

Edward Davey MP

Minister for Employment Relations,
Consumer and Postal Affairs

Norman Lamb MP
House of Commons
London
SW1A 0AA

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Thank you for your letter of 15 December to Vince Cable enclosing correspondence from your constituent, Allison Henderson **GRO** **GRO**, setting out her concerns about post office audit procedures and accusations levelled against subpostmasters. I am replying as Minister for Postal Affairs.

The issues raised in your letter are, however, operational and contractual matters between Post Office Ltd (POL) and Mrs Henderson and I should make clear that neither I nor the Department can intervene in cases which are sub judice or where court action had been determined. I understand that Mrs Henderson was charged to appear at Norwich Crown Court on 15 December 2010. I further understand that she pleaded guilty to false accounting (POL having dropped a charge of theft) and the Court imposed a sentence of a Community Penalty Order with unpaid work of 200 hours and £1,500 costs. Mrs Henderson also repaid the shortage and, I understand, at no time during the case were any problems with POL's Horizon IT system raised by Mrs Henderson, or separately identified.

The Horizon computerized accounting system operates in all post office branches and has done so for over 10 years, processing up to 750 transactions a second across the country at peak times. The system and the processes around it offer a very high level of security and resilience and are designed to ensure that should part of the system or equipment fail that the integrity of the accounting records is always maintained. The system has proved to be very robust since its introduction.

The Horizon system was fully tested at the time of the nationwide implementation and all new software releases are also subject to rigorous testing prior to going live in order to assure the accuracy of the accounting processes. For example, the testing for the latest upgrade to the system introduced over the past year was independently assured by Wipro as being 'best practice' (Wipro is amongst the largest global IT services companies in the world and recognised experts for Product Engineering and Testing).

As regards ongoing performance, the Horizon information security management systems are accredited to industry standards and there are extensive controls to ensure data validation and reconciliation. A transaction log is available for every branch and full audit logs of all system and user activity and transactions are securely sealed, backed up and retained to provide an evidential and investigative repository.

The system is based on the principles of 'double entry book keeping.' If an accounting issue is identified at a particular branch (which may have been caused by, for example, incorrect keying of a transaction by the subpostmaster), there are full processes in place between Post Office Ltd's central accounting team and the individual subpostmaster to investigate and resolve such issues and identify the responsibility. It is important to note that these are the kinds of issues that can occur in all businesses (incorrect data entries by branch staff, incorrect amounts of cash taken etc). These are user issues and are not examples of the Horizon system itself creating errors. All subpostmasters and branch managers are able to utilize the reporting functions within Horizon and to perform counts of their cash and stock in order to confirm their accounting position on a timely basis.

Finally, POL has advised that they would be happy to consider re-opening a branch in Worstead. Upon Mrs Henderson's initial suspension last February, a temporary subpostmaster was appointed to run the branch from the existing premises but after less than a week Mrs Henderson gave the temporary subpostmaster notice to quit and the branch had to close.

If there are interested parties who have premises available, then POL would be happy to discuss with them an outreach option which is the model that is considered to be most sustainable in this area, given that the previous Worstead post office was serving only around 90 customers a week at the time of closure. Any interested parties should contact Wendy Hamilton at POL on **GRO**

EDWARD DAVEY