

25 July 2014

**Initial Complaint Review and Mediation Scheme**

**BRIEFING REPORT - PART ONE**

**PREPARED BY**

**SECOND SIGHT**

**This Report and accompanying documents are confidential and are not to be disclosed to any person other than a person involved in the processing of Applicants' claims through the Scheme**

**Part Two of this report will be provided where necessary to the processing of an Applicant's claim**

## **1. Introduction**

- 1.1. This report describes some aspects of Post Office branch operating procedures and related functions of the Horizon system. The report has been prepared by Second Sight, which is the trading name of Second Sight Support Services Limited, the company appointed to conduct an independent investigation of a number of matters raised by Subpostmasters, or former Subpostmasters.
- 1.2. Horizon is the electronic point of sale system, which together with associated back office functions is used across all Post Office branches to process and record a wide range of transaction types. The term "Horizon" is used throughout this report to refer to both the original Horizon system, which dates back to 1995, and the current version of Horizon, introduced in 2010, known as Horizon On Line. Where important, the differences between the two versions are explained. The Horizon system, including the main technical aspects of the two versions, is described in more detail later in this report.
- 1.3. A *Glossary of Terms* has been provided by Post Office and is attached at *Appendix 1*. Examples to demonstrate how an individual transaction or process operates have been included where relevant.

## **2. Structure of this document**

- 2.1. This document comprises seven major sections providing:
  - General information about Post Office, its branches and the role of Subpostmasters;
  - A description of the training and support functions as well as the Post Office audit and investigation processes;
  - An overview of the Horizon system and associated equipment;
  - An introduction to the application of double entry accounting in Horizon;
  - A description of significant branch operating and reporting procedures and the associated processing of transactions;
  - An outline of the treatment of losses and surpluses; and
  - An analysis of typical errors.

## **3. Post Office Branches and Subpostmasters**

- 3.1. The Post Office was part of the Royal Mail Group until the two businesses separated in April 2012. The majority of its income is self-generated, but it does receive financial support from its ultimate shareholder, the UK government.

- 3.2. Including staff in Crown branches (see below), Post Office directly employs almost 8,000 people, in support of the Post Office network. These management and support roles include central staff as well as field-based sales, development, training, audit and security teams.
- 3.3. In addition there are approximately 6,000 Subpostmasters, who are the main focus of this report, and employees of "Multiples" (see 3.32).
- 3.4. Post Office's network of around 11,500 branches provides a range of approximately 170 products and services, as described by Post Office. This is set out in *Appendix 2*, including banking and access to government benefits. Some of the consequences of providing such a wide range of services are considered in Part Two of this report.

#### **Subpostmasters**

- 3.5. The majority of Post Office branches are run by independent Subpostmasters and are known as "Agency" branches. Subpostmasters are, in the main, individuals who are contracted to run Post Office branches. They operate as individual contractors rather than as employees of Post Office and their position can be considered as being similar to that of a franchisee.
- 3.6. Before appointment as a Subpostmaster, the applicant is vetted by Post Office for suitability and is appointed under the terms of a standard contract (see 3.13 onwards for more details).
- 3.7. Prior to 2001 Post Office sometimes charged a new Subpostmaster a fee in recognition of the benefit arising from being granted the opportunity to run a Post Office branch. This fee took the form of a 25% abatement of the Subpostmaster's remuneration for the first year following appointment, but we are advised that such charges have now ceased.
- 3.8. Should a Subpostmaster either resign or serve notice to terminate their contract for services then Post Office will normally seek to appoint a replacement Subpostmaster to the branch. If there is no transfer of premises or retail business as part of the replacement appointment process, as described below, then Post Office may levy an introductory payment on the new Subpostmaster. Although this charge is not made in all cases it would be made as an upfront charge at the start of the new Subpostmaster's contract for an amount equivalent to 25% (plus VAT) of the gross remuneration for the branch in question.
- 3.9. As noted above, it is possible that as part of the appointment of a new Subpostmaster to an existing branch, there could also be a transfer of premises and/or ancillary retail business from the old to the new Subpostmaster. In such cases there would normally be an additional financial agreement, effectively equivalent to a payment for goodwill, between the parties.

#### **Temporary Subpostmasters**

- 3.10. In the event of a Subpostmaster being either suspended, or his/her contract being terminated, a Temporary Subpostmaster may be appointed to take over the running of a branch.

3.11. Temporary Subpostmasters operate the branch and receive remuneration from Post Office under the same contract terms as Permanent Subpostmasters, except that their notice period is one week rather than three months. The terms under which a Temporary Subpostmaster will operate from an incumbent Subpostmaster's premises will be agreed between the parties. Typically, this involves the Temporary Subpostmaster paying a weekly or monthly "rent" to the incumbent Subpostmaster.

3.12. Post Office keeps a list of pre-approved Temporary Subpostmasters who can be called upon at short notice to take over the running of a branch in order to allow continuity of service.

#### **Subpostmaster's contract**

3.13. The majority of Subpostmasters currently provide services to Post Office under the terms of a standard contract. Although subject to several revisions over the years, it is understood that the core principles of the contract have generally remained unchanged since 1994.

3.14. Relevant sections of the standard contract are commented on in Part Two of this report and a copy of the whole contract is available on request.

3.15. Under the terms of the contract, Subpostmasters are remunerated based on a combination of fixed and variable amounts calculated according to the volume of business that they transact.

3.16. In terms of carrying out Post Office business, the Subpostmaster is an agent of Post Office. In legal terms, Post Office business is a transaction between the customer and Post Office Limited, with the Subpostmaster acting as Post Office's agent to complete the transaction.

3.17. As the Subpostmaster is not undertaking business in his own name, the cash and stock held at a branch is owned by Post Office and, in effect, the Subpostmaster acts as a steward of these assets. Subpostmasters are "*responsible for all losses caused through their own their negligence, carelessness or error*" (contract clause 12(12)). Subpostmasters are additionally "*required to make good any deficiency, of cash or stock, which may result from his assistant's actions*" (contract clause 15(2)).

3.18. If cash or stock is lost due to the fault of the Subpostmaster, the Subpostmaster is obliged to reimburse Post Office for that loss. The contract also provides that '*surpluses may be withdrawn provided that any subsequent charge up to the amount withdrawn is made good immediately*' (contract clause 12(14)). The treatment of losses and surpluses is dealt with more fully in section 9 of this report.

3.19. Errors by Subpostmasters can sometimes result in a Subpostmaster's contract being suspended and/or terminated, and/or action being taken to recover any related loss. An evaluation of the significance and seriousness of any such errors and losses, together with any associated action, is determined by Post Office usually after an Audit of the branch has been carried out by Post Office staff (see 4.32 onwards for more detail on the nature of a Post Office Audit).

- 3.20. Where Post Office suspects criminal wrongdoing by Subpostmasters or their staff (as well as staff at Crown offices) then it may exercise a general common law right (only available in England and Wales) to pursue a private prosecution. Alternatively it may refer the matter to national prosecution authorities, as is required in Scotland (the Procurator Fiscal) and Ireland. More serious cases such as armed robbery are referred directly to the police for action.
- 3.21. Typical criminal prosecutions are for theft or fraud, including false accounting (the latter where a Subpostmaster has declared transactions or stock and cash levels within the branch which the Subpostmaster knows are not true).
- 3.22. Post office states that prior to any private prosecution being pursued the circumstances will be investigated by the Post Office Security Team. This information is then reviewed by Post Office lawyers to determine whether the case is suitable for prosecution.
- 3.23. Once a prosecution is underway and potentially proceeding to trial the case is kept under review and should circumstances change Post Office can decide to stop the prosecution by "offering no evidence".
- 3.24. If a defendant is convicted, either by their own guilty plea, which could follow plea negotiations, or following a trial then the Court may order the person to pay Post Office's legal and investigation costs and also possibly compensation. In some cases Post Office may seek a Confiscation Order against a convicted defendant to obtain compensation for losses suffered.
- 3.25. In addition to criminal prosecutions Post Office may use the civil recovery process to recover sums claimed to be due from Subpostmasters. This process is not normally used where a Subpostmaster is in post as agreement can often be reached to deduct any amounts due from remuneration or by way of instalments. If the civil recovery process is pursued then this will typically follow three, escalating stages (i.e. direct communication, involvement of external lawyers and legal proceedings) during which further investigations of issues raised can be made, possibly resulting in an amendment of amounts claimed as being due.
- 3.26. Although retaining full contractual responsibility a Subpostmaster does not need to be personally involved in the running of a branch and may employ assistants to conduct branch business but is not required to notify Post Office of the arrangement. In some cases, a Subpostmaster may employ a Manager to run the branch and may have only minimal personal involvement in the provision of contractual services and day-to-day operations.
- 3.27. Each Subpostmaster typically owns (or leases from a third party landlord) the premises from which the branch is run. Other than Post Office setting minimum standards for the premises (in terms of legal ownership rights, physical security, etc.) it is the Subpostmaster's responsibility to provide and operate the branch premises.
- 3.28. The premises may often be part of an existing business such as a convenience store, typically referred to as the "retail business". Part of the premises may be used for transacting Post Office business and the Post Office equipment, cash and stock is generally kept away from the

retail business although the new "local model", which is being introduced as part of the Network Transformation Programme (see 3.33 and 3.34), is changing this position.

#### **Branch types**

3.29. Although the focus of this review relates principally to the operation of "Agency" branches, there are other types of branches within the Post Office network, which are staffed in a different manner. These include "Crown" branches and "Multiples" as described in 3.32.

#### **Crown**

3.30. There are around 350 Crown branches that are directly owned and run by Post Office. The staff at Crown branches are employees of Post Office Limited and each branch is run by an employed "branch manager" rather than a Subpostmaster.

3.31. Staff and managers of Crown branches are employees of Post Office and, unlike Subpostmasters, are not liable for losses as these are directly absorbed by Post Office. The operating procedures at Crown branches are however largely the same as those at Agency branches, including the operation of the Horizon system.

#### **Multiples**

3.32. Branches are sometimes located in premises operated by larger businesses, for example, Cooperative convenience stores or WH Smiths. These larger businesses tend to have multiple branches and are therefore called "Multiples". The operating procedures at Multiples are however also largely the same as those at Agency branches.

#### **The Network Transformation Programme**

3.33. The Network Transformation Programme (*NT Programme*) that is currently underway, is seeking to change the way that Post Office services are offered in branches with particular reference to the hours during which Post Office services and products can be provided.

3.34. Under the NT Programme, Agency branches are being transferred to either a "Main Branch" model in which a dedicated Post Office counter, physically separated from the Subpostmaster's own retail business, will be maintained, or a "Local Branch" model which fully integrates Post Office services within the retail business. This will allow Post Office services to be offered for longer hours than before, and may help to resolve some of the issues about hours of opening, end of day cut off procedures and the need to keep separate records where Post Office products are sold from the retail business, for example National Lottery products.

#### **The National Federation of Subpostmasters (the NFSP)**

3.35. The NFSP is an independent organisation representing Subpostmasters in their dealings with Post Office. Although not all Subpostmasters are members of the NFSP, it is the only organisation recognised by Post Office to negotiate rates of compensation for branch services on behalf of Subpostmasters nationwide. The NFSP works very closely with Post Office on a

range of issues including security, operational systems and technology and its 24-hour helpline provides advice on staff, contract and other issues, except for those relating to Horizon.

#### **The Justice For Subpostmasters Alliance (the JFSA)**

3.36. The JFSA has been instrumental in setting up the Complaint Review and Mediation Scheme and is represented in the Working Group. Its role is to ensure that the process addresses significant issues that have been raised by Applicants and moves them towards resolution.

#### **4. Training, Support and Auditing**

4.1. This section summarises the various training, advice and support functions provided to Subpostmasters and how these have evolved over the years. An overview of the Post Office audit and investigation function is also provided.

##### **NBSC**

4.2. The Network Business Support Centre (NBSC) was established in December 1999 to provide phone-based support to Subpostmasters and their staff. The hours during which this support is available has changed over time.

4.3. The NBSC's mission is primarily to provide assistance to Subpostmasters with problems arising from the processing of transactions carried out through Horizon, as well as how to deal with mistakes and issues arising out of the monthly branch trading statement (see 8.8 and 8.9).

4.4. New NBSC staff themselves receive a four-week training course and ongoing training on new products and services as they are introduced. Observations on the quality of support and product knowledge are included in Part Two of this report.

4.5. Post Office currently employs the equivalent of 70 people within the NBSC to receive calls, undertake second line support as required and carry out administrative roles, although the number of staff actually on duty at any one time to receive calls will vary. The NBSC receives on average approximately 1,700 calls a day. Potential peaks of call volumes to the NBSC have been "smoothed" by spreading branches across four trading groups, such that required monthly submissions from branches, with associated queries to the NBSC, do not all fall on the same Wednesday evening in each month.

4.6. The NBSC operates a two-tier escalation process so that if the NBSC advisor is unable to initially resolve the query/issue with the caller, the call is escalated to Tier 2 where more expert advice can be provided. If this still does not resolve the issue, the Branch Support Team will decide if further training or face to face branch support, which is outside of the NBSC's remit, is required.

4.7. We have been advised by Post Office that the performance of the NBSC staff is measured on the time advisors take to answer the phone, referred to as a "Grade of Service", and we are advised that the target is to answer 70% of calls within 30 seconds and to have no more than 5% of abandoned calls (i.e. where the caller hangs up before reaching an advisor). We are

also informed that additional measures, including surveys of "Subpostmaster Engagement Support Satisfaction", have recently been introduced.

- 4.8. We also understand that, in the event of a complaint about a specific issue, the NBSC's target is to resolve 95% of such complaints within 10 working days.
- 4.9. The use of these metrics to evaluate performance and any conclusions relating to the quality of advice and support received from the NBSC and the Horizon Service Desk is dealt with more fully in Part Two of this report.

#### **Horizon Service Desk (HSD)**

- 4.10. In addition to the NBSC, Subpostmasters can access Horizon On-Line Help and may contact the Horizon Service Desk (HSD), which is operated by Fujitsu.
- 4.11. The HSD deals with technical issues concerning Horizon and in the event that a technical issue cannot be resolved in a telephone call the HSD can arrange for an engineer to attend the branch to investigate the issue further.
- 4.12. A number of calls by Subpostmasters for support are apparently made to the wrong helpline and have to be redirected. We have been advised by Post Office that approximately six percent of calls received by HSD do not relate to technical issues and are transferred to NBSC, whereas approximately two percent of calls received by NBSC relate to technical issues and are redirected to HSD. We return to this issue and comment on possible reasons for this lack of understanding by Subpostmasters in Part Two of this report.

#### **Field Support**

- 4.13. Post Office has a dedicated Field Support Team responsible for induction and on-going transactional training for all Subpostmasters. Although the structure of the team has changed over the years, it currently consists of 227 Field Support Advisors (FSAs) who, together with 18 Field Team Leaders (FTLs), provide training and support to branches. In addition, they deal with Subpostmaster queries and carry out Audits - see below for further information and comment on Audits.
- 4.14. The Post Office network of branches and Subpostmasters is currently managed as three distinct groups. The first two of these groups, "The Top 2000" and "The Next 2000", are individually managed with an apparent focus on sales potential and performance, rather than providing operational support, although non-sales issues are addressed as required.
- 4.15. The third group are classed as "Branch Support". They are not pro-actively visited and do not have a Post Office employed manager assigned to them, resulting in their first point of contact and support being the NBSC. There are a number of escalation points depending on the nature of the issue and, ultimately, if the Subpostmaster experiences a problem that cannot be resolved over the telephone, a visit by a Field Support Advisor can be arranged.

4.16. As noted above, the Field Support Team is responsible for matters such as:

- Delivering classroom training to all new Subpostmasters and those who are going through the NT Programme.
- Training on site following a branch transfer.
- Requests from branches for additional or remedial training by FSAs. NB The Subpostmaster will normally receive the training and is then responsible for training his or her own staff.
- Undertaking Compliance and Financial Audits, which can also include providing further training to Subpostmasters on matters identified by such Audits. More than 3,000 Compliance and Financial Audits were undertaken in 2013 in addition to 2,873 Cash Count and Stock Check Audits.

4.17. In addition to the Field Support Team, there are others within Post Office who provide training and support, either on a face to face basis or remotely by telephone. These include Mail Development Managers (for branches which receive a high volume of mail) and the Branch Standards Team.

4.18. The Branch Standards Team was established in 2009 as a telephone-based intervention team. The team regularly contacts branches regarding a wide range of performance issues and errors, ensuring that the branch is aware of the correct operational procedures to follow.

4.19. There are a number of other teams across Post Office who may also come into contact with Subpostmasters (such as product specific teams, for example the National Lottery team) and who may, in some cases, recommend additional training. The Subpostmaster can also request further visits and training from the Field Support Team.

### **Training**

4.20. Post Office will typically provide new Subpostmasters with training both prior to and after taking up their position in branch. Training can cover matters such as how to transact products and services; reconcile the day's transactions; "*remming*" in and out cash and stock (see below); and despatching cheques to processing centres.

4.21. Subpostmasters are also advised on how to balance the branch on a weekly basis, roll over into the next weekly balancing period and how to balance at the end of the monthly "*trading period*". As part of this training, Subpostmasters are shown how to verify transactions and the cash and stock on hand if discrepancies arise; how to accept or to challenge Transaction Corrections (see 7.30 onwards); how to make good any losses and gains; and how to raise issues about errors/discrepancies.

4.22. As set out below the nature of this training has evolved over time and a summary of the type of training that has been provided by Post Office in the past is set out below. In addition to on-going training related to operational processes, specific training was provided as part of the

introduction and implementation of the original Horizon system and then the migration to Horizon On Line.

#### **2001 – 2002**

4.23. Classroom training was offered to new Subpostmasters followed by ten or eleven days of onsite training and support. This would be followed by one day of follow-up support on how to carry out balancing at the end of the trading period, referred to as “balance support”.

#### **2003 – 2006**

4.24. Between five and ten days of classroom training was offered to new Subpostmasters (the training being optional) and five to ten days of onsite training and support was then given depending on whether the classroom training was attended. This would be followed by a further day of follow-up balance support.

#### **2007 – 2011**

4.25. New Subpostmasters received five, eight or ten days of training on foundation, sales and other specialised modules. Six days of onsite training and support was provided, again followed by one day of follow-up balance support. In 2007, after a pilot scheme, follow-up telephone calls were introduced at intervals of one month and six months after a branch was taken over by a new Subpostmaster, with a one-day site visit taking place three months after the branch was taken over.

4.26. A Subpostmaster may choose not to attend training, or only attend part of a training session if, for example, he or she has worked in a branch previously and therefore already knows how to operate Horizon and carry out transactions. Once initial training has been provided, it is the responsibility of the Subpostmaster to train his or her staff and ensure that updates or new procedures are followed and communicated to their staff. Equally, it is for the Subpostmaster to ask for further training and/or assistance if it is required.

4.27. In 2012, as part of the wider steps being taken to “transform” the network, Post Office tailored its training to reflect the specific role being undertaken and rolled out further training depending on, for example, the experience of the Subpostmaster, the type of contract they would be operating and the number of employees they have.

4.28. The precise training given to a Subpostmaster therefore depends on a number of factors such as whether the Subpostmaster is completely new to the role, whether he/she is taking over an existing branch with existing staff, the size of the branch, the branch operating model (i.e. Main or Local) and the types of products and services to be transacted.

4.29. Post Office’s approach to structuring its relationships with Subpostmasters has evolved over time.

4.30. Branch classifications, roles and titles have changed with Retail Line Managers and Performance Advisors becoming Sales Managers and Area Performance Managers, who by

2008/9 were replaced by Commercial or Community Business Development Managers. The Business Development Manager role has itself now been replaced by an Area Sales Manager function.

4.31. Also, in 2008/9, the transactional training teams, previously functionally part of Post Office's HR department, were renamed as Network Field Support Advisors and the Financial Audit Team was merged with the Network Field Support Advisor team. As a result, Field Support Advisors now conduct both training and Audits in branches.

### **Auditing**

4.32. In order to monitor and validate performance, Post Office will often conduct Audits of branches. This allows Post Office to assure and verify its assets, which are held in branches and to ensure compliance with regulatory and business requirements. The Post Office term "Audit" as referred to in this Report is mainly used to describe a cash and stock count carried out solely by Post Office, which may be supplemented by a Compliance Audit. In the event of a material shortfall arising during an Audit, it is common practice for any Compliance Audit to be deferred.

4.33. A Subpostmaster with concerns relating to the results of a Post Office Audit may only use the services of an independent auditor in order to verify the results if that auditor is given access to the branch's secure area and to Horizon as a registered user. However that person would only have access to the same data as that available to the Subpostmaster. Furthermore if the Subpostmaster had been suspended they would not then be able to register that person and give them access to Horizon or the branch's secure area.

4.34. Audits will normally take place:

- When a risk at a branch has been identified (e.g. the branch is continually suffering shortfalls);
- On the appointment of a new Subpostmaster;
- On the transfer of the branch to a new Subpostmaster (a further audit will often take place between six and nine months after the date of transfer); or
- Following a robbery or burglary (in support of loss mitigation).

4.35. As it is not possible for Post Office to visit and carry out an Audit at every branch each year, it also undertakes Audits whereby branches are selected at random to be audited. As well as the normal cash and stock verification and evaluation of adherence to Post Office's systems and practices this approach also assists with the risk profiling of branches.

4.36. The precise nature of the Audit will depend on the reason for the audit being undertaken, but will normally be restricted to a simple count of cash and stock. As such, it has only limited value in investigating and understanding underlying causes of errors and losses.

Within this context audits will usually include checks such as:

- For branches with paystations or lottery terminals, ensuring any overnight Transaction Acknowledgements (see below) have been properly accepted;
- Checking the cash declaration for the previous trading day;
- Counting and recording the amount of stock and the cheques held in the branch against the record maintained on Horizon; and
- Verifying any foreign currency held in branch.

4.37. As noted above this may sometimes be supplemented by a Compliance Audit to ensure that regulatory and business requirements are being followed. If compliance issues are identified this may then be followed up by the Branch Standards Team who will assist the Subpostmaster in rectifying the compliance issues. If an issue cannot be rectified by the Branch Standards Team, the Team can arrange for a Field Advisor to visit the branch and/or for further training to be provided.

4.38. The results of the Audit should normally be discussed with the Subpostmaster. In the event of a shortage being identified, an audit may result in the Subpostmaster being asked to "*make good*" the loss (i.e. to reimburse the loss to Post Office from the Subpostmaster's own funds). It may also result in a Subpostmaster receiving what is termed a "precautionary suspension", of both contract and remuneration. Further details of the treatment of shortages in other circumstances and how they arise and can be addressed are set out in section 9 of this report.

## 5. Horizon and associated equipment

5.1. As an understanding of the operation of the Horizon system is fundamental to an appreciation of many of the issues raised in the Complaint Review and Mediation scheme this section provides a broad description of how Horizon (both the original version as well as the amended version, known as "Horizon Online" or "HOL") is structured and operates, as well as giving information relating to other equipment used in Post Office branches, including Automated Teller Machines (ATMs).

5.2. Horizon is the electronic point of sale IT system used across all 11,500 Post Office branches to undertake transactions (from selling stamps to cash withdrawals and currency exchanges). Horizon supports approximately 30,000 terminals in branches, with 68,000 users having access to the system. In 1995, Post Office commissioned the development of the original system from the company now known as Fujitsu Services Limited and we are advised by Post Office that the system has been accredited in accordance with the Payment Card Industry Data Security Standard.

5.3. The whole, bespoke, system comprises the following elements:

- Computer hardware and communication equipment which is installed in each branch including touch screens, counter terminals and printers;
- Central Data Centres where transaction data from every branch is stored;

- Control and monitoring systems; and
- Testing and training.

5.4. The following brief description reflects the way in which the current version of Horizon, known as "Horizon On line" or "HOL" operates. This was rolled out by Post Office in 2010 as part of its Horizon Next Generation (often referred to as "HNG-X") Programme to provide a simplified network based on the centralised processing of data. The main changes, compared to the earlier Horizon system, principally affected the way in which each terminal communicates transaction data to the central Post Office Data Centres and did not significantly impact on the actual use of the system in each branch.

5.5. Prior to the introduction of Horizon On Line, the data relating to each customer transaction was processed and stored by a designated master terminal in each branch before being transmitted, in batches, to a central Post Office Data Centre. In the event of power or equipment failure at a branch this could mean that transactions could be lost and would be subject to a recovery procedure. Under Horizon On Line, each branch terminal now communicates directly with a Post Office Data Centre on a transaction by transaction basis, which should reduce the potential for transactions to be lost. This is explained more fully in the following section on "Connectivity".

5.6. In order to function, Horizon must be "online" and each terminal connected to a Post Office Data Centre via a secure communication line with a back-up system, provided by Post Office, normally comprising a mobile phone connection. The Subpostmaster is responsible for the provision of and payment for the communication line itself.

5.7. Transactions in Horizon can only be physically entered by someone with a user ID and an associated password. Formal approval of a new user can only be carried out by Post Office but new users can be added to the system and allocated a User ID by a Subpostmaster or other person once that person has been set up with "manager access" by a Field Support Advisor. Once a User ID has been allocated then the required associated password can be set either by Post Office or by the Subpostmaster before being subsequently managed and changed by the approved user.

5.8. Individual transactions are conducted through a series of "conversations", each of which has a unique sequential serial number. Horizon records all data centrally in the Branch Database in the Post Office Data Centre and a copy of all transactions is also made to a separate audit server at Fujitsu where they are stored independently. Post Office has advised that a limited number of security personnel at Fujitsu have read-only access to this audit server. Post Office has additionally confirmed that it is their understanding that it is not, and never has been, possible for anyone to access Branch Data and amend live transactional or stock data without the knowledge of the Subpostmaster or their staff.

5.9. Financial data is stored by Fujitsu for a period of seven years, in line with Post Office data retention policies, after which it is destroyed. This time limit as well as the available financial

budget to process requests for information has, in some instances, posed serious barriers to subsequent investigations.

5.10. In order to ensure the integrity of the data held in and processed by Horizon the system operates a number of integrity checks. Examples of such checks include the following:

- Data passing from Horizon to third parties or to Post Office's "back office" are driven from one source to ensure that every recipient receives the same data.
- Financial transactions such as banking withdrawals and card payments are automatically matched against the view of the transaction held by the customer's bank (i.e. if £100 has been withdrawn at a branch, this will be recorded in Horizon and will be subsequently matched against the bank's record that £100 has been withdrawn). If discrepancies arise they will be addressed following Post Office's procedures as described below.

### **Connectivity**

5.11. Each Horizon terminal requires a direct connection, provided and paid for by the Subpostmaster, to a Post Office Data Centre in order to process transactions and this Post Office Data Centre in turn communicates with third parties (such as banks, the Royal Mail, DVLA and local authorities) in order to complete transactions.

5.12. The communications equipment in each branch needs to be connected to both a power supply and a communication channel in order to operate and process transactions. Connectivity issues can arise and may cause operating difficulties and errors. For example, when there is an interruption in the power supply or a breakdown in the communications line.

5.13. All Horizon transactions are conducted over a secure virtual private network between the terminal in the branch and the systems within Post Office Data Centres, which allows private data to be shared securely across the internet.

5.14. When serving a customer, transactions for some products can be completed within Horizon and immediately send information directly to Data Centres during the transaction, whereas some do not interact with the Data Centres until the customer transaction has been completed.

5.15. If there is an interruption to the power supply, there is a possibility that transactions may not have been fully and properly captured at the Data Centre. Horizon will normally check to determine whether there are any incomplete transactions following an interruption and if possible will try to remedy the lack of data.

5.16. The user will be prompted, once the system is reconnected and the user is logged back on, with a message containing instructions on how to recover the interrupted transaction. This message should confirm whether the customer's transaction was completed and whether any payment needs to be received or made.

- 5.17. The steps which need to be taken (as directed by Horizon) will depend on the type of transaction being processed during the power or equipment failure (see 5.14).
- 5.18. Similarly, if there is an interruption to the communication channel and/or a failure to automatically connect to the mobile phone backup device provided by Post Office during a customer transaction, Horizon is designed to prompt the user with on-screen messages explaining what to do and whether to cancel or retry the transaction.
- 5.19. If the Horizon messages are not clear or are not clearly displayed for sufficient time, and the user does not follow the recovery instructions correctly, this can result in a failure to process all or part of the customer's transaction and later result in a balancing error.
- 5.20. We have been advised that Fujitsu (see above) has a process by which it proactively monitors the primary and back-up connectivity between branches and Data Centres and, if alerted to a connectivity issue, will normally investigate and try to resolve the issue as soon as it is detected.
- 5.21. There is also a risk of hardware failure, but this should also be visible to Fujitsu and depending upon the nature of the fault may in some cases require branch equipment replacement (see Branch Error Analysis section below), referred to as "swap outs".

#### **Associated equipment**

- 5.22. Within a Post Office branch there may be various pieces of equipment used to conduct specific transactions. A description of the main items and the main operational requirements is set out below.

#### **Automated Teller Machines (ATMs)**

- 5.23. In 2005, Post Office awarded a contract to Bank of Ireland to provide ATMs in its branches. Bank of Ireland is a member of LiNK (the UK network of ATM providers). It provides and installs the ATMs in Post Office branches, delivers training and offers technical and maintenance support. It is also responsible for the settlement process (between Post Office and each customer's bank account) and handles customer queries about ATM transactions.
- 5.24. In support of the operation of ATMs installed in branches, Post Office provides cash (notes which the ATM dispenses), while cash-loading, basic first line maintenance and associated accounting are handled within each branch.
- 5.25. On installation of an ATM, operational training is provided by Wincor, a sub-contractor to Bank of Ireland. When responsibility for a Post Office branch, which already has an ATM, transfers to a new Subpostmaster, ATM training is provided by Post Office as part of its standard training package.
- 5.26. Each branch is also provided with a Bank of Ireland ATM Operator Manual on how to use the ATM, which includes descriptions of how to load cash into the ATM, how to obtain the ATM

cash dispensed "totals receipts" and how to use the ATM's Cash Management menu. Each branch is also provided with "Accounting Instructions for Bank of Ireland ATMs" which explains how activity on an ATM should subsequently be recorded in Horizon by the Subpostmaster.

- 5.27. Each day, the Subpostmaster must print from the ATM a "totals receipt" that provides the number and value of withdrawal transactions and retracted cash transactions (where a customer forgets to take their cash and it retracts back into the ATM). The data from this receipt must be manually input into Horizon by the Subpostmaster or branch staff. In the rare circumstance of a retracted transaction, the retracted cash must be physically removed from the ATM by the Subpostmaster, counted, and the amount also recorded in Horizon so that the customer's account can be re-credited.
- 5.28. Once a week, the Subpostmaster should remove and count all the cash in the ATM and manually record this figure in Horizon (in addition to recording the totals shown on the ATM receipt as described in 5.27).
- 5.29. Part Two of this report comments in more detail on some of the operational aspects relating to ATMs.

### **PayStation**

- 5.30. A PayStation is a standalone payment device that allows branch staff, on behalf of customers, to carry out certain bill payments, E-Top ups, as well as make electricity key and Quantum gas card top ups.
- 5.31. PayStation is predominantly used as a cash-only payment device although it does have the facility to accept debit card payments. The PayStation equipment in each branch consists of the main terminal along with a magnetic card reader and a barcode scanner, all of which are provided by a separate company, Ignenico.
- 5.32. PayStation works as a simple operational interface and is activated by either a barcode scan or card swipe. The PayStation machine can also be operated manually. Once a transaction completes, receipts are printed for both the customer and the branch.
- 5.33. PayStation transactions usually require third party authorisation. For example, a mobile telephone top up request will go from the terminal to the mobile network provider, who will then confirm that the mobile telephone network is correct, that the customer's handset is a prepayment device and will then issue a unique code allowing the branch to credit the customer.
- 5.34. The Subpostmaster obtains from the PayStation terminal a daily record showing that day's transaction totals. Overnight, the PayStation terminal reports the day's transactions to the Post Office Data Centre which in turn sends a Transaction Acknowledgement (see 7.41 to 7.48) to the branch. When logging on the next day, the Subpostmaster checks the Transaction Acknowledgement against receipts and may then confirm the Transaction Acknowledgement,

after which the branch's cash position on Horizon is adjusted accordingly to reflect the value of the previous day's transactions.

#### **Lottery**

5.35. National Lottery products are provided and serviced by Camelot UK Lotteries Ltd. These transactions are processed through a separate on-line terminal in each branch. This stand alone Lottery or Camelot terminal is not directly connected to Horizon. The Lottery terminal can be located behind the Post Office counter but in most instances, it is located on the retail side of the branch.

5.36. National Lottery products are currently available in approximately 6,000 Post Office branches with two thirds of annual revenue coming from sales of Lottery tickets and one third from scratch cards.

5.37. The Lottery terminal is used for the sale of Lottery tickets and to activate scratch cards before they are sold whereas the paying out of Lottery prizes and the recording of scratch card sales is conducted on Horizon.

5.38. At the end of each trading day a daily summary of Lottery transactions for that day is printed from the Lottery terminal by the Subpostmaster and retained in the branch (so that it can, if necessary, be reconciled later against any Transaction Acknowledgements or discrepancies – see below). Overnight, Camelot will send a data file containing details of all Lottery transactions undertaken by the Lottery terminal to Post Office. This is used as follows:

#### **Sales**

5.39. The value of all online sales is sent to each branch overnight as a Transaction Acknowledgement. Horizon assumes that all Lottery ticket sales are conducted for cash (as this is the only method of payment permitted by Post Office for Lottery sales) and the Transaction Acknowledgement therefore increases the amount of cash recorded in the branch accounts in Horizon by the value of the sales conducted the previous day.

5.40. If the Lottery terminal is kept on the retail side of the business, and payment for Lottery products is processed through the retail till point, the Subpostmaster must physically transfer a corresponding amount of cash from the retail business to the Post Office branch's cash holdings.

5.41. If the Lottery terminal is operated as part of the Post Office counter, then the cash payments will already have been automatically recorded in Horizon.

#### **Scratch card stock**

5.42. Packs of scratch cards are sent to branches by Camelot. Before selling the scratch cards the branch must record the receipt of the scratch cards so that they can be tracked within the branch's stock holdings. This is done by 'activating' each pack of scratch cards on the Lottery terminal, which allocates a unique identification number to each scratch card and scratch card

pack. If a pack is not activated then Camelot may subsequently decline to pay out any prize on any winning scratch card within that pack.

5.43. The overnight data file contains details of the number of scratch cards activated at each branch. A Transaction Acknowledgment is then sent to each branch, which increases the amount of scratch cards recorded on Horizon as being in the branch's stockholdings.

5.44. Before February 2012, this process was manual. The Subpostmaster was required to activate scratch cards on the Lottery terminal and then manually record the new scratch cards on Horizon as an increase in branch stock.

#### **Prizes**

5.45. Where a customer claims a prize on a winning Lottery product, the ticket or scratch card must be scanned on the Lottery terminal to validate the prize. If the prize is less than £500, the value is paid out in cash by the retail side of the business. If the value is over £500 then the prize must be paid by a cheque generated by the Horizon terminal.

5.46. Where a Subpostmaster pays out prizes in cash from the retail side of the business, they will be recorded on the daily receipt generated by the Lottery terminal. The Subpostmaster then uses this information to manually enter the prize payouts in Horizon each day. By recording prize payouts, the cash position in Horizon is reduced and the surplus cash should be physically removed from the Post Office cash holding and transferred to the cash holding belonging to the retail side of the business.

5.47. Post Office reconciles the prize payouts recorded on Horizon (both cash and cheque) against the overnight data file from Camelot. Any discrepancies are corrected by way of a Transaction Correction (see 7.30 onwards).

5.48. Scratch cards can be sold directly through the Horizon terminal or are permitted to be sold from the retail side of the business and later recorded in Horizon. Sales conducted directly through Horizon will automatically make the necessary adjustments to the branch's recorded cash and stock holdings to reflect each sale.

5.49. If a Subpostmaster chooses to sell scratch cards from the retail business, a record of scratch card sales has to be maintained so that at the end of each day the volume and value of scratch card sales for that day can be manually input into Horizon. Horizon will assume that all the sales have been for cash and hence the Subpostmaster must also physically transfer the corresponding amount of cash from the retail business into the Post Office cash holdings.

### **6. Horizon Double Entry Accounting**

6.1. As well as processing transactions, Horizon is also an electronic accounting system which tracks every transaction input to the system in a branch and ensures that relevant and correct double entry bookkeeping is applied. Those transactions include both those recording sales and

services to customers as well as deliveries of cash and stock in and out of the branch. Horizon enables staff in a branch to run reports referred to as "Balance Snapshots" as and when required, so that they can look up the recorded amount of cash and stock that is meant to be on hand.

- 6.2. The system's core principle is that of double-entry recording (i.e. entries generally have a corresponding and opposite entry so as to "balance" the account). For example, if a product is sold for cash this should in most cases result in a reduction in a branch's stock levels of that particular product line and a corresponding increase in the amount of cash recorded as being held at the branch.
- 6.3. A typical example of double entry would be the processing of a "personal banking" cash withdrawal by a customer. Horizon would record a credit (a reduction) in physical cash holdings in the branch due to money being paid to the customer. It should also record a debit in the payments section of the Balance Snapshot to reflect the debt now due to Post Office from the customer's bank.
- 6.4. The effect of this double entry system is that an input in one part of the branch's accounts will cause corresponding changes in other parts of the accounts.

**Example:**

*A reduction in stock (e.g. postage stamps) held in a branch, following a sale, will automatically increase the amount of cash by the same value, as Horizon will assume that the stock has been sold.*

*So if, for example, stamps to the value of £10 were sold then this would be recorded in Horizon with the value of the stock of stamps reducing by £10 and the amount of cash recorded in Horizon automatically increasing by £10.*

*It will sometimes be necessary to manually adjust stock levels in Horizon (either up or down) to reflect the reality of the amounts physically on hand in the branch. If however such a reduction in, for example, the stock of stamps was incorrect by £10, then when the amount of physical cash actually held in the branch is compared to the amount of cash recorded in Horizon, (assuming that all other transactions are perfectly correct) the branch will be £10 short.*

*In this way, the error in accounting for stamps has migrated across the accounts to manifest itself as a cash shortfall.*

*However, the branch should also now be actually holding £10 more in stamps than the amount shown in Horizon. This creates a "surplus" of stamps physically in the branch.*

*In this scenario, there is therefore no net overall loss. If identified by the Subpostmaster then the error can be corrected by manually increasing the value of stamps recorded in Horizon by £10, which will then automatically decrease the amount of cash recorded in Horizon by £10 (as Horizon will assume that as there are now more stamps in the branch, those extra stamps*

*must not have been sold). This should bring in line (or "balance") the branch's accounts recorded in Horizon with the actual cash and stock holdings in the branch.*

## 7. Branch Operating and Reporting Procedures

7.1. In simple terms, most individual customer transactions are processed as follows:

- A customer approaches the branch counter and requests certain transactions;
- The Subpostmaster selects the appropriate product or service on the Horizon terminal and, if necessary, inputs the value of the transaction (e.g. cash withdrawal from a bank account of £100);
- This process is repeated for each individual transaction requested by the customer (e.g. at the same time as the cash withdrawal, the customer purchases £10 of stamps);
- Horizon groups the individual transactions together in a "basket" of transactions and displays the net amount to be paid to the customer or which needs to be taken from the customer (e.g. in the above situation, the net cash due to the customer is £90);
- If payment is to be taken from the customer, the Subpostmaster will select the payment method (e.g. cash, cheque, debit card, etc.). This is referred to as the Method of Payment ("MOP");
- The Subpostmaster takes the payment from the customer or pays out cash to the customer as required. This final payment out or in (whether by cash, cheque or other method) records a final line in the transaction record that offsets the net value of the transactions and brings the basket total to zero. (e.g. If a customer buys £10 of stamps for cash the stamps would show as a negative £10 and the cash received would show as a positive £10, thereby bringing the basket total to zero);
- The Subpostmaster completes the transaction in Horizon, which closes that basket from that branch terminal and updates the branch's cash and stock records in Horizon (e.g. in the scenario above involving a stamp purchase and cash withdrawal, the branch's cash will have decreased by £90 and stamps also decreased by £10).

7.2. Whilst it might appear from the above scenario that any errors should be easy to identify, the source of errors during a process may not always be easy to determine. The potential impact and consequence of multiple transactions and associated issues is dealt with more extensively in Part Two of this report.

7.3. For cash or cheque only transactions carried out in a branch, Horizon delivers and records the entire sale or service to a customer, at the point of sale. For example, a bar-coded utility bill payment, paid in cash, is completed wholly in Horizon, with no related paperwork to process and no use of other terminals that are not connected to the Horizon system.

7.4. Some transactions, where the method of payment is a credit or debit card, require in addition to Horizon, use of the LiNK banking system accessed through a PINpad terminal.

7.5. Other transactions also require the use of other equipment. Examples include Lottery ticket sales and Scratch card Packs (see 5.35 onwards), which must be transacted on the separate

Lottery terminal. Horizon is then updated the next day by Transaction Acknowledgement as explained below.

- 7.6. There may also be various other steps (e.g. completing and sending various receipts and paperwork) that the Subpostmaster needs to take to complete the transaction, which are specific to the product in question, such as Motor Vehicle Licences.

#### **Stock units**

- 7.7. There is a capability within Horizon to create "stock units". These are in effect separate ring-fenced sets of sub-accounts within the branch's general account in Horizon. Although there are no mandatory business requirements for how many stock units a branch has to have, or how they are physically deployed, the creation of a stock unit by a Subpostmaster will cause Horizon to create a separate sub-set of accounts connected to that stock unit.
- 7.8. If cash and stock are transferred from the main branch stock to a stock unit, this cash and stock is then recorded in a separate set of accounts for that stock unit (and correspondingly removed from the general branch accounts).
- 7.9. When a member of branch staff is preparing to serve a customer, they will log onto Horizon with their User ID and password and link themselves to a specific stock unit.
- 7.10. Any transactions conducted will then be recorded against that stock unit, with the corresponding changes to cash and stock levels being recorded against that stock unit's accounts.
- 7.11. One of the reasons for using multiple stock units is so that the branch can operate "individual" stock units, with each member of staff being allocated their own dedicated stock unit. The person allocated a stock unit normally has a separate drawer in which to store cash and stock associated with that stock unit so that it is physically separated from the cash and stock in other stock units or in the general branch holdings. When branches have balancing problems, it is normally recommended to adopt this approach so that mis-balances and mistakes can be linked to specific individuals.
- 7.12. Some branches operate "shared" stock units. In effect, this means that all the branch staff serve customers from one pool of cash and stock with all transactions then being recorded against one set of accounts. While seemingly simpler to operate, this does mean that discrepancies cannot be linked to individual User IDs.
- 7.13. Stock units can or must also be set up for individual product categories (e.g. Lottery, ATMs, etc.). This can help the Subpostmaster record all transactions for a particular product within a separate set of accounts so that any discrepancies can be more easily identified.

### **Reconciliation with third parties**

7.14. A number of the products and services available at Post Office branches are provided by third parties (see *Appendix 2*). N.B. These third parties are often referred to by Post Office as "clients".

7.15. When such a product is transacted, details of this transaction are communicated from Horizon to the third party, sometimes immediately or sometimes at a later stage, by the central Post Office finance systems. Post Office is then liable to pay the third party the transaction value (or vice versa). An example of communication from Horizon to a third party with respect to a single transaction would be as follows:

#### **Example:**

*At Post Office branches, a customer can deposit cash in or withdraw cash from his/her bank account with a number a major banks (i.e. Lloyds, Santander, HSBC etc.).*

*If a customer wishes to withdraw £100 of cash from an account, Horizon connects to the customer's banking system to confirm that the cash is available for withdrawal.*

*Once authorised, Horizon will advise the Subpostmaster to proceed with the transaction and to give £100 in cash to the customer (assuming that there are no other transactions in the basket). The amount of cash recorded in the branch's accounts in Horizon would then be automatically reduced by £100 to reflect the withdrawal. In this way, the branch's accounts are kept in balance with the amount of cash actually on hand.*

*Likewise, the customer's account at the customer's bank should be reduced by £100 to reflect the cash withdrawal from the Post Office branch.*

*Post Office then obtains its money back from the relevant partner bank by way of the settlement activities administered by the Post Office Finance Service Centre (FSC).*

*This process would happen in reverse for a £100 deposit into a bank account, with the result that the cash position in Horizon at the transacting branch will be increased by £100, the branch holding £100 more cash on hand and Post Office making a later payment to the customer's bank of £100.*

### **Remittances**

7.16. Branches send or receive cash and stock to and from Post Office Cash Depots. This movement of cash and stock is called a "Remittance" (and is often referred to as "Remming in" or "Remming out").

7.17. Branches may also take cheques as a method of payment from customers for some transactions. These cheques are treated as a "stock item" in Horizon and require "Remming out" (i.e. sending) to the cheque processing centre.

- 7.18. Post Office monitors the cash levels of each branch and classifies them as either “cash surplus” or “cash deficit” in terms of cash management.
- 7.19. Those branches that are classed as “cash surplus” normally have more customers who make deposits (i.e. by making cash deposits to bank accounts or by buying products with cash) than customers who require cash withdrawals.
- 7.20. The “cash surplus” branches do not require cash remittances to be sent to the branch from Post Office, as they will have a net inflow of cash from customers. These branches are however required to return surplus cash to their nominated Post Office Cash Depots via a Cash Vehicle in Transit (a secure means of transporting cash) in order to prevent the branch holding too much cash on site. Post Office Cash Depots are placed in geographical locations around the UK and each branch will be “tagged” to a particular depot.
- 7.21. Conversely “Cash deficit” branches are those where the money deposited by customers to the branch does not usually cover the amount that the branch has to pay out. These branches rely on Post Office Cash Depots to send cash to the branch in order to ensure that there is sufficient cash in the branch to meet its needs.
- 7.22. Post Office’s Retail Cash Management team are responsible for monitoring the cash levels within the branch network to ensure that branches have enough cash to serve customers and to support effective working capital management for the network.
- 7.23. The decision on how much cash a branch needs to “Rem” in or out is determined by Post Office’s Flexible Planning System, a software tool used by the Retail Cash Management Team. In essence, it compares the cash declaration figures that are entered into Horizon by Subpostmasters against the sales (receipts and payments) information. It also takes account of the average transactions occurring over the previous six weeks trading history to identify how much cash the branch should return or send back on their next scheduled cash delivery. This information is communicated to Subpostmasters via Horizon using a Flexible Planning Advice. The Subpostmaster has the option to amend the amount of cash that is planned to be returned by or sent to the branch by contacting the Retail Cash Management Team.
- 7.24. Where cash is to be “Remmed out” to a Post Office Cash Depot, the branch is responsible for placing the correct amount of cash into a remittance pouch, entering the amount that is being “Remmed out” into Horizon and then either handing the remittance pouch to the Cash in Transit Driver, or sending it back to Post Office via Royal Mail Special Delivery. When the “Rem” is processed the amount of cash recorded in the branch accounts in Horizon will decrease to reflect this.
- 7.25. Where cash is “Remmed in” to a branch, the cash remittance is sent by Post Office to the branch either via a Cash in Transit Driver or via Royal Mail Special Delivery. The branch is responsible for checking that the remittance pouch contains the amount of cash as stated on the remittance and then logging the receipt of cash into Horizon. This will increase the amount of cash recorded in the branch accounts in Horizon.

7.26. Royal Mail Special Delivery is only used, on a risk-assessed basis, for lower value remittances and, for example, where logistics constraints prohibit the use of the large, heavy armoured cash delivery vans.

7.27. Cheques have to be "Remmed out" daily by branches. This is to enable overnight processing and next day "clearing" of the cheques by the relevant bank. The only exception is cheques received on Friday and Saturday, which are sent together on the following Monday, as Saturday is not a "banking day".

7.28. There are dedicated Horizon processes, batch control vouchers and special envelopes which branches should use as part of standard end of day procedures. These utilise normal mail collections provided by Royal Mail employees.

7.29. Post Office contracts with a banking industry cheque processing organisation which validates, on behalf of Post Office, cheques received; highlights any anomalies to the Post Office FSC; submits the paper cheques to the drawee bank if required and provides data to the FSC about cheques both successfully processed and those that have "bounced" (unpaid cheques).

#### **Transaction Corrections**

7.30. The FSC (often referred to as "Chesterfield" by Subpostmasters because of its geographical location) is the Post Office's "behind the scenes" accounts processing centre. It provides daily services to third parties, branches, Multiples and customers.

7.31. The FSC is the originator of Transaction Corrections (TCs). These are sent overnight by the FSC to branches when errors are found which have either not been identified by the branch or have not been resolved locally. Even if the branch's accounts are in balance (i.e. there is no discrepancy between cash and stock on hand and the cash and stock levels in Horizon), it may be that the branch has processed transactions erroneously or in a way that causes a Post Office third party to refuse to reconcile the transaction with Post Office, thereby causing a discrepancy.

7.32. TCs can be issued to rectify accounting errors arising from a wide range of issues including errors or omissions in data entry such as mis-keying or not entering the transaction date. Subpostmasters are provided with a list of the different types of TC and reasons for their issuance.

7.33. Accepting a TC may result in a surplus or a shortage at the branch, or the correction of a previous surplus or shortage. Any residual surplus or shortage should be withdrawn or made good, as described in more detail in section 9.

7.34. Branches are required to accept all TCs notified to them, before completing their monthly Branch Trading Statement (see 8.8 to 8.10). This is a contractual requirement. The branch does not have to accept the TC immediately on receipt and can instead print the Transaction

Correction narrative and if possible take the necessary action within the days remaining until that trading period ends.

7.35. As explained below, Subpostmasters may also dispute the TC if they fail to understand the error made or consider that the TC does not properly apply to them. Hardcopy evidence of how the error has occurred is provided together with contact details to allow further information to be obtained.

7.36. TCs are often followed by enquiries to the branch, particularly if a large number of TCs are being sent to that branch.

7.37. In 2012/13, the most common reason for TCs being issued to branches was due to errors in "cash remittances from branch".

**Example:**

*A branch records remitting out £10,000 in cash and sends the cash pouch to the cash centre. However, upon opening the cash pouch at the cash centre the pouch contains £10,010.*

*This creates a surplus at the cash centre and (assuming the branch otherwise balances) the branch will show a £10 shortfall during the next cash declaration.*

*The FSC will then raise a credit TC to the branch to correct this shortfall. When the branch formally accepts the TC, it will have the effect of reducing the reported Horizon cash balance by £10 in line with the reality of the cash on hand. The double entry to this is to increase the values recorded as "Remmed" out. The branch should then balance in respect of this specific incident.*

7.38. The generation of a TC may be due to a discrepancy between Horizon and a third party's records and hence the time taken to identify errors and subsequently generate that TC can sometimes be outside of Post Office's direct control.

**Example:**

*A customer deposits £100 into his/her bank account but, through a keying error, the branch only records a deposit of £10 in Horizon.*

*In this scenario, the records in Horizon and at the customer's bank will match as both will show a £10 deposit. The branch will have a £90 cash surplus, because the branch will have taken £100 from the customer, but only recorded the receipt of £10 in Horizon. The customer may then raise a complaint with Post Office directly or with his/her bank who will then contact Post Office.*

*Equally should the branch mistakenly record a deposit of £1,000 rather than £100 this would generate a shortfall of £900, which the Subpostmaster would have to pay to Post Office unless the customer detects the error and returns to notify the branch.*

7.39. Processing a TC often results in an adjustment to the cash or stock position at the branch within the branch's accounts as TCs can debit or credit the branch's cash figure in Horizon. It is, however, important to note that this often (as the name implies) corrects the recording of a transaction such that the reported balance in Horizon will align with the physical cash handled in the transaction.

**Example 1:**

*If a branch processes a bill payment of £100 as £10 in Horizon, the branch would show a cash surplus of £90. If the customer subsequently receives a bill reminder that full payment has not been received they will normally contact Post Office to resolve the issue. When the error has been identified, a debit TC is issued to the branch in the next trading period, because Post Office will need to pay an additional £90 to the customer's service provider. When the branch processes the debit TC this will increase the branch's cash position in Horizon, thereby creating a £90 shortfall against the cash on hand. This shortfall however sets off against the corresponding surplus that would have been made in the previous trading period.*

**Example 2:**

*A customer presents a Transcash deposit slip to make a bill payment but during the transaction it is established that an appropriate method of payment is not possible (i.e. the customer's debit card is declined) so the transaction is not recorded in Horizon and no cash changes hands.*

*If the branch incorrectly retains the deposit slip and does not follow the correct end of day procedure this could result in the Subpostmaster sending the slip to Santander (who administer Transcash bill payments taken through Post Office branches) who would then process the bill payment (i.e. money is paid from Post Office's account to the customer's service provider's account).*

*When Post Office later reconciles the bill payment against the Horizon records, there will be no matching payment record in Horizon and a TC will be sent to the branch. If the branch accepts the TC, this will alter the branch's cash position and the relevant cash should then be put in the till at that point. If the money is not put in the till, then there will be an equivalent shortage at the end of the trading period.*

7.40. TCs can be disputed with the FSC. If the TC dispute is upheld then a compensating TC will be issued to the branch. If it is not upheld a written appeal can be made to the relationship manager in FSC who will review the case and make a final decision. Any payment required from the Subpostmaster as a result of the disputed TC will be suspended until the review is completed.

**Transaction Acknowledgements**

7.41. Some Post Office transactions, for example, Camelot/Lottery, PayStation, or Post & Go are not transacted through a Horizon terminal but instead use separate equipment (see section 5).

7.42. However, the cash taken for these transactions by the branch needs to be accounted for in Horizon as part of the overall branch cash and stock holdings. A Transaction Acknowledgement (TA) is therefore used to ensure that Horizon can be synchronised with the records on the third party equipment.

7.43. Transaction Acknowledgements (TAs) were introduced to automate the process of reconciling the data being sent directly from the separate machines and the amount of cash that should be processed through Horizon.

7.44. The transactions for certain Camelot products, PayStation and Post and Go are processed overnight and a report of the volume and number of transactions is sent by the third party equipment to Post Office. Post Office then sends the TA overnight to the branch confirming all transactions that took place on the third party equipment during the previous day. For example, National Lottery tickets (not scratch cards) are sold to customers via the National Lottery terminal.

7.45. The data from these sales goes straight to Camelot and the branch takes payment for the ticket and puts the cash into a separate drawer on the National Lottery terminal. The following day, the branch's Horizon terminal will be sent an electronic TA, which will appear as a message for the first person who logs onto Horizon asking for confirmation that it is correct. Once accepted the TA will make the required adjustment to the branch's accounts and inform the Subpostmaster how much cash should be transferred from the National Lottery till drawer to the Horizon terminal drawer.

7.46. Prior to TAs being launched in 2012, the Subpostmaster would have to obtain the relevant print outs from each machine and then input these figures into Horizon and manually reconcile any cash owed. The launch of TAs removed this manual process and hence also removed a source of error.

7.47. Even with the TA process, errors can occur if the correct amount of cash from the Lottery terminal is not transferred to Post Office, or if the user accidentally pays the cash amount into the wrong stock unit. Alternatively, if the Subpostmaster accepts the TA but does not pay in the relevant cash then there will be a shortage.

7.48. The most important operational aspect of the TA process is that a TA has to be formally "accepted" in Horizon, normally at the start of daily trading.

## **8. Branch Reporting and Management**

8.1. As part of a branch's standard operating procedure, Subpostmasters are required to produce and review a number of in-branch reports to ensure that the branch is functioning effectively and to allow Post Office to monitor cash and stock levels against its records. These include:

### **Daily Cash Declaration**

- 8.2. Staff at each branch are required to count and declare the amount of cash on hand at the end of each day. The actual cash on hand is recorded in Horizon by the Subpostmaster or his/her assistants. If there is a difference then Horizon will show any "discrepancy" between the cash on hand and the amount of cash that should be in the branch in order for the branch to balance.
- 8.3. Post Office provides a set of tools that can assist Subpostmasters with tracing or identifying discrepancies. For example, transaction logs can be run which show the transactions that have taken place. These logs can be searched using parameters such as product type, user and time of the transaction. Event logs also provide information about user activity and a "Balance Snapshot" shows what Horizon believes to be the state of the branch's accounts at that point in time. The availability and general use of these tools to ascertain what transactions have taken place in branch and the amount that has been recorded against each transaction is commented on further in Part Two of this report.
- 8.4. Before Horizon Online was implemented, Horizon reports were available in branches for 42 days. These reports are now available in branch for 60 days.

### **Weekly Balance**

- 8.5. Post Office recommends that, every week, a branch undertakes a full cash and stock count. The actual amounts of cash and stock on hand can then be compared to the figures recorded in Horizon. This should help the branch to identify and correct any discrepancies in a timely manner before they become combined with others and hence become more difficult to isolate.
- 8.6. In the event that a surplus or shortfall is found on a weekly balance, it can be declared and transferred into a suspense (or Discrepancy) account pending resolution by the month end. Amounts are typically held in suspense for a few days or weeks to allow the Subpostmaster some time to try to resolve the discrepancy. In the event that the discrepancy cannot be resolved by month end then, if the amount is less than £150, the Subpostmaster is expected to "resolve locally" i.e. make good from his/her own funds. If the amount is greater than £150 then it can be settled centrally as explained more fully in the following section.
- 8.7. The Daily Cash Declaration and the Weekly Balance are tools that Subpostmasters can use to manage their branches. Declaring a loss or surplus through either of these reports does not trigger any action by Post Office at that stage.

### **Monthly Trading Period Rollover**

- 8.8. This is similar to the Weekly Balance but is mandatory every month. It requires any discrepancies (including those put into suspense during the month) to be resolved. This process is also called "rolling over" or the "end of trading period" process. At the end of the monthly process, the Subpostmaster is required to produce a Trial Balance, which should be retained in the branch and used to compare to the physical cash and stock on hand. After making adjustments to make good any losses or reduce any surpluses, the Subpostmaster then

has to print off and sign a "Branch Trading Statement". This statement confirms that the cash and stock shown in the accounts match the cash and stock actually held in the branch (with any discrepancy having been declared – see section 9).

8.9. Subpostmasters are contractually required to complete a monthly balance as described above.

If a branch does not roll over into the next trading period when they are scheduled to do so, Post Office will instruct the branch to rectify the situation. Failure to roll over at the end of each trading period constitutes a Breach of Procedures as set out in the Subpostmaster's standard contract. In the event of a Subpostmaster failing to roll over he cannot open a new trading period. However, it is possible for the branch to continue to trade, albeit in the current trading period.

8.10. In order to address discrepancies or Transaction Corrections, the Subpostmaster should follow the processes set out below. This should allow an issue to be resolved or to be further investigated by contacting Post Office's Finance Service Centre (FSC). In the case of a further investigation, a disputed item remains suspended until the Post Office has investigated the matter.

**Cut off routines**

8.11. Mandatory daily and weekly "cut off routines" are in place to enable branches to validate transactions, which should ensure that the paper records match Horizon. This also assists in the identification of errors before month end. Examples include, validating the physical cheques held in branch against Horizon to send to clearing or the banking summaries to send to Santander. Validation of physical records against Horizon's records can also help detect errors or omissions but only if the nature of the error is understood.

**9. Resolving surpluses or shortfalls of cash or stock**

9.1 At the end of a monthly trading period the Subpostmaster is required, subject to one exception, to certify that the branch has the cash and stock which Horizon states should be present.

9.2 The one exception relates to a shortage. If the Subpostmaster has less cash or stock than Horizon states then, if the shortage is not made good there and then, the two options of settling centrally as set out in (9.5) below are available.

9.3 It follows, that if the Subpostmaster has more cash and stock than Horizon states, then the Subpostmaster does not owe that surplus to Post Office.

9.4 For stock discrepancies, the Subpostmaster should process a sale, a sales reversal or a manual adjustment to correct the volume of stock shown in Horizon, to make sure that it balances to the volume of stock actually held in the branch.

9.5 If, following the monthly rollover, there is a shortage of cash (when the cash on hand is less than the amount of cash recorded in Horizon), then Horizon presents the Subpostmaster with three options to remedy the deficiency:

- **Make good** – the Subpostmaster can elect to put cash or a cheque into the branch from his/her personal funds to make up the shortage.
- **Settle centrally and pay** – the shortage is transferred to the Subpostmaster's personal account with Post Office. The cash figure in Horizon is reduced to bring it in line with the actual cash on hand at the branch. At this point, the Subpostmaster owes the cash loss to Post Office as a debt. This debt can be repaid by either (a) a direct payment from the Subpostmaster to Post Office or (b) by deductions from the Subpostmaster's future remuneration although in this latter option the Subpostmaster may not commit more than 25% of his/her net pay to such deductions.
- **Settle centrally and dispute the shortage** - if the Subpostmaster believes that the shortage was not his fault or could be resolved through other means, then the debt will be suspended to allow time for the shortage to be investigated and remedied. The Subpostmaster can dispute a shortage by contacting the Network Business Service Centre, Cash Centre (for remittance disputes) or the Finance Service Centre at Post Office to have the debt suspended pending an investigation. The extent to which Subpostmasters are aware of and make use of this third option is explored more fully in Part Two of this report.

Part Two of this report will also make reference to situations where certain Subpostmasters claim to have been under pressure to declare a balance of cash and stock in branch, which did not reflect reality.

- 9.6 If the cash on hand in a branch is more than the amount that Horizon shows should be present then the actual cash needs to be adjusted in order to balance the books. The Subpostmaster will reconcile the amount of cash on hand at that moment in the Trial Balance process described in 8.8 above and then remove sufficient cash to bring the branch back into balance (see comments in 7.30 onwards describing the Transaction Correction process). This results in Subpostmasters being entitled to withdraw cash to remove surpluses, without the need to report that to Post Office, other than through the Trial Balance.
- 9.7 It is common practice for Subpostmasters to keep surplus cash in a separate location (such as the retail business safe) until their investigation into the gain is completed and/or a Transaction Correction is received. In the event that a declared surplus is eventually determined to be a genuine one then the Subpostmaster is entitled, under the terms of the standard Subpostmaster's contract, to retain it.
- 9.8 If however a Post Office investigation does not fully eliminate carelessness, negligence or error then the Subpostmaster is liable for the loss and is required to personally settle any amounts due. In order for the Subpostmaster to challenge this liability, the burden is on the Subpostmaster to determine the source of the error and deficiency.

## 10. Branch Error Analysis

- 10.1. This section describes how some errors might occur and what facilities are available to a Subpostmaster to identify or correct those errors.
- 10.2. There are a variety of reasons why a branch may encounter a discrepancy between the amount of cash and stock on hand and the amount of cash and stock recorded in Horizon – this situation is commonly referred to as a "balancing discrepancy".
- 10.3. There are number of situations in which a balancing discrepancy might occur. It should be noted that some of the situations described may cause a gain for a Subpostmaster, or only cause a temporary loss and may cause the real reason for the losses to be hidden:

- If an error causes a surplus of cash in the branch, this may offset other losses caused by other errors. In that scenario, the other losses or errors may not be revealed, as overall, the branch's accounts may balance, show a surplus, or a smaller loss;
- If a surplus error occurs in one month but is later discovered and corrected via a TC in a subsequent month, and the accounts for that month may show a loss even though all transactions in that later period have been processed correctly.

### **Example:**

*A branch suffers two errors, one creating a £100 gain and another causing a £100 loss. At the end of the trading period, the branch's accounts will balance as the two errors cancel each other out for balancing purposes.*

*If in the next trading period the cause of the surplus error (i.e. the gain of £100) is discovered, a Transaction Correction (TC) will be sent to the branch which increases the amount of cash recorded in the branch accounts. If all the remaining transactions throughout the rest of that trading period are conducted correctly the branch will still show a loss at the end of the later trading period due to the TC. Therefore, whilst the loss of the branch shows in the current trading period, the error which caused the loss occurred in the previous trading period.*

- 10.4. A number of the errors as described below may only be visible to those working in the branch. When discrepancies occur, Post Office normally seeks to find possible explanations other than those below. If no other source of the discrepancy can be found and system error can be eliminated or discounted then, by a process of elimination, the discrepancy will have most likely occurred through an error in the branch.

### **Mis-key**

- 10.5. A mis-key is the term used when staff enter the wrong value of a transaction into Horizon compared to the actual amount of the transaction.

**Example:**

*A personal banking customer wishes to deposit £1000 into his/her account and the person serving the customer mistakenly enters £10,000 but only £1000 cash is taken from the customer. This would create a shortage of £9,000 for the branch.*

*In order to rectify this mistake, the Banking Team within the FSC has to contact the associated client bank which in turn will contact its customer. The customer will then be asked to confirm the amount deposited at the branch. However, the only receipt printed from Horizon will have been given to the customer and will show a deposit of £10,000 and, therefore, the rectification process relies largely on the actions of the customer and their bank.*

10.6. As a result, an easy to make keying error, by branch personnel, could result in a customer enjoying a windfall benefit, with the Subpostmaster having to make good this discrepancy.

**Mixing retail and Post Office business**

10.7. Generally, a branch will maintain a physical separation between retail and Post Office cash. Mixing these two sets of cash can lead to Post Office cash being lost to the retail business and vice versa as it can become difficult to track the amount of cash that should be allocated to the Post Office and retail sides.

**Errors in cash handling**

10.8. At the end of a customer transaction, payment normally needs to be made to or received from the customer. Even if the transaction is correctly recorded in Horizon, branch staff may take or hand out the wrong amount of cash. This error could be as simple as miscounting cash before handing it to, or receiving it from, the customer.

**Example:**

*A business-banking customer may present documentation to deposit £1000 into his/her business banking account.*

*If, at the end of the transaction, £1000 in cash is given to the customer instead of taking £1000 in cash from the customer there will be a shortage to the branch of £2000, made up of the deposit entry of £1000 being correctly input into Horizon (Horizon then expects to receive £1000) and the settlement out to cash of a further £1000 which will reduce the cash in branch.*

10.9. In many cases the honesty of the finder and the ability to identify the money as coming from the branch is required if the money is to be returned to the branch.

**Miscounting cash on hand**

10.10. Cash must be physically counted at the end of each day and when rolling over at the end of a trading period. When completing the physical cash count, notes and coins can sometimes be miscounted or missed altogether.

10.11. If cash is temporarily mislaid one day and found the next, it can lead to related shortages and surpluses on different days or in different trading periods. In the midst of many other activities, branches may not associate the two and may dispute part or all of the outcomes.

10.12. Another instance of where this can happen is when a Post Office product is sold on the retail side of the business. Most Post Office products must be sold from the Post Office counter in the branch premises. A few Post Office products, such as National Lottery scratch cards, are permitted to be sold from the retail business. However, it is the Subpostmaster's responsibility to make sure that any cash taken from the sale of such products is transferred from the retail business to the Post Office side, and properly counted in any cash declaration.

10.13. Cash remittance pouches that have been prepared for the Cash in Transit collection drivers may be erroneously counted as part of the cash declaration. Horizon does not include this amount within the cash holding figure (as it is deemed to have been remitted out of the branch even if the pouch has not yet been physically collected) and, therefore, the branch could be declaring a gain or inadvertently hiding a loss.

#### **Cash remittance errors**

10.14. If there is mistake made between the amount that is "Remmed" in or out and what is received from, or sent to, the Post Office Cash Centre, then this will lead to a branch discrepancy. When a pouch is received from a branch, the handling clerk at the Cash Centre opens the seal and empties the contents onto their workstation, which is monitored by CCTV. This is the same for pouches that are made up in the Cash Centres and sent to branches.

#### **Example:**

*If a branch has bagged up £25,000 to send to the Cash Centre but enters £20,000 into the system then there will, in the short term, be a shortage of £5,000.*

*If the cash has left the branch then the mistake cannot be rectified by the branch. The cash will be counted at the Cash Centre and a Transaction Correction will be sent to the branch to rectify the branch account.*

#### **Stock remittances**

10.15. Branches receive their stock (postage stamps, Motor Vehicle Licences, etc.) from Post Office either via Cash in Transit or Royal Mail Special Delivery. The branch is responsible for checking at the earliest possible opportunity that the amount of stock received exactly matches the advice note delivered with the order and "remming" the stock onto the correct lines in Horizon.

10.16. As the delivery can often occur during branch opening hours it may be impractical to carry out a full check immediately as to do so in an effective manner could require the branch to be closed for a period. In these circumstances an immediate cash count would not be carried out on delivery of the cash unless it was required immediately for operational purposes.

### **Cheque handling**

10.17. Branches can accept cheques as payment for certain products and services. Customers can also cash personal cheques up to a certain amount. Branches may also accept deposits for certain partner banks.

10.18. There are set procedures that must be followed in branch at the end of each day to ensure that the cheques are handled correctly, the customer's bank account is debited accordingly and Post Office can settle the client accounts. Typically there are two scenarios which might cause a loss:

- A cheque has been accepted for a non-cheque acceptable product (i.e. foreign exchange sales). By accepting payment by cheque for a non-cheque acceptable product, it may not be possible to link a missing cheque to a transaction record. This is because the Subpostmaster may have taken the cheque for payment from the customer, but because the product did not permit cheque payment, Horizon would not present this option on the counter terminal. The Subpostmaster would therefore have to erroneously select another payment option (i.e. cash).
- The method of payment has not been correctly recorded in Horizon.

#### **Example:**

*If a cheque is presented by a customer to pay for a transaction, but the transaction is accidentally settled as a cash transaction, the value of cheques held in the branch recorded by Horizon will not match the value of the actual cheques held in the branch.*

*At the end of each day a cheque listing is printed from Horizon, which should be checked against the cheques held in branch and if it does not match, Horizon should be corrected before remitting the cheques to Post Office. After "Remming out" the cheques, a further cheque listing should then be printed to confirm that no cheques are held in branch.*

*If a branch has not ensured that the cheques in branch match Horizon's record before "Remming out" those cheques, then the cash in the branch will show a shortfall and the amount that is received at the cheque processing centre will not match the amount that has been entered into Horizon. This is because Horizon calculates how much cash should be in a branch based on the "cash" settlement option that is available at the end of each transaction. Therefore, if the "cash" option has been selected instead of the "cheque" option, Horizon will expect there to be more cash in the branch than is actually held.*

*This may generate a Transaction Correction to correct the account unless the branch reverses the transaction and records it accurately as a cheque transaction.*

10.19. Branches should follow a process to ensure that the amount of cheques recorded as held in branch balances to zero. This process is called "cutting off". If the cheques are not "cut off" at

the end of the day the cheque listing on the following end of day procedure will not agree with the actual value of cheques held in branch.

10.20. This is corrected in the same way by amending the "cheque on hand" figure to show the correct value of the actual cheques held in branch. The value of the cheques in branch is then sent out before a further cheque listing to confirm a zero entry is printed.

10.21. It is Post Office policy that a branch will only bear the cost of a lost cheque if the branch has not followed proper procedures. If the root cause of a lost cheque is unknown or attributed to some other cause outside of the branch, Post Office will normally absorb this loss and not pass it on to the Subpostmaster. In the majority of cases, Post Office either mitigates the loss caused by a lost cheque by obtaining a replacement cheque from the customer or absorbs the loss itself. Only a small number of missing cheque cases result in TCs being issued.

#### **Accidental loss**

10.22. Other losses may occur accidentally in branches. For example, money dropped in bins with rubbish, money dropped or knocked into mail bags, and money left on counter tops taken by a customer without branch knowledge.

#### **Transacting from the wrong stock unit**

10.23. As noted in 7.7 to 7.13 above there is a capability within Horizon to create "stock units", which are, in effect, "virtual tills". A member of staff within a branch, when serving a customer, will log onto Horizon with their own User ID and password and can tag themselves to a stock unit containing cash and stock (either their own individual stock unit or a shared stock unit).

10.24. If a user accidentally links or tags to the wrong stock unit and serves a customer or transfers cash or stock, then the accounts will record the transactions against one stock unit but the physical cash or stock will move in or out of a drawer allocated to a different stock unit. Any transactions carried out will then be recorded against that stock unit, with the corresponding changes to cash and stock levels being recorded against that stock unit's accounts.

10.25. If spotted, then this can be corrected by either reversing the transactions and allocating them to the correct stock unit, or by calculating the cash value of the transactions and transferring the total amount to the correct stock unit.

10.26. In theory, there should be no net overall discrepancy to the branch, as any losses in one stock unit will be compensated by the gains in the other stock unit. However, taken in isolation this can appear as if an error has occurred in one of the stock units and can cause confusion, obscuring other errors.

#### **Outstanding transfers between stock units**

10.27. Where a branch has more than one stock unit in use (see above) there may be times when cash and/or stock is transferred from one unit to another. For example if stock unit A is

running short of cash, stock unit B may transfer money to allow customer service to continue smoothly.

- 10.28. The user in stock unit B should choose the transfer out option in Horizon and choose the correct stock unit (in this case stock unit A) and transfer the cash out. A receipt is printed which is kept in stock unit B to confirm this.
- 10.29. The user in stock unit A then needs to accept the cash in Horizon and print their own receipt to confirm this. A report called “Transfer Reconciliation” can be printed from Horizon to confirm that there are no outstanding transfers pending and that all totals sum to zero.
- 10.30. Failure to do this can cause cash or stock to be missed from cash and stock counts.

#### **Product specific errors**

- 10.31. Failure to follow the correct process for accounting for certain products can also cause errors. A good example is the accounting process for Motor Vehicle Licence (MVL) discs (commonly referred to as tax discs).
- 10.32. Branches will receive MVL discs from Post Office, which they have to “Rem” into their stock using Horizon. When the discs have passed the time where they can be put onto a vehicle, the branch is responsible for destroying the discs and following a process to inform Post Office that they have been destroyed.
- 10.33. When destroying the discs, if the branch does not follow all of the steps of “spoiling the disc” and remitting it to Post Office, Horizon will still record the disc as being in the branch even though it has been destroyed.
- 10.34. When the branch carries out the end of the trading period rollover process and a full count of the discs is undertaken as part of the stock balance, the number of discs in branch will not match the amount recorded by Horizon.
- 10.35. Whilst this does not create a cash shortage, branches are held liable for missing discs at a charge of £41.50 per disc, because Post Office is accountable to the DVLA for the missing discs.

- 10.36. Failure to follow the correct reversal procedure for a MVL disc may also lead to a branch discrepancy. For example, a customer asks to buy a car tax disc and the transaction is completed in Horizon, but if no payment is actually taken, the branch has to reverse the transaction and the disc. If they only reverse the disc out of the system then the stock of discs will balance, but the branch cash will not balance.

#### **Theft**

- 10.37. Theft by branch staff can and has occurred involving staff taking cash or stock directly from safes or drawers or colluding with a customer to generate a gain for the customer and an offsetting loss for the branch (this being ultimately borne by the Subpostmaster).

10.38. These shortages would be identified when a physical cash count and declaration is made, but it is not possible for Post Office to identify when the actual theft occurred. Unless the person is caught in the act of taking the cash, it is probable that the loss would only be discovered at the end of day cash declaration or at the time of completing the Branch Trading Statement.

10.39. The branch staff may then be unaware of how the loss had occurred. Some thefts may also be accompanied by an effort to disguise the theft (i.e. creating false transactions or gains). Whilst it may be possible to identify the User ID that was used to process these transactions it may be difficult or impossible to prove exactly when the theft occurred.

**Example:**

*Cash or stock may be falsely declared to give the impression that the cash or stock is in the branch when in fact it has been stolen.*

*“Phantom” cash remittance pouches could be created to mask an amount of cash that is missing but the pouch is reversed before the dispatch. For example, Horizon does not take into account the amount of cash in pouches when it calculates the amount of cash that it is expecting to be declared. So, if cash is missing before the cash declaration is made, the branch could make up a cash remittance pouch to cover the discrepancy, so in effect the branch will not show a discrepancy in Horizon. Once the cash is declared, the branch will reverse the remittance pouch from the system.*

**Hardware failure**

10.40. In cases of hardware failure requiring the replacement of branch equipment there is a possibility that not all data will have been successfully replicated before the failure of the old hardware with a consequent possible loss of data. There are however checks and procedures available, that if properly followed, should allow such transactions to be identified.

**Conclusion**

10.41. We have described a number of the operational functions and facilities used by Subpostmasters, supported by examples of transactions and their processing by Horizon. We have also highlighted some areas where the potential for confusion and error may occur.

10.42. Many of these issues are described in more detail in Part Two of this report where various issues are more fully explored

## Appendix 1

Abbreviation	Terms	Meaning
ABS	Anti Bandit Screen	The glass fronted screen found in many branches. It is not bullet proof but uses safety glass and is intended as a deterrent for criminal activity.
ACC	Authorised Collector's Card	Credit-card sized identification card that is presented by the Cash in Transit Driver who collects/delivers cash and stock either to or from a branch
ADSL	Asynchronous Digital Subscriber Line	This is the dedicated broadband line that the Horizon system uses to send and receive data to our servers which links the Horizon system to our data and client systems
AEI	Application Enrolment Identification	Transaction available in selected branches where specialist equipment records personal information such as fingerprints, photos and signatures for certain purposes, such as extension/application of immigration visas and DVLA driving licence renewals
Airmail Labels		The blue airmail sticker that needs to be stuck to all airmail mails items posted in branch
Airsure		A priority overseas mail service which provides an electronic confirmation on delivery and provides extra compensation cover for contents
Amex	American Express	AmEx" or "Amex", is a diversified global financial services company. They provide our traveller's cheques and cards are also accepted as a payment method for certain transactions
AML	Anti Money Laundering	We have a number of processes in place to prevent our branches from being used to launder money which has been gained through illegitimate means
ANC	Agency Network Change	This is a Post Office Team who make initial and ongoing engagement with our Agency Network branches for all relocations, refurbishments and equipment moves.
Annual Policy		A 12 Month Travel Insurance Policy
APS	Automated Payment Service	An APS transaction is one where a customer presents a bill which has a barcode that can be scanned or a card that can be swiped, where the information is sent directly from the Horizon system to the client's data systems.
ARC	Alarm Receiving Centre	Centre managed by Romec F&S and monitoring branches installed with Post Office Ltd alarms.
ARQ	Audit Retrieval Query	A request for Horizon archived information.
ASM	Area Sales Manager	Manager of a set of Post Office branches that focus solely on their sales performance and initiatives
ATM	Automated Teller Machine	A computerized machine that dispenses cash to Banking customers, often referred to as 'Cashpoint' or 'Hole in the Wall'
Back Office		A location within a branch where the balancing takes place. Also an area on the Horizon Online System where accounting processes are handled.
Balance Report		A paper report processed from Horizon computer system that shows a summary of transactions done in a set timeframe for a particular stock unit along with a summary of declared remaining cash, value stock (stamps, Postal orders etc) This is then signed by the Agent as being correct and on hand.
Balance Snapshot		A paper report processed from Horizon computer system that shows a summary of transactions done in a set timeframe for a particular stock unit along with a summary of system derived remaining cash, value stock (stamps, Postal orders etc) based on sales and transactions completed at that time. Although this shows accurate transaction volumes and values, this will show what the system believes should be on hand for cash and value stock, based on sales put through the Horizon system
Barcode Reader		An electronic hand held device that is used to scan barcodes for processing transactions
BAU	Business as Usual	Normal way of working.
BDM'S	Business Development Managers	Previous term for a Post Office manger who managed a group of Post Office branches/areas. Part of Network & Sales Directorate.

## Appendix 1

BFPO	British Forces Post Offices	A postal service which allows customers to post items to Forces personnel around the world, sometimes free of charge
BFPO Number		British Forces Post Office Numbers are for a given Forces base/ location where they are identified by a number rather than an address for security reasons
BOP	Back Office Printer	An A4 size printer, used for printing off selected reports, i.e. Branch Trading Statement.
BP	Balance Period	A period of time between a branch declared balance. Normally completed on a Wednesday and covers the last seven days but can be a smaller or larger timeframe. Can have multiple Balance period within a Trading Period
Branch Code		An individual code which identifies a Post Office branch. Formerly known as a FAD Code (Financial Accounts Division)
Branch Focus		A weekly publication which is sent to branches. This shows updates to transactions and products/processes as a reference material.
Branch Standards		The expected criteria that a branch should meet. Could be transactional or compliance based.
BTS	Branch Trading Statement	An A4 paper report which is signed as a declaration of the month's trading outcome. This summarises transactions performed and lists the cash and Stock on hand at the end of a Post Office Trading Period. This remains in branch for reference and inspection as appropriate.
BM	Branch Manager	A crown branch term that relates to the person with responsibility for the branch.
Budget Card		A Post Office branded card that can be pre loaded with cash to pay towards Post Office products, mainly bill payments. Often used by people with low income who use this as a way of maintaining household budgets.
Branch Code		A seven digit numerical code that identifies each branch in the network.
Bulk Cash		Cash in branch which is secured in the safe until required
Bulk Stamps		Postage Stamps which are secured in the safe until required
Bulk Stock		Post Office stock (Car tax discs, Postal Orders, other items of value) which is secured in the safe until required
Bureau De Change		A counter where you can exchange foreign money
C&IRT		Contact and Issue Resolution Team
CA	Contracts Advisor	An individual who looks after a number of branches and deals with interviewing potential new Operators, enforcing contractual standards/procedures in a branch and having ownership of suspending/terminating a branch's contract to operate a Post Office
CAA	Civil Aviation Authority	The CAA enforces international regulations which govern the transport of dangerous goods by road, sea and air.
CAM	Crown Area Manager	Direct manager of a set of Crown Post Office branches that focus solely on their sales performance and initiatives
Cash Dec	Cash Declaration	The process of making a formal and complete statement of the physical Cash holdings within the till using the Horizon terminal. This is done every night and allows for cash usage to be monitored
Cash Management		The process of ensuring Post Office Branches have the correct levels of cash to carry out business procedures
Cash on Hand		Cash that is physically held in individual stock units
CC	Cash centre	A centre that manages and distributes value items for the Post Office network;
CCU	Customer Care Unit	This is the team responsible for responding to or seeking further information to resolve customer complaints or enquiries.
CFU	Cash Finding Unit	Generic term for a range of units used at all screenless working positions.
Cheques		A written order directing a bank to pay money for a product/service
Chesterfield		Term used for the P&BA team based in Chesterfield. Now known as the Finance Service Centre
CIT or CVIT	Cash in transit or Cash & Value in transit	Post Office Ltd business involving delivery and pick-up of cash to/from branches and other businesses.

## Appendix 1

CN22	Customs Declaration Label	A customs label the customer completes which details the contents of a parcel. This is affixed onto overseas mail for goods up to the value of £270.00
CN23	Customs Declaration Label	A customs label the customer completes which details the contents of a parcel. This is affixed onto overseas mail, the contents of which are valued in excess of £270.00
CoA	Conditions of Appointment	These are agreed between Agents and Operators with Post Office Ltd prior to appointment and form part of the Contract for Services or Agreement signed. Examples of CoAs include - The official opening hours. Details of new signage required. Etc.
Coin Hopper		A container where the coins that are immediately available for pay outs are held
Coin Sets		A selection of Coins produced from the Royal Mint for commemorative occasion which are available to buy from selected branches
Combi		A counter in a branch that enables customers to be served both retail products & post office transactions at the same time.
Comms	Communications	
Compensation		A form of remuneration for loss or damaged goods
Complex Basket		Where different settlement rules apply for one or more items in a session (e.g. one item can be settled with a debit card but another item can only be settled by cash),
Compliance		A set of rules and regulatory controls that affect the way we sell products and services in our branches.
Consignment		Where more than one mail items are sent and addressed to the same destination. They are charged on a total weight basis, rather than on individual pricing
COP	Certificate of Posting	A customer receipt that proves that a mail item has been accepted over the Post Office counter. Can be hand written or computer generated. This does not guarantee delivery, merely proof that the clerk has accepted the item at a place and date.
Counter Printer		A printer that supplies customer receipts for goods and services using a printer roll, rather than A4 paper.
CPT	Cash Packet Transfer	
CPU	Central Processing Unit	The CPU is the brains of the computer where most calculations take place.
Credence		Post Office Management Information Reporting System.
Credit Card		A plastic card issued by a banks for the purchase of goods or services on credit.
Cross Sell		A sales technique used to inform customers of related transactions. Ie. If a customer asks for foreign currency, we would introduce Travel Insurance as a product
Crown Office		Part of the Network of circa 300 branches that Post Office Ltd own and have direct employees running the branch.
CSO	Community Sub Office	A branch that is run by an independent operator, generally only open for restricted hours.
Customer Experience		The validation that changes to direct & indirect customer material and/or communication to not cause a negative impact.
Cut Off Times		A locally accepted times for last acceptance of mails and doing daily paperwork to allow for summaries to be produced. Items taken after this point would be sent/processed the following working day
D1		Driving Licence Application Form
Date Stamp		A metal stamp that gives an impression on a receipt/bill which provides verification of a transaction showing the date and location of acceptance
DDA	Disability Discrimination Act	An Act of the UK Parliament which has now been repealed and replaced by the Equality Act 2010
Debit Card		A plastic card issued by a banks for the purchase of goods or services.
Definitive Stamps		A postage stamp that is part of a regular issue of a country's stamps. These generally depict the Queen's Head or the individual country emblem and may or may not show a value.

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DG	Dangerous Goods	Items of mail that are considered a hazard/risk when in transit
DPA	Data Protection Act	A United Kingdom Act of Parliament which defines UK law on the processing of data on identifiable living people
DVLA	Driver and Vehicle Licensing Agency	Government body that deals with driving licences and motor vehicle licences
DWP	Department of Work & Pensions	Government body that deals with benefits payments
EA	Equality Act	An Act of the UK Parliament that gives clear guidance on discrimination and how to treat all individuals fairly
EHIC	European Health Insurance Card	A plastic card issued by the NHS which allows for free health care at certain European countries.
End of Day procedure		Collating the day's transactions and despatching necessary paperwork
ETOL	Electronic Time Overlock	
E-Top Up Card		A card swiped through the Horizon system that credits a mobile phone with airtime
E-Voucher		A receipt generated from Horizon to credit a mobile phone with airtime
FAA	Financial Assurance Audit	
Fast Drop		Fast Drop is a new service available with Royal Mail Online Postage that helps customers time at the Post Office®. The service is free and is available with a range of postal services, which can be dropped off in selected branches
FCA	Financial Conduct Authority	A body that regulates firms that undertake financial services activity in the UK.
FCA	Field Change Advisor	A field based Post Office employee who assists post office agents with the process of transforming or relocating their branch.
FDE	First Day Envelopes	Often bought by Philatelists (stamp collectors) An envelope that customers can buy to affix special issue stamps on and get hand stamped on the first day of the stamp issue.
Final Balance		The process of going through and declaring all cash plus stock in hand, as per Balance Report, and committing to the figures. This will then produce a 'Final' balance report which the Operator should sign as a true reflection of the items in branch
FONCH	Foreign overnight cash declaration	Amount of foreign currency declared as being held in branch overnight
Foreign Currency		Currency from another country
Fortress		A secure counter serving position within a post office
FPO	Franchise Post Office	A post office with franchise contract. Usually operated from ex Crown Branches where the operator is a 'High Street' chain. Ie. WH Smiths. These are run using their own staff.
FS	Fujitsu Services	The company who develops and maintains the Horizon equipment
FSA	Financial Services Authority	Regulator of all providers of financial services in the UK. The FSA has now become two separate regulatory authorities, the Financial Conduct Authority and the Prudential Regulation Authority
FSA	Field Support Advisor	A field based Post Office employee who delivers new entrant training, conducts audits and intervention activity within the post office network.
FSC	Finance Service Centre	Formerly P&BA and based in Chesterfield. They collect and monitor data from transactions and liaise with our external clients if discrepancies are found
FSS	Financial Services Specialist	A post office employee who works in a Crown Post Office. They discuss and introduce Post Office financial products to customers but cannot give advice, merely factual information
FTL	Field Team Leader	Manages the activity conducted by FSAs
FTT	Flip Top Till	Used in branches that have open plan or combi counters.
FUB	Follow up Balance	
Gains		A discrepancy showing a higher value between physically counted assets and the expected assets based on sales on Horizon such as cash/stock etc.

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Gateway		A network point that acts as an entrance to other computers on the same internal network.
Giro Slip		The Giro Slip is pre-printed Giro stationery inserted into the slip printer to produce a summary of Giro transactions taken on that day which need to be manually dispatched to the processing centre (Summary of transactional receipts or payments taken on behalf of Santander which was formerly Alliance & Leicester and prior to that Girobank)
Global Economy		A Parcelforce Worldwide service which provides a basic service for sending mail with no guaranteed delivery times to over 200 countries
Global Express		A Parcelforce Worldwide service which provides a Guaranteed delivery timeframe by Airmail
Global Priority		A Parcelforce Worldwide service which provides a Guaranteed delivery by Airmail for Parcelforce Worldwide account holders
Global Value		A Parcelforce Worldwide airmail delivery service
Grapevine		Grapevine is a FREE service provided by Post Office Security to those working within Post Office branches, to keep them updated on criminal activity in their area
HMRC	Her Majesty's Revenue & Customs	Government body that checks that Post Office Limited complies with anti money laundering regulations.
HOL	Horizon Online	Name for the system software which is permanently connected to our servers online
Horizon		Name of the system (equipment, software and processes) used at the post office counters.
HOL (Horizon) Help	Horizon Online Help	An integral facility within the Horizon system which allows individuals to find and also print post office instructions on products and services, which can be accessed whilst serving a customer.
HSH or HSD	Horizon Service Helpdesk or Horizon Service Desk	This is the contact centre for branches who need technical help with their Horizon equipment- For example if a replacement screen is needed or an engineer visit needed to fix a technical issue. It's accessed by calling <b>GRO</b> and choosing the option for technical enquiries relating to your Horizon system including hardware.
ICO	Information Commissioner's Office	Independent public body set up to promote access to official information and protect personal information.
IPS	Identity & Passport Service	
IRIS	Interactive Recruitment Information System	The database we use for advertising and also applying for any Royal Mail Group job vacancies. This can be accessed from internal and external websites.
ISA	Individual Savings Account	A tax free savings account where a certain amount can be invested within each tax year.
ISF	International Signed For	An optional extra product offered by Royal Mail which allows for a signature on delivery for mails overseas which can also provide compensation if lost/damaged
IT	Information Technology	The term is commonly used as a synonym for computers and computer networks, but it also includes other information distribution technologies such as television and telephones
Keyboard		The hardware attached to the laptop or as a peripheral item on a PC that allows for inputs to be made using number or letter keys plus command keys
Losses		A discrepancy showing a lower value between physically counted assets and the expected assets based on sales on Horizon such as cash/stock etc.
Magnetic Cards		A plastic card with a magnetic strip along the back, which is used as a way of paying bills or saving at the post office
Mail Segregation		The standards for how customer's mail is kept and separated within the post office secure area allowing compliance with Royal Mail expectations
Mails Despatch		The time at which the post person collects the mail from a post office branch

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Main PO	Main Post Office	A post office branch which operates under a Mains operating model. These get remunerated for the number of transactions they do.
MI	Management Information	Data received from various streams within the business which allows for performance and transactional Information to be collated and used for management decisions
MoneyGram/receive		MoneyGram is a service available in branch which enables customers to receive funds from another individual within the UK and overseas
MoneyGram/send		MoneyGram is a service available in branch which enables customers to send funds to another individual within the UK and overseas
Monitor		The screen of the Horizon equipment
MOP	Method of Payment	The way in which payment is received for a product or service
MOR	Mail Order Returns	A way for customers to return goods they have bought online from Home Shopping retailers. Ie. Next. Postage is usually free at branch.
MSPO	Modified Sub Post Office	A term for an ex-Crown Office that is now run by an individual using their own staff but offering the original services available when it was a Crown Office.
MVL	Motor Vehicle Licence	A term used for a vehicle or car tax disc
Mystery Shopper		Mystery shopping is a tool used externally by companies to measure quality of service, or compliance with regulation, or to gather specific information about products and services
NBSC	Network Business Support Centre	The first port of call for post office branches if they have a query or need help. It is a Helpline for Branch Staff for all Robbery, Burglary or major incidents plus all transaction, navigation queries (e.g. which icons do I need to select for a particular product or service) or stock related queries. It's accessed by ringing <b>GRO</b>
NCA	Network Change Advisor	Assists in the physical needs of moving/relocating branches. Liaises with alarm and safe companies to ensure work is done to standard and timescale
Network		This relates to the Post Office network of approx. 11500 branches.
NFSP	National Federation of Sub Postmasters	The National Federation of Subpostmasters (NFSP) supports subpostmasters and operators across the UK. They are an independent membership organisation with a commercial trading company to help support the retail businesses of their members.
NS&I	National Savings & Investment	Post Office client. We sell Premium Bonds on their behalf. Used to be called 'National Savings'
NT	Network Transformation	The actual process of branch changes within the Network. Branches are being remodelled internally, others may be relocating. Funding has been received from the Government to support this.
NTP	Network Transformation Programme	This is a term used for the current programme of activity regarding branch changes within the Network using Government funding to support this.
NVI	Non Value Indicator	These are postage stamps where the value is not shown. It may just say 1st Class or 2nd Class on the stamp. These stamps can be used at any point in the future regardless of actual price increases.
OBC	Operational Business Change	
OFCOM	Office of Communications	Regulatory body that outlines the standards we must meet when we promote and sell our Telecoms and Broadband
OIC	Officer in Charge	
ONCH	Overnight Cash Holdings	Derived from declaring actual cash holdings in branch on a daily basis at close of business
One for All Gift cards		A gift card pre-loaded with an amount of cash that can be used in high street stores or online as a method of payment
On-site Training		Where an FSA provides training to an operator at their branch.
OOH	Out of Hours	A stock unit that is used out side the Post Offices core hours
Open Plan		Counter positions with no glass screen. Secure safes are fitted below the counter.
P&BA	Product & Branch Accounting	Also know as 'Chesterfield' and now called the Finance Service Centre
PAF	Postal Address Finder	Database holding postcode and address details. Used for validating transactions or personal records

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Parcel Hatch		A way of securely transferring a parcel from the public side of the counter to the secure area
Partner Banks		These are High Street banks that allow us to do a range of services on behalf of them to enable customers access to their accounts, usually with no charge.
Password		A word known only to an individual which allows access to private/confidential systems or documents
PAWS	Packaging, Address, Weight, Size	These are the basic criteria on which mails items are sent regarding standards of acceptance. Is it correctly wrapped, is there an acceptable address, does it comply with weight and size restrictions?
Paystation		A standalone bill payment terminal similar to our competitors (Paypoint, Payzone), usually situated on the retail side of the branch, that allows customers to top-up gas cards/electric keys and also pay bills if the Post Office counter is unavailable
PFWW	Parcel Force World Wide	Name of the Express parcels arm of Royal Mail Group. They deliver to inland and international destinations and specialise in guaranteed delivery options.
PHU	Portable Hardware Unit	Commonly used for locations with very small customer numbers & where Horizon equipment is taken to various locations to provide a service.
PID	Personal Invitation Document	Old terminology referring to the letter sent to an individual stating that they could fetch their Post Office Card Account card from their local branch - Now referred to as PUN (Pick-Up Notice)
PIN	Personal Invitation Number	Personally known number which allows the user access to processes/transactions. Ie. Cash withdrawal using a Chip & PIN card
Pin Pad		The devise, usually on the public counter that allows for entry of the PIN by the customer
PIP	Pricing in Proportion	The method used by Royal Mail to charge on size and weight basis rather than weight alone.
PIP Template		Plastic template used in branches to measure the size of letters and small parcels to determine which price structure to use
PLU	Product Look Up	Rarely used 'shortcut' key on the Horizon keyboard. Every transaction has an allocated product number which, if known, can be typed into the Horizon system. In practice this is not used as we have icons displaying the actual transaction which are easily accessible.
POCA	Post Office Card Account	A basic account that allows for the Department of Work and Pensions to pay an individuals benefits. Nobody else can pay in and the account holder can only take cash out. No interest received on the account
POCA emergency payment		This is a payment, subject to a maximum value as authorised, that may be made to a Post Office Card Account customer during an emergency situation and must be authorised in advance of the transaction. The branch would ring <b>GRO</b> and choose the option for authorising emergency POCA payment.
POEx	Post Office External Contact Centre	This is the contact centre for customers to call if they have an enquiry about Post Office Products or Services and availability, to make a complaint or to pass on thanks and recognition. The number is <b>GRO</b>
POFS	Post Office Financial Services	The range of savings and insurance products we have which are sold in branch, online or by post. Products are done in conjunction with Bank of Ireland as a general rule.
POFTS	Post Office Financial Travel Services	Joint venture between Post Office Ltd and Bank of Ireland which manages financial products offering travel money, travellers cheques and the Travel Money Card
POL	Post Office Limited	Part of Royal Mail Group wholly owned by the Government. Responsible for maintaining the number of Post Office branches in the UK
PO Local	Post Office Local	A post office branch with a Local operating model contract. These are generally smaller branches with a large retail side which have the Horizon system next to their retail till. They offer a slightly smaller product range for ease of transactions.
POS	Point of Sale	Leaflets and posters in branch identifying our products and services

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Postage Labels		A self adhesive label that is produced by Horizon showing the value of the postage required on a mails item. These have replaced stamps as a general rule as they allow for faster processing at the counter and with Royal Mail
Postal Order		A printed document similar to a cheque but processed and owned by Post office Ltd. Can be made for any value up to £250 and is a guaranteed funds document. Payable into a bank account or potential to be encashed in a Post Office branch
Printed Papers		A service/pricing structure for sending mail abroad. Criteria means only certain items can be sent this way. Ie. Books, magazines.
PSA	Performance Standards Assessment	A document used during training to support a clear learning path.
PSTN	Public Switched Telephone Network	
PSB	Premium Saving Bonds	An investment opportunity from National Savings & Investment Product which we sell on behalf of
PSU	Power Supply Unit	
PUN	Pick-up Notice	A document that a customer needs to be in receipt of, enabling them to collect their Post Office Card Account card from a branch
Rates Board		An Electronic Board displaying daily foreign currency rates, usually in larger branches and visible from the outside of the building
REM	Remittance	A consignment to or from a Branch of Cash, Stock or other values to be brought to account
Rem In	Remittance In	Recording the movements of items into a Stock Unit/ Branch (Cash and value stock)
Rem Out	Remittance out	Recording the movements of items out of a Stock Unit/ Branch (Cash and value stock)
Remuneration		This is how an Agent gets paid from Post Office Ltd. It is based on a product payment for each transaction they do and differs from one transaction to the next
Restrictions Policy		A list of transactions that is restricted within a Post Office branch
Reversal		The act of taking out a transaction that has been done previously on the Horizon system. Often used to correct errors.
RM	Royal Mail	Subsidiary of Royal mail Group - responsible for delivery and collection of mail within the UK.
RM Authority Card		A plastic card from Royal Mail, issued to business customers after vetting procedures are completed, which allows and authorises the purchase of large volumes of postage stamps where the business wishes to pay by cheque. The card has the business details on and is used as a guarantee that the cheque will be honoured (not bounce)
RMCS	Royal Mail Customer Service	This is a Royal Mail contact centre for all personal and business customer enquiries. Personal Enquiries are made on <b>GRO</b> and Business Enquiries are made on <b>GRO</b>
RMG	Royal Mail Group	The managing company overseeing: Royal Mail, Post Office Ltd., Parcelforce, and General Logistics Systems (GLS). UK's largest employer
RML	Royal Mail Letters	
RMSD	Royal Mail Special Delivery	A secure next day delivery offered by Royal mail giving priority handling and a guaranteed delivery window of either by 9am or 1pm.
ROMEC	Royal Mail Engineering Construction	Outsourced facilities management for RMG (id cards, clock setting, cleaning, alarm maintenance etc)
RSF Stamps	Recorded Signed For Stamps	A stamp that can be used to pay for a Royal Mail 'signed for' service where the item is a basic weight letter/large letter
RSM	Regional Sales Manager	An individual who looks after a number of branches within a geographical area and gives sales support to those branches through coaching and delivering workshops
RSP	Retail Service Point	
SCM	Sales Capability Manager	An individual whose responsibility is to the NT converted branches ensuring compliant and correct sales conversations are in place. Generally for a short time period of up to 2 months.
SCO	Single Counter Office	One positioned branch. Could be open plan or fortress based (behind glass screen)

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Secure Area		An area within the post office where cash, stock and mails items are kept. No access allowed to the general public
Settle centrally		Removes the amount from the Branch accounts into a holding account at P&BA, Chesterfield.
SIDS	Self Inking Date Stamp	A metal date stamp that self inks in between stamping used for validating transactions showing location and date
Single Trip Policy		A Travel Insurance policy which covers one defined period of time as needed by the customer
Small Parcel		A term used in conjunction with sending mail, up to a certain size.
SOP	Standard Operational Procedure	
SORN	Statutory off Road Notification	Informs the DVLA that the owner of a vehicle is taking it off the road
SPMR	Sub postmaster	Traditional name for the individual who owns a branch. Other terminology - Agent or Operator
SPSO	Scale Payment Sub Office	Refers to the type of branch and which contract they are on.
Stamp Dec	Stamp Declaration	The process of making a formal and complete statement of the physical Stamp holdings within the till, usually done when completing the balance.
Stamp Portfolio	Stamp Book	A book that holds loose stamps
Stock on Hand		A list of all stock the office is holding excluding cash (Postal Orders, stamps, tax discs etc)
SU	Stock Unit	A title given to an account which holds a particular amount of cash and stock. Most branches use one stock unit and identifier, normally AA, but some larger branches have multiple stock units and are allocated to individuals for greater responsibility/security
SVM	Stamp Vending Machine	
Swipe Card		A magnetic card sometimes used for paying bills
T&C	Terms & Conditions	A definition in words between the consumer and the product owner outlining standards
T&T	Track & Trace	Offered by Royal Mail or Parcelforce Worldwide for certain products which allows online/call centre tracking and confirmation of delivery for mails items
TA'S	Transaction Acknowledgments	An electronic confirmation of certain transactions based on transaction data from external clients which is sent to a branch for them to process.
TC'S	Transaction Corrections	An electronic accounting adjustment issued by Finance Services Centre Chesterfield which corrects previous errors in branch. This has an impact on the branch balance and would cause a discrepancy for the value issued.
TDLC	Time Delay Lock Compartment	
TMC	Travel Money Card	A card that is available in branch or online in certain currencies which allows for a prepaid value of currency to be loaded. Can be used as a Mastercard to pay for products, primarily abroad, and also able to withdraw cash from ATM's abroad. They have the security of a chip & pin and the convenience of a debit card but are not actually linked to a bank account.
Top Up		The process of adding credit to a pre-paid card, typically mobile phones
TP (BTP)	Trading Period (Branch Trading Period)	A period of time where at the end a branch must do a monthly balance. Usually 12 periods in a year, depending on the number of fiscal weeks.
Transaction Log		A report which allows for Horizon to be interrogated and produce transaction and events processed in the last 42 days
Transaction Reference Number		An individual reference number generated for each transaction
Travellers Cheques		A form of currency to be used when travelling

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Trial Balance		The process of going through and declaring all cash plus stock in hand, as per Balance Report, and producing the report. A trial balance shows the user the current state of the balance but as it is only in 'trial' format, it allows for the activity to be cancelled without committing figures.
UKBA	United Kingdom Borders Agency	
Ultra Violet Feature		Security elements which are only visible under a UV light, used mainly on bank notes, driving licences and passports
Up Sell		The process of selling more of the same item to the customer. Ie. If a customer asks for 10 stamps, the clerk should offer them a book of 12
User Name		A logon access code which is identifiable to the individual based on a standard format. This is to enable usage of the Horizon system whilst still being compliant and accountable
VPN	Virtual Private Network	Allows employees to securely access their company's intranet while traveling outside the office
VR	Voluntary Redundancy	Whereby staff voluntarily leave the business in exchange for agreed terms.
Watermark		A faint design made in some paper during manufacture that is visible when held against the light
WHS	WH Smith	Post office branch services are now located in many high street WH Smith's. They have roughly 70 branches across the country, mainly ex Crown Offices
WTLL	Work Time listening and learning	This is a regular training session which many branches and Post Office Ltd internal teams use to cascade information and receive feedback from team members

## Appendix 2

Post Office List of products

Service	Availability	Description of service
<b>Government Services</b>		
Post Office Card Account	All branches	A basic account for customers who are in receipt of state pensions, benefits & tax credits and who do not have a UK bank or building society account. Payments are made into the account by the paying department and customers can withdraw cash at all Post Office branches or the Post Office cash machine network.
Local council services	Local Area based	Services on behalf of over 300 local councils covering a wide range of applications and payment services both from and to residents and customers. Services include cash collection from residents for rents, rates, council tax, parking fines and licence fees, payment services including asylum seekers allowances, and rebates, form checking including benefits, planning and concessionary travel applications and identity checking and verification services.
Car Tax – Motor Vehicle Licence Issue	4,600 branches	Car Tax - Motor Vehicle Licence and Statutory Off Road Notification (SORN) services provided. Customers can have their documents checked and get their licence at issuing Post Office branches nationwide.
Driving Licence photo card renewal	750 branches	Allows photo cards to be renewed and makes sure the photo card renewal application meets DVLA requirements by taking a photo to the required DVLA standards, ensuring that the application is error free, capturing an electronic signature and sending the application electronically and securely to the DVLA.
International driving permit	Selected branches	Applications can be made in selected branches for an International Driving Permit which is required to drive legally in many places overseas alongside a UK driving licence.
Passport Check & Send	2,500 branches	Customers can take their passport applications to a Post Office where the application form and documentation are checked to ensure that everything is correct. The application is then despatched by Royal Mail Special Delivery priority processing.
Identity checking services	Selected branches	Customers who need to have photocopies of identity documents certified (for example when applying for a mortgage, bank account or new job), can have original documents checked and photocopies certified at the Post Office.
Biometric Residence	Selected branches	Customers who need to apply to stay in the UK who

Permit Application for the Home Office		are from outside the European Economic Area (EEA) may need to apply for a Biometric Residence Permit and can do so at selected Post Office branches if they receive an invitation letter from the Home Office. The Post Office captures the customer's biometric details by taking their photograph, fingerprints and digital signature and sends the information securely to the Home Office.
CQC – CRB registration service	Selected branches	The Care Quality Commission (CQC) is the independent regulator of all health and social care services in England. Customers who need a Criminal Records Bureau (CRB) check from the CQC can get their application checked at the Post Office to verify their identity.
Rod fishing and game licences	All branches based on demand	A range of rod licences available for angling in England and Wales and game licences to hunt game are stocked in branches where there is local demand. Fishing licences are available in England and Wales only. Game licences are available in Scotland and Northern Ireland only.
<b>Financial services</b>		
Personal banking	All branches	Free over-the-counter cash withdrawals, cashing of personal cheques, cash deposits or cheque deposits (the latter in most cases) for partner banks, e.g. Bank of Ireland, Bank of Scotland, Barclays, cahoot, Clydesdale Bank, First Direct, First Trust, Halifax, HSBC, Lloyds TSB, Nationwide, NatWest, Northern Bank, Santander, Smile, The Co-operative Bank, Royal Bank of Scotland, Ulster & Yorkshire Bank.
Business banking	All branches	Business banking services available in branch on behalf of Santander, Co-operative, Bank of Ireland, Barclays and Clydesdale.
Cash machines	Over 2,000 locations nationwide	Over 2,000 free-to-use cash machines are available at Post Office branches nationwide.
Bureau de Change	All branches	A wide range of commission free currencies and American Express travellers cheques, 1,600 branches offer a range of currencies on demand. An additional 2,500 branches offer Euro and Dollars on demand, a further 3,436 offer Euros on demand as well as Turkish Lira in the Summer. An additional 4,500 branches offer Euros on demand either in branch or online. Currencies can be pre-ordered for collection at any branch.
Travel insurance	All branches	All branches and available on demand in 9,000 branches and via phone.
Travel Money Card	Selected branches	The Post Office Travel Money Card is available in three currencies – Euro, US Dollar and Sterling – it is a pre-paid card that customers can load with currency. It can be topped up at selected branches or over the phone.

Moneygram	All branches	International money transfer of up to £6,000 to over 150 countries.
Automated bill payments	All branches	Acceptance of payment and pre-payment towards a variety of bills including gas, electricity, water, phone, council rent, mail order and insurance. (Some schemes available on an area basis as agreed with local authorities.)
PayStation and charging of electricity smart cards	All branches	To charge electric keys, Quantum Gas Cards, E-pay Transactions. (Stocks of electricity tokens for meters are also available in selected branches based on local schemes.)
Mortgages	Selected branches & online	A range of mortgages are available including fixed rate mortgages and tracker mortgages.
ISA	All branches	The Post Office offers a fixed rate and variable rate ISA: applications by phone, post or at the Post Office. A junior ISA is also available which is a stocks and shares Junior ISA: applications on-line or by phone.
Growth Bonds	All branches	Fixed term bond product offering 1, 2 & 3 yr terms. Apply by post, phone or at the Post Office.
Reward Saver	All branches	Variable interest rate product with a bonus for the first 12 months. Apply by post, phone or at the Post Office.
Instant Saver	All branches	Easy access variable rate product with a bonus for the first 12 months. Available across over 60,000 LINK cash machines. Apply by phone, post or at the Post Office.
NS&I Premium Bonds	All branches	Premium Bonds are an investment where, instead of interest payments, investors have the chance to win tax-free prizes. When someone invests in Premium Bonds they are allocated a series of numbers, one for each £1 invested. Minimum purchase is £100. Customers can hold up to £30k. Apply by phone, at a Post Office branch or online.
<b>Mail Services</b>		
UK Parcels Guaranteed	All branches	Guaranteed UK Parcel services for next day deliveries: <ul style="list-style-type: none"> <li>- Royal Mail Special Delivery Guaranteed by 9am®</li> <li>- Royal Mail Special Delivery Guaranteed by 1pm®</li> <li>- Parcelforce Worldwide express24</li> <li>- Parcelforce Worldwide express9, (available in selected branches), express10 and express AM</li> </ul>
UK Parcels Confirmed	All branches	Confirmed UK parcel services: <ul style="list-style-type: none"> <li>- Royal Mail Signed For® 1st Class</li> <li>- Royal Mail Signed For® 2nd Class</li> </ul>

		- Parcelforce Worldwide express <b>48</b>
UK Parcels Standard	All branches	Standard UK parcel services are reliable and easy to use and offer a range of delivery options for non- valuable items: - Royal Mail 1st Class - Royal Mail 2nd Class - Parcelforce Worldwide express <b>48</b>
International Parcels Guaranteed	Selected branches	Guaranteed international parcel services for international parcel delivery, with the added security of end-to-end tracking and online confirmation of delivery: - Parcelforce Worldwide globalexpress - Parcelforce Worldwide globalpriority
International Parcels Confirmed	All branches	Confirmed international parcel services with tracking or signature on delivery: - Royal Mail Airsure® - Royal Mail International Signed For®
International Parcels Standard	All branches	Standard International parcel services: - Royal Mail Airmail - Royal Mail Surface Mail - Parcelforce Worldwide global <b>value</b> (available in selected branches) - Parcelforce Worldwide global <b>economy</b> (available in selected branches)
Drop & Go	All branches	Drop & Go – a free, fast-track service, aimed at Small Businesses, internet sellers and customers sending regular amounts of mail. Uses a prepaid card, and helps speed up the branch journey for these customers.
Additional postage services	All branches	Articles for the blind, HM Forces letters (British Forces Post Office) etc.
Philatelic	Selected branches	Royal Mail special issue stamps and associated products, such as presentation packs and first day covers (stocked based on demand).
Local Collect	9,771 branches	Undelivered postal items are taken to the nearest participating Post Office by the postal delivery staff for later collection or customer has opted for the collection at their local Post Office branch.
Redirection	All branches	Mail redirection service for customers who are moving home.
<b>Telephony</b>		
Home Phone	All branches	The Post Office phone service offers customers line

		rental and calls. Application process at Post Office branches, online or by telephone.
Broadband Essential with Home Phone	All branches	Capped usage broadband service available nationwide, minimum 12-month contract. Application process at Post Office branches, online or by telephone.
Broadband Premium with Home Phone	All branches	Unlimited usage broadband service, wireless router, available coverage. Application process at Post Office branches, online or by phone.
Phone cards	All branches	UK International calling card offering calls to national and international destinations.
Mobile E top-ups	All branches	Top-up service for all pre-pay mobile providers through Horizon and PayStation.