- (3) There isn't a good understanding of privilege so people have sent this round regardless – if you guys want it to work this way, they need to explain or remind people of the rules.

Thanks Al

From: Danielle Goddard
Sent: 06 February 2017 10:01
To: Alisdair Cameron <GRO>
Cc: Amanda Radford
Subject: FW: Private & Confidential: Subject to Legal Privilege: Suspense Accounts

Morning Al

Just a quick question – Angela has asked for me to share information with her on Customer Creditors for a review Bond Dickinson are performing. I've shared some high level info with Angela as per the below email.

Paul sent you the attached paper on Customer Creditors which contains further detail. I wanted to check whether this is ok to share with Bond Dickinson? You've only received it from Paul recently (27 Jan) so you may not have had chance to review it yet.

Thank you

Danielle



Danielle Goddard

Financial Accounting & Governance Manager

Financial Control, Ground Floor Annexe
No1 Future Walk
Chesterfield, S49 1PF

GRO

From: Danielle Goddard

Sent: 31 January 2017 17:55

To: Angela Van-Den-Bogerd

GRO

Cc: Amanda Radford

GRO

Subject: Private & Confidential: Subject to Legal Privilege: Suspense Accounts

Hi Angela

I think the information below answers the questions being asked. Paul shared a paper on this with AI recently, which may be helpful depending on level of information required.

If you have any questions on the below or if there is not enough detail please let me know.

Thank you

Danielle

There are 2 relevant POLSAP GL accounts; Customer Creditors and Client Creditors. Both are Balance Sheet accounts and each have a credit balance of £2.55m and £587k respectively as at 25 December 2016.

Balances arise when there is a difference between POL Horizon data and external client data. The differences are investigated with the aim of resolving the difference via a branch transaction correction or returning the funds to a customer or client. Any ultimately unresolved differences are transferred to Customer Creditors if the difference relates to a particular transaction with a customer, or Client Creditors if the difference is not attributed to a particular transaction.

There have been no write-offs from the Customer Creditors account due to its nature. There is a policy in place over the Client Creditors account where balances are written off after 3 years.

In response to the specific questions;

- 1) There are balances relating to Santander within the £587k Client Creditors balance as at 25 December 2016. The balance relates to various products and clients, not just Santander.
- 2) There are also balances relating to Santander products within the £2.55m Customer Creditors balance as at 25 December 2016. Approximately £1.7m of this balance does relate to Santander. However the balance is seen to be in favour of the 'customer' ie individual, not the 'client' ie Santander. The balance relates to a variety of products, not just Green Giros. Most of the balance relates to Personal Banking products.
- 3) The largest of these two suspense accounts is the Customer Creditors account, and most of the balance relates to differences between POL Horizon data and Santander data in relation to Personal Banking products. There is also another material account relating to ATM surpluses which was a credit balance of £1.16m as at 25 December 2016. There are other material suspense accounts and matching accounts within POLSAP, but from discussions with FSC the three accounts described (Customer Creditors, Client Creditors, and ATM surpluses) appear to be the main 'end destination' accounts, ie other suspense accounts appear to be active accounts where unmatched items are being investigated (however I cannot confirm this without investigating further).



Danielle Goddard

Financial Accounting & Governance Manager

Financial Control, Ground Floor Annexe
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Chesterfield, S49 1RF

GRO

From: Angela Van-Den-Bogerd

Sent: 17 January 2017 18:35

To: Amanda Radford

GRO

Subject: FW: Private & Confidential: Subject to Legal Privilege: Suspense Accounts

Amanda

Could you provide the answer to these questions please.

Thanks,
Angela



Angela Van Den Bogerd

People & Change Director

1st Floor, Ty Brwydran,
Atlantic Close, Llansamlet
Swansea SA7 9FJ



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From: Gribben, Jonathan [GRO]
Sent: 13 January 2017 13:33
To: Angela Van-Den-Bogerd [GRO]
Cc: Mark Underwood1 [GRO]; Parsons, Andrew [GRO]
Subject: Private & Confidential: Subject to Legal Privilege: Suspense Accounts

Hi Angela,

I hope you're well.

I'm working on the draft Statement of Works in respect of the suspense accounts piece. My note of the call we had on this before Christmas says that the Client Creditor Account (i.e. the account intended to be used for differences between POL clients (e.g. Santander) and POL) has the largest surplus and the largest element of that is a credit in favour of Santander (c£1.7 million) in respect of Green Giro transactions. However, that doesn't seem to match the information that Deloitte has. Are you able to answer the following questions please:

1. Is there a balance of c£1.7 million in favour of Santander in a suspense account?
2. If so:-
 - a. which suspense account does it sit in?
 - b. does it relate to Green Giros only or Green Giros plus other products?
3. If not, which product does the largest surplus in a suspense account relate to and which suspense account does it sit in?

Please feel free to give me a call to discuss.

Kind regards

Jonny

Jonathan Gribben
Managing Associate
Bond Dickinson LLP



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