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### **Complaint Review and Mediation Scheme**

A paper prepared by Post Office to assist Second Sight with the finalisation of their Briefing Report– Part Two

This paper 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

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## **Introduction**

As part of the Initial Complaint Review and Mediation Scheme (the Scheme), Second Sight is engaged as a firm of forensic accountants to provide a logical and fully evidenced opinion on the merits of each Applicant's case.

On 21 August 2014, Second Sight's Briefing Report – Part Two (the Report) was sent as a confidential document to a number of Applicants and their advisors, as well as to Post Office. The purpose of the Report was to describe and expand on common issues identified by Second Sight as being raised by multiple Applicants (a thematic issue). The aim being to provide general information that could then be applied in specific cases.

Post Office has been unable to endorse the Report. It wrote to recipients of the Report immediately after its release setting out its reasons for this, and prepared a Reply which was released on 22 September 2014, detailing its position on the issues raised within the Report.

Further, within Second Sight's Briefing Report – Part Two, several issues were said to require further investigation. With a view to moving the Briefing Report – Part Two to finalisation, the Secretariat offered to assist Second Sight in resolving these matters.

The following paper is written to aid this process, detailing the additional questions posed by Second Sight and the answers provided by Post Office.

Post Office was provided with the questions on 9 December 2013 and has committed to provide these answers before a meeting with Second Sight on 9 January 2014. In line with this short timetable, Post Office's approach has been to identify a subject matter expert within its organisation to answer each question. Post Office has therefore not comprehensively searched for information nor canvassed views on each question from all parts of its business. The answers below therefore represent the best information possible given the limited time available but should not be considered exhaustive.

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## 1. Transaction anomalies associated with CASH or STOCK Remittances (including counterfeit notes)

Post Office is aware that there is an issue of counterfeit notes being circulated within the UK economy in general. This is an issue that affects all businesses and Post Office has in place various policies and procedures in order to detect counterfeit notes and prevent them being circulated within the Post Office's network of branches.

- The large majority of costs / losses associated with counterfeit notes are claimed from other parties (e.g. clients, cash suppliers, etc.) with Post Office branches being held liable for a very small number;
- Where responsibility for allowing counterfeit notes to enter the Post Office network cannot be established, Post Office absorbs the loss itself.

The process used in Post Office can be summarised as follows:

- Once a counterfeit note is identified by Post Office, it is verified by a second person.
- Post Office then determines responsibility for allowing the counterfeit note into the network based on the information included on the Plastic Bank Note Envelope (PBNE), an envelope used to seal the cash as it is moved around the network;
- If a branch is found to have not followed correct procedures, it may be held liable for the loss created by taking a counterfeit note.

### 1.1. Please provide full details of the following:

- a) All procedures and controls in place to detect and prevent damaged or counterfeit notes being issued to branches as REMs;

The Post Office's Cash Centre is responsible for issuing remittances of cash to branches.

There are four key elements within the Cash Centre that ensure the integrity of notes it sends out to branches:

- Use of High speed note counting machines. Each note is checked for all possible characteristics and any notes that fail to meet the required standard are rejected, either because they fail to meet the Bank of England's note quality standard or because they are counterfeit.
- Daily calibration. Each note counter (there are 7 in use nationwide) are calibrated daily using a standard pack (a test bundle of mixed quality notes) by specialist onsite engineers. This check ensures that the counters will identify counterfeits and non-standard Bank of England notes and that they are removed from circulation. The calibration check exceeds the standard set out by the Bank of England and is subject to regular audit by the Bank.
- The Note Circulation Scheme (NCS). Under the NCS, the Bank of England does not distribute banknotes and instead, wholesale cash operators, including Post Office, sort and distribute notes. Under the NCS, all notes Post Office put into circulation must be integrity checked.

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- b) All procedures and controls in place to detect damaged or counterfeit notes in outward REMs sent from a branch to a cash centre;

There are comprehensive guidelines included within the Methods of Payments section on Horizon Online Help. Please refer to Annex 1 for further information.

- c) All procedures and controls in place that prevent notes included in an outward REM from a branch being sent to another branch as an inward REM without being counted or checked for damaged or counterfeit notes;

All inward remittances from Post Office branches are opened in the Cash Centre before being sent out through the cash cycle again i.e. the notes are checked before being remitted out to branches as per above. There is no process for cash to be sent from branch to branch.

- d) All procedures and controls used to ensure that notes issued as REMs for use in ATMs meet the relevant quality standards;

All cash that leaves the cash centre for ATM use is checked to ensure it is counterfeit free and is fit for ATM dispense in line with the Bank of England's note standards. Please refer to the answer provided in 1.1a for further information.

- e) All procedures and controls used in branch to detect counterfeit notes;

There are comprehensive guidelines included within the Methods of Payments section on Horizon Online Help. Please refer to Annex 1 for further information.

- f) The procedures to be followed in branch when a Subpostmaster detects counterfeit notes; and

There are comprehensive guidelines included within the Methods of Payments section on Horizon Online Help, with seven different scenarios covered. Please refer to Annex 1 for further information.

The seven scenarios covered are as follows:

- Identifying counterfeit banknotes;
- Treatment of counterfeit banknotes;
- Remitting counterfeit banknotes;
- Counterfeit notes found loose in official cash;
- Counterfeit notes returned by a customer;
- Counterfeit notes impounded when presented by customers for a transaction;
- Counterfeit notes found in a deposit prepared by an Alliance & Leicester (now Santander) business depositor.

- g) Who bears the loss associated with accepting counterfeit notes?

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There are detailed procedures documented on Horizon Help to assist the branch in dealing appropriately with counterfeit notes. If the branch follows the correct procedures as detailed on Horizon Help then the branch is not held liable for any associated loss. Please refer to Annex 1 for further information.

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## 2. Transaction anomalies associated with Pensions and Allowances

One of the issues raised by a small number of Applicants to the Mediation Scheme relates to alleged transaction anomalies which, it has been claimed, are connected to Pensions and Allowances (P&A).

Typically, this has revolved around allegations of re-introduction fraud. This fraud involves P&A vouchers being entered into Horizon twice (known as a "reintroduction"). The fraud occurs where a customer visits a branch to receive a pension payment. First, the customer provides the staff member at the branch with a P&A voucher and receives their pension as cash in return. The staff member then enters the voucher into Horizon in order to account for the cash that has been paid out to the customer. The P&A vouchers are sent on a weekly basis to the Department of Work and Pensions. The act of entering the same P&A vouchers into Horizon twice is called reintroduction. Where this is done in error, it creates a surplus of cash in the branch. Where reintroductions are frequent and there is no surplus, these are strong indicators that reintroduction fraud is taking place at the branch.

Post Office has previously provided Second Sight with a paper on P&As. Annex 2 supplements the responses provided in this section.

### 2.1. Please provide full details of the following:

- a) Data mining or similar techniques used to identify branches which have processed unusual volumes of P&A vouchers or have processed previously used P&A vouchers i.e. 'Reintroduction' fraud;

P&A vouchers are no longer used by Post Office – DWP replaced them with the Post Office Card Account. The information below is therefore a historic process about which only limited information is available.

Typically the process may have involved some or all of the following:

- DWP staff in Lisahally used to conduct rota checks of all P&A submissions.
- If they identified a discrepancy in a pouch they would check the previous month to see if this identified a pattern. The Date Stamp indicator would often be used as a method of identifying potential suspects and the method, e.g. over-stamping a voucher with a second date.
- If further discrepancies were found they would then go back as far as possible which was normally no more than 12 months.
- At each stage their check would be corroborated and recorded stating who had carried out the checks and what had been found.
- As this was happening, Post Office (FSC) was advised by the DWP of the discrepancy and, if it was deemed necessary, an investigation may be begun by Post Office.
- Post Office Security would arrange for the branch P&A submissions to be intercepted by Royal Mail.
- These would be manually checked, recorded and retained by the allocated Security Manager.
- Any discrepancies would be scheduled and recorded along with any DWP findings in preparation for attending the branch.
- An audit may be arranged at the branch and the P&A foils on hand would be checked and recorded as live evidence.
- Fujitsu logs may be requested if required to confirm who had made the Horizon entry for the fraudulent transaction.

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- b) All procedures and controls used to detect 'Reintroduction' fraud;

See answer 2.1a and Annex 2.

- c) Any cases in the last 3 years where outgoing P&A vouchers have been stolen or lost in transit;

As detailed within Annex 2, P&A vouchers are no longer used. They were replaced by the Post Office Card Account in circa 2005.

- d) Who bears the loss associated with lost or stolen P&A vouchers?

See Annex 2.

- e) Any cases in the last 3 years where P&A vouchers have been re-presented at a branch by a person unconnected with that branch;

As detailed within Annex 2, P&A vouchers are no longer used. They were replaced by the Post Office Card Account in circa 2005.

- f) Any cases in the last 3 years where forged P&A vouchers have been presented at a branch;

As detailed within Annex 2, P&A vouchers are no longer used. They were replaced by the Post Office Card Account in circa 2005.

- g) All procedures and controls used to detect forged P&A vouchers;

Please refer to answer 2.1a.

- h) Who bears the loss associated with accepting forged P&A vouchers?

A Post Office branch would only be held liable for a loss associated with P&A vouchers if they had been negligent, had not followed correct acceptance and processing procedures or acted fraudulently.

- 2.2. Are branches required to ensure that the value of the cheques and vouchers being remitted each week matches the value of benefit pay-outs recorded on Horizon?

At the time of P&A vouchers being used for transactions within Post Office branches, those branches would have been required to validate that the amount they were claiming as being paid out to customers (as shown on Horizon) matched the value of the P&A vouchers on hand.

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### 3. Transaction anomalies following telecommunication or power failures

Another issue raised by a number of Applicants to the Mediation Scheme was that of alleged transaction anomalies flowing from telecommunication or power failures. Power and telecommunications failures are a risk to any business as branches and Post Office are reliant on third party suppliers for these services. Recognising this risk, Horizon was designed with "recovery" processes in place to correct any issues caused by a power or telecommunications failure. Post Office notes that as yet no evidence has been adduced to show that either of these events will cause losses in branches where the recovery process has been correctly followed by branch staff.

3.1. Please provide full details of the following:

- a) Any tests carried out that ensure that Horizon's screen-based recovery instructions are visible to the person looking at the branch terminal when a power failure or telecommunications failure (or both at the same time) has occurred or is occurring;

The recovery process is shown on the Horizon terminal screen and therefore will always be visible to branch staff.

- b) The information that needs to be entered by the user to complete the screenbased recovery process;

When the recovery process is carried out, a recovery receipt will always be printed as part of the next log on after the failure and a recovery event will be recorded in the Horizon Event Logs.

Depending upon the stage an individual transaction had reached at the time of the failure, Horizon may ask questions of the Subpostmaster to help decide whether or not that transaction was complete. Annex 3 – 'Transaction Recovery – Horizon Online Reference Guide' – details the questions asked for the different scenarios.

- c) Any tests carried out that ensure that the backup mobile telecommunications facility works effectively in all locations and in all circumstances including busy, multi-position branches;

- a) Branch back up availability is tested once a week on a rolling basis (one seventh of the estate is tested every night).

- d) Any tests carried out when a branch is upgraded to Horizon Online that confirm that a reliable signal is available for the backup mobile telecommunications facility.

Please refer to the answer 3.1c.

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#### 4. Transaction anomalies associated with ATMs

A number of Applicants to the Scheme have raised complaints in relation to alleged transaction anomalies connected with ATMs.

Post Office has previously provided Second Sight with papers in response to their questions involving ATMs. Annexes 4 and 5 supplement the responses provided in this section.

- 4.1. Please provide full details of any instances in the last 3 years where Post Office, Bank of Ireland or Wincor Nixdorf detected an attack against a branch ATM using either malware or hardware devices. Please describe the technical measures in place to prevent or detect this type of attack.

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

- 4.2. Given the evidence that the Rejected Notes totals, in several 'Print Totals' output reports by ATMs, have on occasions become corrupted, on what grounds does Post Office assert that the Dispensed Notes totals could not also be corrupted, thereby showing that the ATM had dispensed fewer or more notes than it really had?

The Print Totals receipt is only used for managing the ATM cash levels and to allow the Subpostmaster to identify when the ATM needs to be reloaded with cash. As per all transactions/inputs that take place on an ATM, Print Total details are recorded on the ATM's Electronic Journal. However, the information on these receipts is for the local management of the ATM only, is not used as part of daily/weekly ATM accounting and the data is not used outside of the local management of the ATM. This is demonstrated by the fact that the Subpostmaster must zero the totals on the Print Totals receipt when they reload cash into the ATM, which can be done as often as required.

Where some corruption of the rejected notes total occurred there is evidence of erratic and unusual behaviour by the postmaster in the management of hardware (cassettes) and software (Print Totals; balancing activities). For example, many activities were repeated multiple times in a very short space of time. Cassettes were loaded, unloaded, reloaded. Print Total instructions were performed multiple times, sometimes with different cassettes in or out of the ATM, in the space of minutes, and then repeated. In these circumstances it is not surprising that the ATM's logical functions may have been affected. However following the stated operating procedure would allow these totals to be reset without there being any impact on the cash dispense/balancing of the ATM as it is the Bank Totals and the ATM Totals receipts that are required to complete the daily and weekly ATM accounting procedures.

It is the Bank Totals receipt that specifically details the value of cash dispensed by the ATM on a daily basis. The value of cash dispensed is taken from this receipt and recorded through Horizon. This value is tied back to the value of cash that has been dispensed through ATMs for each particular day. In summary, all ATM transactions are confirmed between Bank of Ireland and the Card Schemes, the vast majority of which are processed via LINK, as having successfully taken place. Any discrepancies between LINK and Bank of Ireland's data would be investigated before Post Office would be involved. The total value of ATM cash dispensed is then settled on the next working day between Bank of Ireland and Post Office. This total value is checked by Post Office and matched against the individual ATM dispense records. Therefore any discrepancy in the cash dispense figures would therefore be identified as part of the settlement process.

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It should be noted that in 2011 a full investigation of ATM cash dispensed figures in relation to M040 was undertaken by Bank of Ireland and Post Office Security. For the month of April 2009 the daily cash dispense figures were compared back to the actual settlement to ensure these were aligned. No discrepancies were found.

In 2012 POL Security also undertook an investigation in relation to M042 that looked into the number of Rejected notes that were reported on the ATM during April 2011. Bank of Ireland provided electronic journal data for the dates in question. While no discrepancies were identified with the daily cash dispense figures reported by the ATM the exceptional high rejected notes figure appears to have resulted from the sequence of actions that took place at the ATM. It was determined that resetting the Print Totals resolved the local issue without any impact on the cash dispense records for the ATM.

- 4.3. Is it a Post Office requirement that when an ATM is installed that the branch immediately creates a separate stock unit for the ATM? How is this policy monitored and enforced?

Yes. It is stated in the Post Office Accounting Instructions for Bank of Ireland ATMs that a separate ATM stock unit must be created when the ATM is first installed. The ATM accounting instructions then refer to this separate stock unit throughout, as required.

The use of an ATM stock unit is not monitored separately as it is just one of the mandatory steps to be followed to properly account for the ATM. Post Office monitors the completion of daily cash declarations and weekly balances. Where these processes are not being conducted, this is followed up with the individual branches.

- 4.4. In circumstances where the Bank of Ireland generates incorrect ATM cash dispensed figures for both the branch's ATM and in the figures supplied directly to Post Office, please describe the controls and procedures in place to detect and investigate this type of error.

This question has already been addressed through correspondence with Second Sight around Suspense Accounts. Please see Annex 6.

- 4.5. Please explain why it is necessary for Subpostmasters to manually print and enter onto Horizon, the contents of the daily '16:30 - 16:30 ATM Reports' when the same information is sent electronically to the Bank of Ireland and then to Post Office.

It is necessary for Subpostmasters to key the data in because the ATM is not connected to Horizon and branches need to know the amount of cash dispensed from the ATM in order to prepare the daily cash declaration.

- 4.6. Please provide full details of the following:

- a) Any investigation in the last 3 years in which a technical fault was discovered with the ATM which produced a shortage when balancing the ATM or a loss on the Horizon ATM stock unit. How was the associated loss dealt with by Horizon?

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

- b) Any escalated investigation in the last 3 years relating to unresolved cash discrepancies involving a branch ATM;

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This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

There will have been numerous queries raised with NBSC and FSC regarding ATM accounting. To collate this information would require a review of all calls to NBSC and FSC regarding ATMs – this would be a massively disproportionate exercise given that Second Sight has not identified the specific issue it wishes to review.

- c) Any instance in the last 3 years in which Post Office, Bank of Ireland or Wincor discovered that any of their authorised engineers or representatives had stolen cash from any branch ATM;

There is no record of an authorised engineer or representative (excluding Subpostmasters) of Post Office, Bank of Ireland or Wincor stealing cash from an ATM.

The only incident that Post Office is aware of relates to a Wincor employee in 2013, though at this juncture it remains only an allegation. No branch in the Scheme was affected by these alleged incidents.

- d) Any instance in the last 3 years in which Post Office initially determined that a cash loss was attributed to a Subpostmaster but where it was subsequently found that the Subpostmaster was not responsible for the loss;

As explained to Second Sight previously, Subpostmasters can challenge any cash loss or Transaction Correction in their branch in relation to ATMs. In many circumstances the information needed to determine the cause of a discrepancy is only held by a Subpostmaster.

It is therefore likely that there have been occasions when a Transaction Correction against a Subpostmaster has been challenged and reversed – in accordance with standard operating practice.

- e) The guidance issued to Subpostmasters relating to the '16:30- 16:30 Print Totals Reports' in circumstances where the rear door of the ATM is located in a retail shop or other non-secure area. Is the Subpostmaster required to close the retail shop when obtaining the '16:30- 16:30 Print Totals Reports' in these circumstances? How does Post Office monitor and enforce this policy?

The Print Totals Report is not required for balancing the ATM and does not have to be printed out on a daily basis as it is only required when additional cash needs to be loaded into the ATM.

As detailed in the Bank of Ireland ATM Operator Manual, this receipt is used to ensure cash is correctly loaded into the ATM (i.e. to ensure the correct number of banknotes is placed into the ATM).

As the ATM safe/cassettes would need to be accessed at this point, and in accordance with the guidance included in the ATM Operator, Accounting Instructions and Post Office Security Manuals, the premises must be closed to the public at this time.

It should be noted that the Bank Totals receipt (24 hour cash dispensed figures for 16.30 to 16.30) needs to be printed on a daily basis to allow the cash dispensed figures to be entered into Horizon. As only the rear cabinet door to the ATM has to be opened, and not the ATM safe, this receipt can be printed while the branch is open to the public.

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Security procedures at branches are part of the compliance audits undertaken at branches. Subpostmasters are asked about the branches security procedures at the compliance audit so Post Office can verify that the correct processes are being followed.

- f) Any instance in the last 3 years in which Post Office, Bank of Ireland or Wincor became aware of a customer receiving more cash than they were entitled to from an ATM. Please also provide full details of how the resultant cash shortfall was dealt with in the branch's ATM/Horizon balancing process and whether any Subpostmaster was held accountable for losses that were later found to be attributable mechanical problems with an ATM;

This question has already been addressed in Post Office's paper to Second Sight on ATMs which explains the processes used to detect, and protect branches from third party fraud. The request for general information on the occurrence of certain events, without identification of a specific issue raised by Applicants is disproportionate. Post Office would of course be happy to provide more detailed information on any specific example put forward by Second Sight.

- g) How Post Office detects and deals with incorrect items reported in the ATM '16:30- 16:30 Print Totals Reports' in circumstances when the incorrect figures have also been reported electronically to Bank of Ireland. Please also describe the accounting treatment of any loss that occurs in these circumstances;

Post Office does not consider that ATM reports are unreliable. However, if there were an issue with the 1630 report, it would be the same data feeding through to Bank of Ireland. Therefore, if the Subpostmaster accurately keyed in the 1630 data (accurately from the report which, it is being claimed, could be wrong) then the data in Horizon and the data at the Bank would both be the same (and wrong). In that event, Post Office FSC would not identify any issue as the two figures agree with each other.

It would be the Subpostmaster that would be in the position to detect the anomaly. This is because the Subpostmaster is required to do a weekly physical balance of their ATM at intervals, during which (if the 1630 report were wrong) they would find a difference between the physical cash in the machine and the cash that the 1630 data indicates should be in it.

The Subpostmaster would then be able to make a call to the helpline as with any other balancing issue.

There is no unique accounting treatment that would arise in such a situation. Post Office finance systems would include the 1630 data and any enquiries/disputes about that data would be handled in the same way as any other balancing queries.

- h) Any instance in the last 3 years in which Post Office, Bank of Ireland or Wincor has become aware of any theft relating to an ATM, that was carried out (or suspected of having been carried out) by any person other than a Subpostmaster or a branch employee. Please also describe the accounting treatment of any associated loss.

Please refer to the answer provided to 4.6 c.

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## 5. Transaction anomalies associated with Lottery Terminal or Scratchcards

A number of Applicants to the Mediation Scheme have complained of alleged transaction anomalies relating to the lottery terminal in their branch or the accounting process for Scratchcards. Post Office has addressed these issues in detail in its investigation reports and in its response to Second Sight's Part 2 Report.

- 5.1. Please provide full details of any instance in the last 3 years in which any Post Office or Camelot employee or representative has been found to have stolen Scratchcards or any other Lottery products/prizes.

There have been no such incidents that Post Office is aware of.

- 5.2. Has Post Office ever issued an instruction that unused Scratchcards must not be collected by Camelot representatives? Please provide full details of the circumstances that gave rise to any such instruction being issued.

Post Office procedures for the return of activated and Unactivated Scratchcards is detailed on Horizon Online Help. The relevant extract is appended at Annex 7.

Further, there are regular Branch Focus updates reminding branches not to give packs to Camelot Representatives. An example of which is appended at Annex 8.

- 5.3. Is it possible for a Camelot representative to activate packs of un-activated cards without the knowledge or approval of the Subpostmaster? How would this unauthorised activation be dealt with on Horizon?

Anyone with access to and knowledge of the Lottery Terminal in a branch (which is often located in the retail side of the premises) would be able to activate cards. Unactivated packs should, however, be held securely by the Subpostmaster and the Lottery Terminal would be expected to be subject to a form of security in branch as it is sited with cash and retail stock. Ultimately, preventing unauthorised access to the Lottery terminal is a Subpostmaster's responsibility.

If an unauthorised activation were made, it would currently lead to a Transaction Acknowledgement (TA) being sent to the branch to "rem" the pack in. Prior to the deployment of TA's, it would have led to a Transaction Correction (TC) being sent to the branch, with the same effect of remming the pack in.

Both of these events (TA or TC) would lead to a message being presented on Horizon to branch staff requiring formal acceptance by the branch. They could in turn be challenged and more evidence asked for by the Branch. The TA or TC could be validated against records from the Lottery Terminal.

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- 5.4. Is it true that whenever a claim for a prize is made, in respect of at that point an un-activated Scratchcard; the entire pack from which that card was taken is automatically activated? Please describe the accounting treatment of any Scratchcards that are activated in this manner.

Yes. The subsequent accounting would be the same as noted above in the response to 5.3

- 5.5. Prior to the changes made to Standard operating Procedures in February 2010, and the subsequent implementation of 'Ping' in February 2012, did Post Office find that many branches were making similar mistakes in regard to processing Scratchcards? Please provide full details of the types of mistakes that were routinely being made. Please also provide a schedule showing for each month, how many TCs were issued and of what aggregate value (separating TC Invoices from TC Credits) during the years 2005 - 2011 in respect of Lottery matters?

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

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## 6. Transaction anomalies associated with Foreign Currency

Post Office is not aware that alleged anomalies connected to foreign currency transactions have been raised by a material number of Applicants to the Mediation Scheme. Second Sight's questions on this subject are answered below however this issue may be better addressed on a case by case basis.

- 6.1. Please provide full details of how the Forde Moneychanger ('FM') system operates. Please explain in detail how FX deals were accounted for and the instructions that were provided to Subpostmasters.

The Forde Moneychanger was used to manage foreign currency transactions and stock in branches before these functions were carried out on Horizon. Each morning, the branch would receive a fax with the daily exchange rates on it and a member of staff would enter each rate into the machine manually. The machines also sent rates to the rate board (which displayed the rates to customers) and, once this was done, a member of staff checked the rate board to verify that the rates were displayed correctly.

All foreign currency transactions were entered individually onto the Forde Moneychanger throughout the week and the machine used a carbonated till roll to provide the customer with a receipt and branches with a copy of all transactions and balances.

Each night a stock report could be run to check the daily totals. Each Wednesday the machine was balanced and the totals were then transferred by a member of staff onto Horizon where the foreign exchange stock would be 'balanced' again. The figures were entered onto Horizon as bulk totals; individual transactions were not entered onto Horizon.

- 6.2. Also, how does the FM system, and Horizon, account for the difference between a transaction carried out at a Special FX rate and the expected Normal FX rate? As an example, if a customer was given €150,000 in exchange for £100,000, whereas the Normal FX rate would have only given him €145,000, how did the FM and Horizon systems account for the €5,000 difference? What flexibility was or is available to Subpostmasters when agreeing to non-standard FX rates?

The Forde Moneychanger machine was a stand-alone piece of equipment used to convert sterling into currencies bought and sold to customers. Print-outs from the machine detailed the value of currencies on hand that the user would validate by way of a physical check. The sterling equivalent of these currencies was then entered into the Horizon system. A revaluation amount was also detailed on the print out and entered into the Horizon system. Providing the amount of foreign currency on hand matched what the system stated should be there, the branch accounts (specifically the foreign currency stock unit) would balance as the revaluation figure accounted for the difference in exchange rates from one accounting period to the next. The actual exchange rate at which currency was sold was irrelevant as this was accommodated in the revaluation figure. So, by the Applicant selling currency at a more favourable rate to the customer and processing this through the Forde Moneychanger machine (i.e. manually altering the rate on the machine) the stock unit accounts would still balance.

A special rate for foreign currency transactions over £2,000.00 could be obtained by contacting First Rate Travel Services by telephone at the time of the transaction. The transaction would then be processed via the FM machine at the special rate.

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- 6.3. Allegations have been made about unauthorised access to transaction data by staff located at the Fujitsu office in Bracknell. As previously requested and agreed, please provide the email archives in PST or NSF format for Post Office staff working in Bracknell during 2008.

This matter has already been addressed in Spot Review 5 and also subsequently in the Post Office Investigation Report for the Applicant whose case Second Sight reviewed in Spot Review 5. Second Sight were also sent previously a draft witness statement from a Post Office employee which made it clear that there was no capability to alter live branch data. As yet, Second Sight has not suggested that the information provided by Post Office was incorrect so it is not understood what further enquiries are required in this regard.

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## 7. Transaction anomalies associated with Bank / GIRO / Cheques

- 7.1. We are aware that every night, a data file is sent to every bank into which its customers' have deposited funds, and from which its customers have withdrawn funds. It is then those banks that bear the responsibility to reconcile Post Office's record of what has taken place with their own records of the entries that have been processed each day into their customers' accounts.

This is a statement with no question to answer

- 7.2. It follows that each of those banks is expected by Post Office to take action where (for example due to telecommunications interrupts between a customer's bank and a branch's Horizon system) a customer's account has not been debited or credited by the bank when Post Office's records show that it should have been, or where a customer's account has been debited or credited by the bank when Post Office's records show that it should not have been. The bank would then usually use this data to correct its errors and remove the additional deposits from the customer's bank.

This is a statement with no question to answer

- 7.3. Please provide us with a schedule listing all TC's issued to branches in the last 12 months relating to this type of adjustment.

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

- 7.4. Please provide us with a schedule listing all amounts received back from any bank, in response to that reconciliation process in the last 12 months, clearly describing the accounting treatment of those amounts.

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

- 7.5. We are aware that in some circumstances a customer may benefit from a duplicated transaction. Please provide full details for any such instances that have been occurred in the last 3 years and state whether any Subpostmaster was held accountable (during any period beyond the end of a Trading Period) and required to make good the resultant shortfall.

Though this is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants, the question has already been addressed in Post Office's paper to Second Sight with regards to 'One Sided Transactions'

- 7.6. We are aware that the November 2008 phasing out of two-part paying-in slips increased the possibility of error or fraud impacting Subpostmasters. Please state what compensating controls were implemented as a result of this process change and describe the consultative process that was used prior to implementation. Please provide details of the anticipated cost savings associated with this process change together with the estimates of increased financial risk i.e. the cost benefit analysis carried out by Post Office.

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. Further, it is out of scope in terms of Second Sight's investigations.

Issues regarding Girobank deposits that are in scope have already been addressed in the paper at Annex 9, as previously supplied to Second Sight.

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- 7.7. Please provide us with a schedule showing the monthly volumes (and the aggregate values) of EN/TC Invoices compared to Credits that were issued to branches, in regard to Giro payments and Girobank Deposits and Withdrawals, in the years 1999– 2013.

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

- 7.8. We note that cheques not covered by a Cheque Guarantee Card were not an acceptable Method of Payment for certain transactions e.g. the sale of Foreign Currency. Please confirm whether or not Horizon is programmed to reject unacceptable Methods of Payment in these circumstances. Also, if a branch has systematically been accepting cheques in amounts that exceed approved limits, is there a process whereby those repeated errors are detected and corrected?

Horizon can advise on the method of payment, but a clerk can in practice choose to take a cheque instead of cash, for example, but still record the transaction as cash on Horizon. Horizon is programmed to indicate the appropriate methods of payment for products. If card payment is not acceptable then it would not be offered and the card would not be recognised. If cheque is not acceptable then the cheque payment icon would not appear but Post Office cannot control whether a branch chooses to ignore that fact and still take a cheque and process at the point of settling the transaction as a cash payment

Whether or not a cheque was covered by a Cheque Guarantee Card was not the reason behind whether a method of payment was acceptable regardless of whether a guarantee card was presented. Acceptable payment methods were dictated by what range of payment methods Post Office's corporate clients wanted Post Office to offer.

As regards the Cheque Guarantee Card, these no longer exist as they were phased out by banks.

- 7.9. We are aware that in some circumstances Horizon does not record transactions accurately. Specific examples include:

Post Office is not aware of the "circumstances" alleged by Second Sight in this question.

- a) Where, during Horizon's recovery mode processing, some transactions, that were not processed, or were only partially processed, may not be properly corrected when the system invites the counter clerk to correct the errors or omissions and, if the screen instructions to the counter assistant are interrupted (as would be likely to happen where there are telecommunications or power interrupts) then discrepancies may ensue;

The transaction may not be recorded accurately but that is due to how the clerk applies and follows the "recovery instructions" which have been issued to branches (please refer to Annex 10). Whilst it may have been the system that had a connectivity issue, the error in accounting would be due to the user's failure to follow the recovery instructions, not a failure by Horizon to record it accurately. Accounting process is covered by the recovery instructions at Annex 10. The quick reference guide has been provided in response to question 3.1b

- b) Where misalignment of screen icons results in the inadvertent execution of the wrong type or value of transaction;

There is a screen calibration application which can be invoked at any time by the Subpostmaster from the Engineering menu of Horizon. If the screen is out of calibration then that would affect the whole screen and not individual icons so it would be obvious to the user that the screen had gone out of alignment. If this issue is noticed and a call made to the

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helpdesk then the subpostmaster or staff member would be asked by the agent to re-calibrate their screen to fix the issue.

- c) Where Foreign Currency transactions have been incorrectly accounted for through interaction between the Forde Moneychanger System and Horizon (Note: we regard the FM system as a component part of 'Horizon'); and

As described in Section 6, such errors would be the result of user error.

- d) Where system-to-system interface problems result in incomplete transaction processing e.g. where a PINpad, PayStation or other piece of equipment fails to complete its part of a transaction.

If the above scenarios took place, the transaction would simply decline or the customer would be asked for an alternative method of payment. As the transaction would be declined and the branch's accounts thereby left in balance, there is no need for any follow-up accounting process.

- 7.10. Please provide full details of the controls and procedures that will detect these types of error and describe the accounting procedures that apply in these circumstances.

The accounting procedures for these are conducted in branch and, wherever a particular process is necessary, it has been described above.

- 7.11. We are aware that if the root cause of a lost cheque is unknown or attributed to some other cause outside the branch, Post Office will absorb this loss and not pass it on to the Subpostmaster. Please provide monthly totals showing the aggregate of all such losses in the years 1999- 2013, describing how much of that loss was absorbed by Post Office and how much was passed on to Subpostmasters.

Post Office has previously explained (via Spot Review 12) to Second Sight that lost cheques cannot be the cause of loss to a branch unless it can be shown that the branch is at fault. As Second Sight accepts this explanation, this request is disproportionate.

- 7.12. We are aware that some Subpostmasters routinely accept high-value cheques from customers that are in excess of the monetary limits set by Post Office. Please describe the procedures that were followed prior to determining these limits and state the accounting treatment of losses that occur in these circumstances.

Products may have limits (e.g. savings may only be up to certain values). But it is not the cheque that is limited. It is the investment amount. There is no high value cheque limit set by Post Office.

- 7.13. We are aware that processing or technical failures can occasionally give rise to 'one -sided' transactions. We are also aware that Post Office has stated that 'in any event a branch will never be liable for an error caused by a 'one-sided' transaction'.

This is a statement with no question to answer

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- 7.14. Please describe the controls and processes that detect one-sided transactions in circumstances such as when a customer withdraws funds from an account at the branch counter but, although he has received the cash, the account never gets debited.

This question has already been addressed by a paper appended at Annex 11 which has already been supplied to Second Sight.

Nevertheless, "One sided transaction" implies incomplete double entry. We would be grateful if Second Sight would cease the inappropriate use of the phrase "One sided transactions".

What the question actually asks about is completeness of record keeping.

If the transaction interruption occurs during the Horizon accounting process, it would be subject to recovery processes, referred to earlier and previously shared with Second Sight

If the interruption is beyond the branch, the branch accounts are not affected. How banks would then detect their own failure to debit their customer's accounts is a matter of their internal process. From a Post Office point of view, the withdrawals recorded in branch would lead to debits in a central vendor account which Post Office would in turn clear down by payments received from the bank. If the bank had not debited their customer's account then that would likely manifest itself in them not paying Post Office centrally and Post Office would challenge them with evidence of the original transactional record. This is not a situation that would lead to a discrepancy for a Subpostmaster.

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**8. Transaction anomalies associated with Stamps, Postage Labels, Phone Cards or Premium Bonds**

- 8.1. We are aware that occasionally postage labels are purchased by customers, but the printer fails to print correctly. Please describe the procedure whereby the Subpostmaster can recover the cost of the missing label in circumstances where the missing label has not been processed as a 'reject'.

After printing, Horizon explicitly asks the clerk "has this label printed correctly Y/N".

If the label has not printed correctly then the clerk confirms "no" and another label is printed.

Post Office is aware of situations of damage in the printing process and there is a process to "spoil" them so that the branch is not disadvantaged. There is a clear process in Horizon and the branch is required to retain the spoiled label. This is appended at Annex 12.

To be able to claim a label as spoiled, the branch is required to produce to Post Office the spoiled label as evidence.

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**9. Hardware issues e.g. printer problems, PIN pads, touch screens and PayStation**

- 9.1. We are aware that occasionally branch Touchscreens get "out of alignment" and that in these circumstances touching one icon generates a system response associated with another icon. Please provide full details of the controls and procedures in place that detect or prevent this type of problem.

Please refer to the answer provided to 7.9b

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**10. Failure to follow correct procedures or mis-advice by POL's Helpline**

10.1. A number of applicants have reported that Helpline staff have said "don't worry, the problem will sort itself out".

This is a statement with no question to answer.

10.2. Please provide full details of the actions taken to investigate these allegations and confirm whether or not Helpline staff have been instructed to never say "don't worry, the problem will sort itself out", or similar words.

Where such allegations have been made by Applicants to the Complaint and Mediation Scheme Post Office has fully investigated the NBSC calls logs as part of its thorough investigation and reported its findings in the Post Office Investigation Report.

In relation to certain transactions, Post Office has in place processes and controls to detect particular errors by branch staff. Where an error is detected, a transaction correction may be sent to a branch to correct a mistake. In these circumstances, it may well be correct for NBSC to advise a branch to await receipt of a transaction correction amongst other steps. Post Office understands that it is this scenario that is being referred to by Second Sight and considers that this advice may be appropriate in the right circumstances.

10.3. Please provide details of Post Office's Policy and Standard Operating Procedures in regard to those situations where customers leave parcels and come back some days later to settle their accounts. Specifically, what is Post Office's position in regard to the credit risk that Subpostmasters take, and the potentially 'false accounting' issues that those Subpostmasters risk, when they routinely allow customers (such as eBay Sellers) to drop off large quantities of parcels that are then dispatched by settling the labels to 'Fast Cash' (even though no cash has at that point been received from the customer) and then reversing all those Fast Cash payments to cheque when the customer later pays by cheque?

Post Office does not have a policy of providing credit to customers. Where Subpostmasters have done so, they have contravened Post Office operating instructions which state that at the point the transaction is completed the appropriate method of payment should be taken from the customer.

Therefore, the risk would be the Subpostmaster's in respect of an unsettled payment from the customer.

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## 11. Training and Support issues including Helpline and Audit

Another issue running through the applications to the Mediation Scheme was the alleged poor quality of training and support provided by Post Office to Subpostmasters.

Second Sight's questions on this topic are dealt with below however Post Office considers that issue relating to training and support are likely to be case specific and does not see how this can be a thematic issue suitable for Second Sight's Part 2 Report.

11.1. Please provide us with full details as to how the following issues are dealt with during the handover to a new Subpostmaster:

- a) Ensuring that the new Subpostmaster has manager/supervisor-level access rights to the branch's Horizon system;

The Field Support (FSA) team involved in the branch opening process would create the User ID for the incoming Postmaster at the correct (maximum) level of manager. The audit team would:

- Delete any obsolete users from the system and ensure that the incoming Postmaster and any new staff members are added to Horizon in the correct format.
- Check the Horizon User ID's against the list of Registered Assistants.
- Any staff working in the branch that are not registered with HR should be reported via the Anomalies Report that the FSA completes to notify HR so that they can follow up with the Postmaster.
- Inform the Postmaster of the correct process for registering assistants with HR
- Set new alarm codes once the transfer is completed under FSA supervision.
- Add new user(s) to Horizon ensuring that all staff are also listed on the reporting form to HR.

- b) That every employee has a unique User ID and password;

Please refer to answer provided to 11.1a.

- c) Ensuring that every till or employee and ATM is associated with a separate stock unit; and

Some branches operate with just one "shared" stock unit as they don't feel the need to have individual units (this depends on the branch's preference).

ATM's are required to have a dedicated stock unit. This is checked on branch audit. If the branch does not have a separate ATM stock, one is created (instructions on how to do this can be found in the Additional Horizon Procedures on EASE) which stands for 'Engaging and Supporting Effectively' and is the library of tools, official forms and processes from which the Field Team take all of their instructions in the deployment of all types of Field Support Activity

- d) Ensuring that all branch employees are approved by Post Office;

Please refer to answer provided to 11.1a.

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11.2. We are aware that, when attempting to correct errors made at the counter, and to deal with incoming TCs, some Subpostmasters make matters worse by making further mistakes at that point. Please describe the controls and procedures in place to detect and prevent or correct these types of commonly made error.

“Correcting errors” and “dealing with incoming TCs” are different things. A branch may be seeking to correct an error it has spotted itself well before a TC becomes necessary.

When correcting errors, some Subpostmasters do indeed sometimes make further errors. The controls and process are:

- Through their own vigilance in concluding a transaction they should spot issues;
- Through daily cash declarations and other routine supervision of their branch they should spot errors;
- Having spotted an issue they can use local transaction logs to review and reflect on transactions; and
- If they cannot determine the root cause themselves then they can call the Helpline who in turn may involve FSC. However, for many errors made at the counter by branch staff, there may be limits on what investigative support Post Office is able to provide because it is not aware of what is physically happening in each branch – only a Subpostmaster knows this.

11.3. Please provide full details of the following:

- a) Any surveys or other quality control procedures in order to measure user satisfaction with regard to the NBSC and HSD Helplines;

NBSC performance is measured on the time advisors take to answer the phone, referred to as a “Grade of Service”. 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). For complaints, NBSC’s target is to resolve 95% of complaints within 10 working days

Further, the Subpostmaster engagement survey also measures satisfaction levels of users of the NBSC – the most recent of which showed that 83% of respondents felt that the support from NBSC was effective.

- b) The extent to which that advice provided by the NBSC and HSD Helplines is monitored and quality checked;

All advisors are coached through a robust quality process called ‘rewarding skills’. This involves the team leader listening into a selection of calls and providing feedback on call handling, customer service and quality of the response.

- c) The extent to which the written reports (call logs) of the NBSC and HSD Helplines are routinely compared to the actual calls and quality checked;

As part of the quality monitoring as outlined in 11.3b, the actual call log is checked to ensure that it has been categorised correctly and relevant details of the call are logged. There are no written reports as all calls are logged onto a robust call logging system.

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- d) Any surveys or quality control techniques used to assess the adequacy of training provided to Subpostmasters; and

Post Office uses the independent external organisation Kendata to collect feedback from all customers of Field Team Activity, including Training, Audit and Intervention activities.

Following these support activities which are supplied by the Field Support Advisors (FSA), across all branch segments in the Network, the FSA will ask the Subpostmaster, Operator in Charge, and all training delegates, if they will complete and return a double sided form to describe their experience in terms of the FSA's performance and the effectiveness of the activity itself.

A form is handed out at every activity as described below:

- At all Audits including Branch Closure Audits;
- Classroom and on-site training (BAU & NT);
- Post Transfer Visits;
- Interventions visits - including Non-Conformance Visits (NCV's) e.g. Mail Segregation / Dangerous Goods / other Non – Compliance/ standards activities.

Exceptions include:

- An audit resulting in Suspension;
- Special Request audits – where fraud is suspected.

#### Performance Management

All feedback is submitted directly to Kendata, then summarised and sent to the line managers of the Field Team and the individual FSA. The reports are tailored to the different levels of line management on terms of detail ranging from full detail including comments at the FSA and FTL level, up to an overview of performance by teams and activity at Senior Manager level.

Each Field Team Leader (FTL), the first line managers of the FSA's, will discuss the performance of the FSA's at their appraisals unless there are any concerns raised, in which case this is dealt with as soon as the reports are received. If further information is needed to hold an effective discussion, the FTL will call and speak to the person providing the feedback, wherever possible, to further understand the issues.

The FSA performance, and the FTL's team performance is discussed monthly as part of their appraisal with the Regional Manager.

The feedback received on the activity itself is used alongside other information gathered by the Lead Team to drive and inform change and improvements to the Field Team support offer.

Examples of the forms used are appended at Annexes 13, 14 and 15:

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- e) Any surveys or quality control techniques used to assess the adequacy of training provided to branch staff other than Subpostmasters.

This is a duplicate of question 11.3d.

#### 11.4. Process issues at the end of each Trading Period

This question is not understood.

#### 11.5. Please provide full details as to how and when Post Office notifies Subpostmasters that they may extend a Trading Period into what should be the next Trading Period.

Branch trading dates are communicated to branches annually through Branch Focus (the branch newsletter) and are also updated on Horizon online help. If a revision was needed during the year the same process would be followed.

If a branch wished to request permission to extend their trading period they should contact NBSC. This would only be permitted in highly exceptional circumstances. NBSC would contact the FSC Relationship Manager who may consult with the Network Contract Manager. The formal response could come from any of the three parties, depending on the circumstances.

#### 11.6. Please provide full details as to the options available to any Subpostmaster who, at the end of a Trading Period, discovered a shortfall that was:

- a) Larger than they could 'centrally settle'; or

The upper limit on being able to 'centrally settle' is £999,999.99. Should such an incident occur, Post Office would manage by exception.

- b) Only discovered after the Helpline had closed for the evening.

They could delay closing the Trading Period until the next morning – they could then contact NBSC before opening the following day. However, well run branches would be unlikely to have last minute surprises like that, because it would have become evident during other daily cash declaration processes and checks during the preceding weeks. Last minute surprises usually reflect poor planning / management by a Subpostmaster.

#### 11.7. Bearing in mind that some TCs would be issued many months after the original shortfall, what options are available to Subpostmasters to 'fund' shortfalls that exceed their 'central settlement' limit?

Please refer to the answer provided to Q 11.6a.

#### 11.8. Please provide full details as to the consequences of introducing 'Monthly Trading' periods. For example, did Post Office notice an increase in the number of branches suffering discrepancies that led to contract termination?

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

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11.9. We understand that when Post Office moved to Monthly Trading, BranchSuspense Accounts thereafter had to be closed out to zero at the end of each Trading Period. Please provide full details of options available to a Subpostmaster dealing with the investigation of a loss just before the end of a Trading Period.

This is answered in Section 9 of Second Sight's Part 1 Briefing.

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**12. The contract between the Post Office and Subpostmasters**

Some Applicants have made complaints in relation to the contract between them and Post Office. Second Sight's questions arising out of these complaints are answered below.

12.1. Please provide full details of the following:

- a) Any insurance coverage Post Office has ever offered to arrange for its Subpostmasters;

This is out of scope and Post Office is not aware of this issue being raised in any CQR by an Applicant.

- b) The measures Post Office takes in order to reduce the risk that incoming Subpostmasters, who take over an existing branch and its staff, may be inheriting employees who have been found to be, or are suspected of having been, incompetent or dishonest. In this context, was there, or is there now, any competency and integrity verification, performance appraisal, or formal disciplinary/warning process whereby outgoing Subpostmasters and Post Office's own Line Managers could warn incoming Subpostmasters where questions had been raised?

Staff members/Subpostmasters' assistants are employees of the Subpostmaster and not Post Office Ltd. It is the Subpostmaster who performance manages the staff members including any disciplinary action as appropriate. It is also a Subpostmaster who needs to assure themselves that any assistants are suitable for the role by conducting interviews, seeking references, etc.

When a Subpostmaster recruits a new member of staff there are a number of checks that have to be undertaken (e.g. right to work in the UK, proof of identity and proof of address along with their five year work history).

In addition, the individual must be registered with Post Office Ltd so the security checks can be undertaken (e.g. criminal record check). There is an annual check of all assistants to ensure they have been cleared through the pre-employment checking system. A recruitment file has to be established and maintained holding the basic paperwork for each assistant (please see section 15 of the Subpostmaster contract for services, paragraph 4, for further information).

Under their contract for services with Post Office, every Subpostmaster must establish, maintain and adhere to a formal disciplinary policy in respect of any assistants who fail to comply with the Subpostmaster obligations as detailed in the contract. The disciplinary policy must include the content as defined in the contract and records must be retained (please see Section 15, paragraph 9, of the Subpostmaster contract for services paragraph 9 for further information).

- c) The measures Post Office takes in order to satisfy itself that potential Subpostmasters have the necessary skills to meet the challenging requirement of being a Subpostmaster?

This is undertaken through:

- a) The provision of a business plan to support an individual's application; and  
b) A competency based interview of the individual which is undertaken by trained assessors.

At interview, applicants are assessed on their ability to explain their business proposition, answer any questions raised and provide examples to demonstrate their understanding of what is required across a number of competency areas. The business plan is also assessed financially

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by the Finance team.

- d) How Post Office ensures that Subpostmasters have a copy of the Contract no later than the day that they commence their position.

The contract document is issued with the offer of appointment when an individual is advised they have been successful at interview. This has been the process since 2001.

- 12.2. We understand that many Subpostmasters have only signed the one-page 'Acknowledgement of Appointment' Letter and not necessarily been provided with a copy of the Contract. Please describe the basis upon which Post Office considers the Contract enforceable in these circumstances?

This is out of scope.

- 12.3. We understand that Post Office considers the terms of the Contract to be broadly similar to those used in franchising arrangements across the UK. Please provide full details evidencing this proposition?

This is out of scope.

- 12.4. We understand that Post Office does not recommend that its would-be Subpostmasters take legal advice (in regard to the Standard Contract) prior to entering into that contract. This appears to be contrary to best practice procedures. For example, the British Franchise Association recommends that independent legal advice should always be taken prior to signing a franchise agreement. Please provide full details as to why Post Office does not comply with this best practice recommendation?

It is open to all Subpostmasters to seek legal advice at any time and Post Office does not block this in any way.

The reference to the BFA standards is not applicable here. The BFA recommendation is directed to franchisees (in a similar position to Subpostmasters). The BFA does not make a recommendation franchisors (in a similar position to Post Office) to insist on legal advice being taken by franchisees.

- 12.5. Several Applicants have reported their concerns that Post Office employees acted inappropriately in connection with the closure of transfer of their branches. The inference of the majority of the remarks made is that certain Post Office employees acted unprofessionally, either by leaking confidential information (that was damaging to the Applicants) to potential buyers and/or by thwarting their efforts to sell a viable branch until it was no longer viable (and consequently of lower value).

This is out of scope. These are very serious, but wholly unsubstantiated, allegations that Post Office denies.

- 12.6. The further inference is that certain Post Office employees seemed to be in some way motivated or incentivised to find reasons to close branches, that were already destined to close under the various closure and re-invention programmes, without cost to Post Office.

This is out of scope. These are very serious, but wholly unsubstantiated, allegations that Post Office denies.

- 12.7. Please provide full details of the work performed to refute these 'bad faith' allegations.

This is out of scope. These are very serious, but wholly unsubstantiated, allegations that Post Office denies.

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- 12.8. Please provide full details of Post Office's policy and procedures in respect of writing off amounts due from Subpostmasters. Please also provide similar information relating to Crown Offices. Please also describe the write off authorisation limits applicable to different grades of staff.

Subpostmaster write off levels are documented. Please see a copy of the write-off process for agency branches appended at Annex 16.

Losses from Crown Offices form part of the individual Crown Office's P&L and ultimately Post Office's P&L.

Though reports have been issued to Crown RSMs on levels of losses, it is not a case of authority levels. Tolerance is set at individual level. As a general rule an 'escalation' investigation is initiated after three losses of in excess of £30, although there are variations to this depending on local and individual circumstances. Branch Managers also implement a series of surprise checks on stock units and separately carry out supervisory misbalance checks when a stock unit is showing £30 or more loss on two consecutive daily cash declarations.

Discrepancies can also be identified at the end of each trading period where the Branch Manager undertakes a full cash and stock reconciliation. An 'escalation' investigation can be initiated as a result of errors found as part of that process.

Crown Offices discrepancies are rectified using the same Transaction Correction (TC) process as is used in Subpostoffices. TCs are sent to the Branch Manager who is responsible for accepting or querying the TCs based on the evidence in branch. This process could also identify discrepancies which could result in initiation of an 'escalation' investigation.

Depending on the circumstances, actions against an individual member of staff in cases of persistent negligence or wrongdoing can include disciplinary action, dismissal and prosecution.

- 12.9. Please provide details of Post Office's Policy and Standard Operating Procedures in regard to helping Subpostmasters recover shortfalls that they have made good as a result of proven theft by branch employees.

Recovery of losses caused by theft by branch assistants is a matter for Subpostmasters as the assistants are their employees. Post Office may help, as a matter of goodwill, but there is no policy in this regard.

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### 13. Post Office Investigations Function

- 13.1. Please provide full details of any criticism of Post Office's (or Royal Mail's) investigative actions or of its employees in any Court judgement or ruling.

This question is out of scope.

- 13.2. Please provide a schedule showing the number of requests from Subpostmasters for assistance in investigating discrepancies their branch's accounts for each of the years 1999– 2013. Please also show for each year the number of requests when assistance was provided.

Post Office does not hold this information. To undertake this exercise would require POL to review 14 years of calls to NBSC and HSD from a network of almost 12,000 branches. This request is clearly disproportionate.

- 13.3. Please provide a schedule showing the number of investigations into branch surpluses or shortfalls for each of the years 1999 – 2013 clearly setting out the number of investigations in each category.

Post Office does not hold this information. To undertake this exercise would require POL to review 14 years of data from a network of almost 12,000 branches. This request is clearly disproportionate.

- 13.4. In relation to requests for assistance, we understand that, where several instances of the same problem occurs, a 'problem record' is created and the root cause of the issue is identified and fixed (i.e. to avoid further instances). Please provide a schedule of all significant 'problem records' and all process and software modifications (excluding "minor amendments to processes") that have been implemented, in the years 1999 - 2013, that were designed to reduce the frequency and impact of "errors made at the counter".

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

- 13.5. Please provide full details and results of any user satisfaction surveys Post Office has conducted into the Horizon system.

Post Office constantly receives feedback on Horizon from its tens of thousands of users through a variety of sources.

The primary sources are the NBSC, Horizon Service Desk, Branch User Forum and NFSP. Feedback is also delivered through a variety of BAU processes, for example, from contact with the Finance Service Centre, and through discussion in the field with Contract Advisors and Field Support Agents.

That feedback is then implemented through regular system reviews and upgrades implemented by both POL and Fujitsu, and in product development (e.g. to streamline the processes for transacting a new product).

- 13.6. We understand that many of the unexplained branch losses are attributed to "errors made at the counter". Please provide a schedule showing the number and value of unexplained branch losses or "errors made at the counter" for each month for the period 2008 to 2013. Please also provide similar information relating to Crown Branches including the amounts written off each month.

Post Office does not hold this information

- 13.7. Please provide a schedule showing the number and value of ENs and TCs issued to branches for each of the years 1999 to 2013 (we need to see separate volumes and values for Credits and Invoices).

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This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

- 13.8. Please provide full details of changes to the Horizon system and/or to its Standard Operating Procedures that were designed to reduce the risk, incidence and severity of errors and fraud, as a direct result of investigations carried out into unexplained branch shortfalls, or in response to problems, vulnerabilities and susceptibility to errors or fraud, for the years 1999– 2013.

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

However, it should be noted that Post Office continually looks at ways to improve processes– a good example being the Transaction Acknowledgement process that was introduced for Camelot Lottery sales and Scratchcard activation and Paystation transactions. The TA process has mitigated errors in branch and reduced the number of Transaction Corrections issued to branches for these product areas

Confidential

**14. Surpluses**

14.1. Please provide full details as to how Post Office trackssurpluses and shortfalls at the end of Trading Periods at both branch level and in aggregate.

This data is not collated by Post Office but at an individual branch level it can usually be reconstructed from the branch's Horizon logs so long as the branch has accurately conducted its end of branch trading processes.

14.2. Is it possible that an error which has generated a surplus in one branch can result in a shortfall in another branch? Please provide full details as to how this may occur.

No (except for in connected Core and Outreach branches where remittances of cash between the branches are not correctly recorded by branch staff).

Confidential

## 15. Suspense Accounts

Post Office has already addressed Second Sight's questions on its Suspense Accounts in its Suspense Accounts paper. This paper demonstrated that so long as a branch follows Post Office's standard operating practices, it cannot suffer a loss due to the operation of a Suspense Account.

- 15.1. Please provide full details of all Suspense Accounts held by Post Office. Please also provide a schedule, for each year end between 2008 and 2013, showing the amounts transferred to Post Office's Profit and Loss Account (both debits and credits) for each Suspense Account held.

It appears that this question is targeting whether the operation of the Suspense Account could ever wrongfully disadvantage a Subpostmaster. As mentioned above, Post Office has already addressed this question in its Suspense Account paper. Given that the data sought in this question would only show organisation-wide Suspense Account movements, and not branch level data, we should be grateful if Second Sight could clarify precisely what information it is seeking and how this will assist in the resolution of individual cases? Post Office will then look to see what information is available and can be provided to address those issues.

- 15.2. Please also provide a schedule, for each year end between 2008 and 2013, showing the balance held on each Suspense Account (both credits and debits).

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

- 15.3. Please provide an electronic report in CSV format or similar showing for the last 3 years the following information for every item posted to any Suspense Account:

- a) Full transaction details;

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

- b) Originator's reference;

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

- c) Any comments or notes associated with the transaction; and

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

Confidential

- d) Full account details of the account the transaction relates to or is being transferred to.

This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.

- 15.4. Please describe the controls used to detect errors in Post Office client reports that if not corrected could give rise to an incorrect TA or TC being issued.

Where Post Office receives client reports, these are part of matching accounts, where Horizon data is matched to the client data. Therefore, if the client report was wrong, it should lead to a difference compared to the Branch data. Post Office would then investigate that difference. If a wrong approach were made to a branch, the branch themselves could, in turn, challenge it.

# Annex 1

# Methods of Payment

## Cash Handling

ch\_index v1.0

### Introduction

This section deals with the procedures relating to accepting cash (notes & coin) as a method of payment for products and services in all Post Office branches.

It provides general details about banknotes and Plastic Banknote Envelopes (PBNEs)/banded notes that you need to know in order to accept cash as payment, explains in detail the treatment of mutilated, contaminated or dyestained, and counterfeit banknotes. It also includes the procedures to be followed to ensure that Post Office Ltd meets its regulatory obligations to comply with Anti Money Laundering legislation.

A subsection has also been added about various types of discrepancy, including how to deal with alleged discrepancies in customer payments at the counter.

<b>F1</b>	General information	Money Laundering	<b>F5</b>
<b>F2</b>	Damaged or mutilated banknotes		<b>F6</b>
<b>F3</b>	Contaminated/dye-stained banknotes		<b>F7</b>
<b>F4</b>	Counterfeit banknotes		<b>F8</b>
<b>Topic Home</b> ←	<b>Next Topic</b> →		<b>Search</b> T1

## Methods of Payment

### Cash Handling / Counterfeit banknotes

ch\_05 v1.0

#### Introduction

Counterfeit banknotes must always be withdrawn from circulation.

The Counterfeit Notes or Discrepancies Found in Banknote Envelopes form P6005 is now used to claim all note shortages caused by counterfeits, both those found in loose cash or in cash Remittances in Post Office branches or those returned by customers who were paid them in transactions.

You should use the section on the form appropriate for the type of discrepancy you have found, as detailed below and remit the counterfeit banknotes on the Horizon Online™ system if appropriate.

<b>F1</b>	Identifying counterfeit banknotes	Counterfeit notes returned by a customer	<b>F5</b>
<b>F2</b>	Treatment of counterfeit banknotes	Counterfeit notes impounded when presented by customers for a transaction	<b>F6</b>
<b>F3</b>	Remitting counterfeit banknotes	Counterfeit notes found in a deposit prepared by an Alliance & Leicester business depositor	<b>F7</b>
<b>F4</b>	Counterfeit notes found loose in official cash		<b>F8</b>
<b>Topic Home</b> ←	<b>Next Topic</b> →		<b>Search</b> T1

## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 1 of 2)

ch\_05\_01 v1.0

### Identifying counterfeit banknotes

The most reliable method of identifying a counterfeit banknote is to compare it with a note of the same type which is known to be genuine.

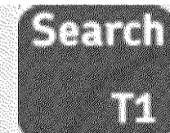
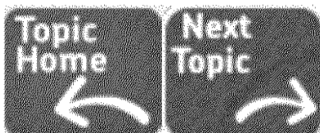
However, genuine banknotes issued by all Sterling banknote issuers (except Danske Bank and Ulster Bank) have a security thread embedded in the note.

In addition, all banknotes have the following key security features which should be checked:

#### The feel of the paper

A note in reasonable condition

- should be crisp
- should not be limp, waxy or shiny
- should have heavily printed areas which feel raised and rough to the touch.



## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 2 of 2)

ch\_05\_01a v1.0

### Identifying counterfeit banknotes

#### The quality of the printing

The printed condition of banknotes should always adhere to the following standards:

- lines should be sharp and well defined with no blurred edges
- colours should be clear and distinct

#### The watermark

The watermark on a banknote:

- should be barely apparent until held up to the light
- should become clearly defined when held up to the light

## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 1 of 5)

ch\_05\_02 v1.0

### Treatment of counterfeit banknotes

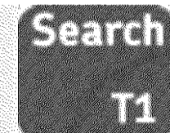
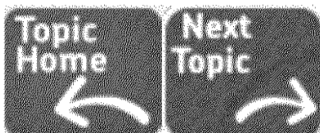
It is illegal to knowingly pass on a counterfeit banknote. After checking a banknote to determine whether it is genuine, any that you suspect to be counterfeit must be impounded. Under no circumstances should a suspected counterfeit note be returned to the customer.

When you impound a banknote that you suspect to be counterfeit:

- Place the note in a polythene banknote envelope and mark the envelope 'Forged' or 'Counterfeit'

All instances of counterfeit notes must be recorded on the Counterfeit Notes or Discrepancies Found in Banknote Envelopes form P6005.

In all situations when a counterfeit note has been found, you must complete the top section of the form. You will also need to obtain an incident reference number from the NBSC which must be recorded at the top.



## Methods of Payment

### Cash Handling / Counterfeit banknotes (Page 2 of 5)

ch\_05\_02a v1.0

#### Treatment of counterfeit banknotes

- 1 - Top section - this must be completed in all cases of counterfeit notes
- 2 - Reference number - this must be obtained from the NBSC in all cases of counterfeit notes
- 3 - To be completed if the counterfeit note was found in loose cash in your branch
- 4 - To be completed if the counterfeit note was paid to a customer in your branch and you exchange it for a genuine note

**COUNTERFEIT NOTES OR DISCREPANCIES FOUND IN BANK NOTE ENVELOPES**  
Instructions are included on the reverse of this form.

**1** → **GENERAL**

Office name ..... Incident reference number .....  
FAD code [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] (Telephone the Network Business Support Centre, NBSC)  
SABREP/DB Code [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]  
Counterfeit note(s) value .....  
Number of notes .....

**2** →

**COUNTERFEIT NOTE REPORT**  
(Tick one box and fill in the relevant details below; completion instructions are on the reverse).

**3** → **1. Counterfeit note(s) found loose in official cash**

Discovered by (signature) .....

Checked by (signature) .....

**4** → **2. Counterfeit note(s) returned by a customer and exchanged**

Name, address and telephone number of customer returning a counterfeit note receipt:

Name .....  
Address .....  
.....  
.....  
.....  
Telephone no. ....

## Methods of Payment

### Cash Handling / Counterfeit banknotes (Page 3 of 5)

ch\_05\_02b v1.0

#### Treatment of counterfeit banknotes

1 - To be completed if you have impounded the counterfeit note when a customer presented it as payment at the counter

2 - To be completed if you found the counterfeit note in a PBNE in your Cash Remittance

The form is divided into two main sections, each indicated by a circled number and an arrow:

- Section 1: Impounded counterfeit note(s)**
  - Section header: **3. Impounded counterfeit note(s)** (with a checkbox)
  - Field: Description of customer returning or tendering the impounded note(s)
  - Field: Impounded by (signature)
  - Personal details box:
    - Height
    - Age
    - Sex: MF
    - Nationality
    - Hair colour
    - Eye colour
    - Clothing
- Section 2: Discrepancy found in bank note envelope report**
  - Section header: **4. Discrepancy found in bank note envelope** (with a checkbox)
  - Fields: Received from, Date received, Date opened, Shortage/surplus\* (delete as applicable)
  - Fields: Cash Centre reference number, Opened by (signature), Witnessed by (signature)

The form number **PH005** is located at the bottom right corner.

The sections of the form that you will need to complete **in addition to** the top section and the incident reference number, which you must obtain from the NBSC, will depend upon the circumstances in which the discovery of the counterfeit note occurred. The instructions in each case are mandatory and must be carefully followed.

# Methods of Payment

Cash Handling / Counterfeit banknotes (Page 4 of 5)

ch\_05\_02c v1.0

## Treatment of counterfeit banknotes

If a counterfeit note is discovered in official cash (ie you cannot establish where it originally came from), you must complete section 1 and tick the corresponding box (see link).

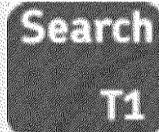
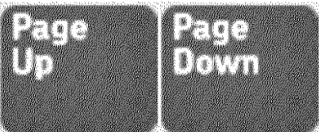
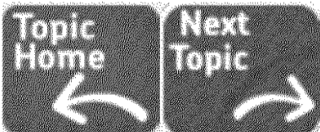
Counterfeit  
Notes Found  
Loose in Cash



If a counterfeit note is found by a customer, you must deal with the note according to the individual circumstances of the case. Notes that are given to customers that are found to be counterfeit at the time of the transaction should be exchanged for genuine notes. When a customer returns with a counterfeit banknote that they claim they were paid in an earlier transaction, you should try to discover, if possible, if the customer's claim is genuine, by checking details of their transaction.

Unless you are convinced the claim is false, you should exchange the note and complete section 2 of the P6005, and tick the corresponding box (see link).

Counterfeit  
Notes returned  
by Customer



## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 5 of 5)

ch\_05\_02d v1.0

### Treatment of counterfeit banknotes

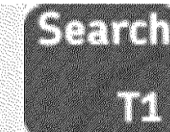
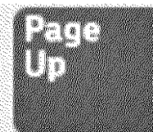
If a customer presents a counterfeit note as payment during a transaction at the counter (this includes 'loose' Alliance & Leicester cash deposits), you must impound the note and issue the customer a receipt.

In this case you complete section 3 of the P6005 and input the customer's name, address and telephone number in section 2 (see link).

Customer  
Notes  
Impounded



When a counterfeit note is found in a Plastic Banknote Envelope (PBNE)/banded notes as part of your Cash Remittance, you must complete section 4 of the form and tick the corresponding box.



## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 1 of 1)

ch\_05\_03 v1.0

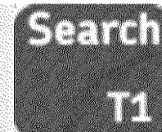
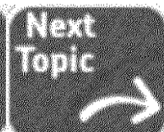
### Remitting counterfeit banknotes

In all cases you must remit the counterfeit banknote to your Cash Centre, unless it has been collected by the Police, when you should send a receipt signed by the Police instead.

When a counterfeit banknote is found in a PBNE deposited by an Alliance & Leicester customer, you should contact your Cash Centre and ask them to communicate with the customer or Alliance & Leicester direct.

In this case you claim for the value of the note in the normal way but ask your Cash Centre to give you a reference to enter in section 4 of the P6005 (see link).

Counterfeit  
Notes Via  
A&L Depositor



## Methods of Payment

### Cash Handling / Counterfeit banknotes (Page 1 of 2)

ch\_05\_04 v1.0

#### Counterfeit notes found loose in official cash

If you discover a counterfeit banknote or notes amongst official cash in your branch (ie. the original source of the note cannot be identified):

- Telephone the Network Business Support Centre (NBSC) to obtain an incident reference number
- Complete section 1 of form P6005 and tick the corresponding box

- 1 - The signature of the person who discovered the counterfeit note(s)
- 2 - The signature of the witness (if applicable)

**1** **2**

1. Counterfeit notes found loose in official cash

Discovered by (signature) *Tracy Cox*

Checked by (signature) *Gary Parlour*

- Input the general details (including the incident reference number supplied by the NBSC) at the top of the form

## Methods of Payment

### Cash Handling / Counterfeit banknotes (Page 2 of 2)

ch\_05\_04a v1.0

#### Counterfeit notes found loose in official cash

- 1 - The name of your branch
- 2 - Your branch code
- 3 - The NBSC incident reference number
- 4 - The number of counterfeit notes
- 5 - The value of counterfeit notes

**COUNTERFEIT NOTES OR DISCREPANCIES FOUND IN BANK NOTE ENVELOPES**  
Instructions are included on the reverse of this form.

**GENERAL**

Office name: *PHOODING LANE, BO* Incident reference number: *H10935548*  
FAD code:  (Telephone the Network Business Support Centre, NBSC)  
SAPADS Plant Code:   
Counterfeit note(s) value: *£20*  
Number of notes: *1*

**COUNTERFEIT NOTE REPORT**  
(Tick one box and fill in the relevant details below: completion instructions are on the reverse).

Diagram annotations: 1 points to Office name, 2 points to FAD code, 3 points to Incident reference number, 4 points to Number of notes, 5 points to Counterfeit note(s) value.

- Remit the counterfeit banknote(s) as unusable banknotes on the Horizon Online™ System.

Inputting Cash Remittance Out  F1

## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 1 of 7)

ch\_05\_05 v1.0

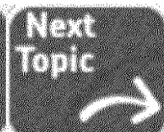
### Counterfeit notes returned by a customer

#### At the time of the transaction

If the customer complains at the time of the transaction that they have been paid with a counterfeit banknote:

- Check whether the banknote appears counterfeit (see link)
- If appropriate, exchange it for a genuine banknote.

Identifying  
Counterfeit  
Banknotes



## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 2 of 7)

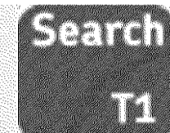
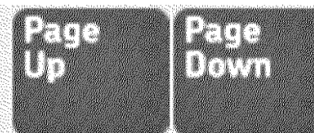
ch\_05\_05a v1.0

### Counterfeit notes returned by a customer

#### After the transaction

If a customer leaves the counter but subsequently returns with a counterfeit banknote (or an official headed stationery receipt from a retailer or banking organisation because a banknote has been impounded by them):

- Check the banknote/official receipt
- Make a note of:
  - the customer's name and address
  - their telephone number
  - their description
- Advise the customer that you will need to check local records before you can make a compensating payment
- If possible, check whether payment has recently been made (eg. for a Pension or Allowance).



## Methods of Payment

### Cash Handling / Counterfeit banknotes (Page 3 of 7)

ch\_05\_05b v1.0

#### Counterfeit notes returned by a customer

##### After the transaction

If you believe the customer's claim is genuine:

- Complete section 2 of the form P6005 and tick the corresponding box
- Please ensure that you obtain the customer's full name and address, and telephone number

**2. Counterfeit note(s) returned by a customer and exchanged**

Name, address and telephone number of customer returning a counterfeit note: receipt:

Name: KEVIN THOMPSON  
Address:  
Telephone no.: GRO

**3. Impounded counterfeit note(s)**

Description of customer returning or tendering the impounded note(s):  
Height: Age:

- Advise the customer that you need to consult your helpline before the note(s) can be exchanged
- Telephone the NBSC to obtain an incident reference number

## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 4 of 7)

ch\_05\_05c v1.0

### Counterfeit notes returned by a customer

#### After the transaction

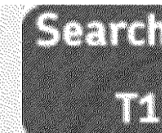
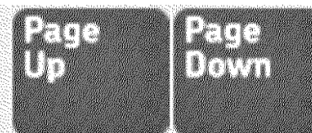
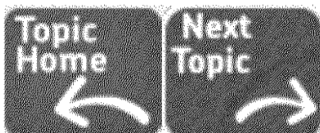
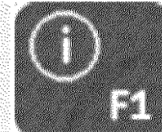
If you believe the customer's claim is genuine:

- Input the incident reference number given by the NBSC at the top of the form with other general details

COUNTERFEIT NOTES OR DISCREPANCIES FOUND IN BANK NOTE ENVELOPES	
Instructions are included on the reverse of this form.	
<b>GENERAL</b>	
Office name <i>Much Hadham Post Office</i>	Incident reference number <i>H19924386</i>
FAD code <input type="text" value="077052X"/>	(Telephone the Network Business Support Centre, NBSC)
SAPADS Plant Code <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	
Counterfeit note(s) value <i>£20</i>	
Number of notes <i>7</i>	

- Exchange the counterfeit banknote/official receipt for a genuine one (but only if you have been given an incident reference number by the NBSC)
- Remit the counterfeit banknote(s) as unusable banknotes on the Horizon Online™ System .

Inputting Cash  
Remittance  
Out



## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 5 of 7)

ch\_05\_05d v1.0

### Counterfeit notes returned by a customer

#### After the transaction

If you do not believe the customer's claim is genuine:

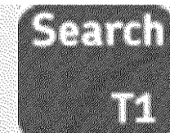
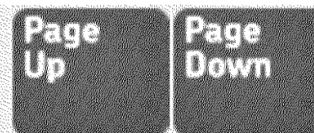
- Try to impound the banknote, if possible.

If the customer refuses to hand over the note:

- Advise the customer to report the counterfeit note to the Police.

If the customer is dissatisfied with this advice:

- Ask them to call the customer helpline on 08457 223344.



## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 6 of 7)

ch\_05\_05e v1.0

### Counterfeit notes returned by a customer

#### After the transaction

If you do not believe the customer's claim is genuine:

If you manage to impound the note:

- Complete section 3 of the Counterfeit Notes or Discrepancies Found in Banknote Envelopes form P6005 and tick the corresponding box

		Telephone no. ....
<b>3. Impounded counterfeit note(s)</b> Description of customer returning or tendering the impounded note(s)		<input checked="" type="checkbox"/>
Impounded by (signature): <i>Sanjit Shah</i>	Height: <i>APPROX 5ft</i> Age: <i>APPROX 40</i>	Sex: <i>M</i> Nationality: <i>GRO</i>
	Hair colour: <i>DARK</i> Eye colour: <i>BLUE/GREY</i>	
	Clothing: <i>LEATHER JACKET, TEE SHIRT, JEANS</i>	

- Issue the customer with a Miscellaneous Receipt P1091 in exchange for the banknote (ensure that you input the value of the note and the serial number on the receipt)
- Call the NBSC to obtain an incident reference number

## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 7 of 7)

ch\_05\_05f v1.0

### Counterfeit notes returned by a customer

#### After the transaction

If you do not believe the customer's claim is genuine:

- Input the incident reference number given by the NBSC at the top of the form with the other general details

COUNTERFEIT NOTES OR DISCREPANCIES FOUND IN BANK NOTE ENVELOPES	
Instructions are included on the reverse of this form.	
<b>GENERAL</b>	
Office name: <u>INKPEN LANE POST OFFICE</u>	Incident reference number: <u>H16782245</u>
FAD code: <u>091325X</u>	(Telephone the Network Business Support Centre, NBSC)
SAPADS Plan Code: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
Counterfeit note(s) value: <u>£50</u>	
Number of notes: <u>1</u>	
<b>COUNTERFEIT NOTE REPORT</b>	
(Tick one box and fill in the relevant details below; completion instructions are on the reverse).	

- Report the counterfeit note to the Police and ask them to collect it
- When the Police call to collect the note, ask them to supply an official receipt in exchange
- Keep the copy of the form P6005 and the Police receipt in your branch for one year in case of further enquiries.

**Please note:** If the Police do not collect the note or refuse to supply a receipt, you should send the counterfeit note and the form P6005 to your Cash Centre. You must not claim for the value of the note or remit the value of the note on the Horizon Online™ system as you are not exchanging it for a good one.

## Methods of Payment

### Cash Handling / Counterfeit banknotes (Page 1 of 5)

ch\_05\_06 v1.0

#### Counterfeit notes impounded when presented by customers for a transaction

#### Transactions where you believe that the customer knows the banknote is counterfeit

If a customer pays you a banknote in a counter transaction for products or services and you suspect it to be counterfeit:

- Issue a Miscellaneous Receipt P1091 in exchange for the banknote and include the customer's name and address with the details on the receipt
- Keep a personal note of the customer's description
- Advise the customer that the banknote will be handed to the Police
- Report the incident to the Police by telephone and arrange for the suspect banknote to be collected
- Hand the impounded banknote, with any further details available, to the Police
- Ensure that you obtain a Police receipt (or Miscellaneous Receipt P1091 stamped/endorsed by the Police) in exchange for the note
- Keep the receipt in your branch for 12 months before destroying it.

POST OFFICE

Receipt for Miscellaneous payment

Received with thanks: *One counterfeit banknote X £20*

From: *GARY PARLOUR*

£ 20.00

Additional details e.g. Office Code, Cheque No., Giro Acc. No. etc.  
*GRO*

Certified *T. Cox*

This receipt must be signed in full  
initials are not sufficient

P1091

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T1

## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 2 of 5)

ch\_05\_06a v1.0

### Counterfeit notes impounded when presented by customers for a transaction

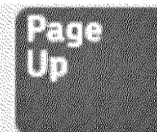
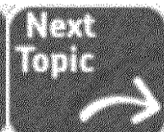
#### Transactions where you believe that the customer knows the banknote is counterfeit

**Please remember:** The receipt has no monetary value as the customer was not able to use the note as payment for a transaction

If the Police refuse to supply a receipt (or to collect the counterfeit banknote):

- Follow the procedure described in 'Transactions where you believe that the customer does not know the banknote is counterfeit'; see link.

Customer not aware of Counterfeits



## Methods of Payment

### Cash Handling / Counterfeit banknotes (Page 3 of 5)

ch\_05\_06b v1.0

#### Counterfeit notes impounded when presented by customers for a transaction

##### Transactions where you believe that the customer does not know the banknote is counterfeit

- Advise the customer that the banknote must be sent to the issuing bank as you believe it is counterfeit
- Complete section 3 of the Counterfeit Notes or Discrepancies Found in Banknote Envelopes form P6005 and tick the corresponding box

<u>3. Impounded counterfeit note(s)</u> Description of customer returning or tendering the impounded note(s)  Impounded by (signature): <i>Dennis Wilson</i>	<input checked="" type="checkbox"/> <table border="1"><tr><td>Height</td><td>Age</td></tr><tr><td><i>APPROX 5ft 10</i></td><td><i>APPROX 25-30</i></td></tr><tr><td>Sex: MF <i>M</i></td><td>Nationality: <b>GRO</b></td></tr><tr><td>Hair colour: <i>DARK</i></td><td>Eye colour: <i>BROWN</i></td></tr><tr><td colspan="2">Clothing: <i>PINSTRIPED SUIT, WHITE SHIRT AND TIE</i></td></tr></table>	Height	Age	<i>APPROX 5ft 10</i>	<i>APPROX 25-30</i>	Sex: MF <i>M</i>	Nationality: <b>GRO</b>	Hair colour: <i>DARK</i>	Eye colour: <i>BROWN</i>	Clothing: <i>PINSTRIPED SUIT, WHITE SHIRT AND TIE</i>	
Height	Age										
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Sex: MF <i>M</i>	Nationality: <b>GRO</b>										
Hair colour: <i>DARK</i>	Eye colour: <i>BROWN</i>										
Clothing: <i>PINSTRIPED SUIT, WHITE SHIRT AND TIE</i>											
<u>DISCREPANCY FOUND IN BANK NOTE ENVELOPE REPORT</u>											

- Input the customer's name, address and telephone number in section 2 of the form

## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 4 of 5)

ch\_05\_06c v1.0

### Counterfeit notes impounded when presented by customers for a transaction

Transactions where you believe that the customer does not know the banknote is counterfeit

- Do not enter a tick in the tick box in section 2 of the form as you are impounding the banknote on this occasion, and not exchanging it

**2. Counterfeit note(s) returned by a customer and exchanged**

Name, address and telephone number of customer returning a counterfeit note/ receipt:

Name: **MALIK ALI**

Address: **GRO**

Telephone no.: **GRO**

**3. Impounded counterfeit note(s)**

- Issue the customer with a Miscellaneous Receipt P1091 in exchange for the banknote (ensure that you input the value of the note and the serial number on the receipt)
- Telephone the NBSC to obtain an incident reference number

## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 5 of 5)

ch\_05\_06d v1.0

### Counterfeit notes impounded when presented by customers for a transaction

Transactions where you believe that the customer does not know the banknote is counterfeit

- Input the incident reference number given by the NBSC with the other general details at the top of form P6005

COUNTERFEIT NOTES OR DISCREPANCIES FOUND IN BANK NOTE ENVELOPES	
Instructions are included on the reverse of this form.	
<b>GENERAL</b>	
Office name: <i>CHANCERY COURT POST OFFICE</i>	Incident reference number: <i>H10448833</i>
FAD code: <i>059077X</i>	(Telephone the Network Business Support Centre, NBSC)
SAPADS Plant Code: <input type="text"/>	
Counterfeit note(s) value: <i>£50</i>	
Number of notes: <i>1</i>	
<b>COUNTERFEIT NOTE REPORT</b>	
(Tick one box and fill in the relevant details below; completion instructions are on the reverse).	

- Send the form to your Cash Centre with the counterfeit note

**Please note:** Ensure that you have input the incident reference number given by the NBSC as this is essential information.

- Do not claim for the value of the counterfeit note or remit the value of the note on the Horizon Online™ system as you are not exchanging it for a good one.

## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 1 of 8)

ch\_05\_07 v1.0

### Counterfeit notes found in a deposit prepared by an Alliance & Leicester business depositor

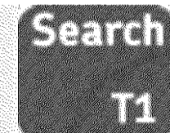
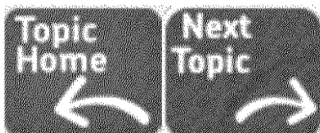
#### Counterfeit banknotes discovered in 'loose note' deposits made at the counter

If you discover a counterfeit banknote in a 'loose note' deposit made in your branch by an Alliance & Leicester customer (i.e. when a Plastic Banknote Envelope (PBNE) is not used):

- Impound the counterfeit banknote
- Ask the customer to provide a genuine banknote for the same value
- If the customer is unable to do this ask them to amend the original barcoded document or cash ladder (if presented with a cash deposit card) or, if they have presented a standard Cash Handling deposit document, to amend and initial the deposit form and counterfoil, and sign the reverse of the deposit form in full, adding their title (eg. store manager)
- Provide the customer with a Miscellaneous Receipt P1091 for the impounded note

**Please remember:** The receipt has no monetary value.

- Advise the customer that the banknote must be sent to the issuing bank as you believe it is counterfeit



## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 2 of 8)

ch\_05\_07a v1.0

Counterfeit notes found in a deposit prepared by an Alliance & Leicester business depositor

Counterfeit banknotes discovered in 'loose note' deposits made at the counter

- Complete section 3 of the Counterfeit Notes and Discrepancies Found in Banknote Envelopes form P6005 and tick the corresponding box

<b>3. Impounded counterfeit note(s)</b>	<input checked="" type="checkbox"/>
Description of customer returning or tendering the impounded note(s)	
Impounded by (signature): <i>Steve Austin</i>	
Height <i>APPROX 5ft 6</i>	Age <i>30 - 35</i>
Sex: M/F <i>F</i>	Nationality <b>GRO</b>
Hair colour... <i>FAIR</i>	Eye colour... <i>BLUE</i>
Clothing... <i>BLUE BLOUSE, BLACK SKIRT</i>	

- Input the customer's name, address and telephone number in section 2 of the form

**Methods of Payment**

Cash Handling / Counterfeit banknotes (Page 3 of 8)

ch\_05\_07b v1.0

Counterfeit notes found in a deposit prepared by an Alliance & Leicester business depositor

Counterfeit banknotes discovered in 'loose note' deposits made at the counter

- Do not enter a tick in the tick box in section 2 of the form as you are impounding the banknote on this occasion, and not exchanging it

**2. Counterfeit note(s) returned by a customer and exchanged**

Name, address and telephone number of customer returning a counterfeit note/ receipt:

Name...	MICHAEL JONES LTD
Address...	GRO
Telephone no....	GRO

- Telephone the NBSC to obtain an incident reference number

## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 4 of 8)

ch\_05\_07c v1.0

Counterfeit notes found in a deposit prepared by an Alliance & Leicester business depositor

Counterfeit banknotes discovered in 'loose note' deposits made at the counter

- Input the incident reference number at the top of the form P6005 with the other general details

COUNTERFEIT NOTES OR DISCREPANCIES FOUND IN BANK NOTE ENVELOPES	
Instructions are included on the reverse of this form.	
<b>GENERAL</b>	
Office name.. <i>CHANCERY COURT PO</i>	Incident reference number. <i>H15520708</i>
FAD code <input type="text" value="059077X"/>	(Telephone the Network Business Support Centre, NBSC)
SAPADS Plant Code <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	
Counterfeit note(s) value... <i>£20</i> .....	
Number of notes... <i>1</i> .....	

Send the form to your Cash Centre with the counterfeit note

**Please note:** Ensure that you have input the incident reference number given by the NBSC as this is essential information.

- Do not claim for the value of the counterfeit note or remit the value of the note on the Horizon Online™ system as you are not exchanging it for a good one.

## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 5 of 8)

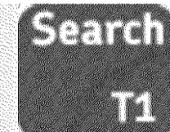
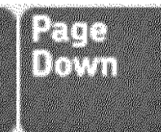
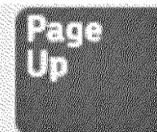
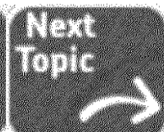
ch\_05\_07d v1.0

**Counterfeit notes found in a deposit prepared by an Alliance & Leicester business depositor**

**Counterfeit banknotes discovered in sealed Plastic Banknote Envelopes (PBNEs)**

If you find a counterfeit banknote in a sealed Plastic Banknote Envelope that forms part of an Alliance & Leicester Business Deposit:

- If possible, ask a second person to check the counterfeit note and witness the resulting shortage
- Telephone your Cash Centre and ask them to contact the customer or Alliance & Leicester to invite them to make good the counterfeit banknote (advise them to instruct the customer that the banknote will be passed to the issuing bank)



## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 6 of 8)

ch\_05\_07e v1.0

**Counterfeit notes found in a deposit prepared by an Alliance & Leicester business depositor**

**Counterfeit banknotes discovered in sealed Plastic Banknote Envelopes (PBNEs)**

**If the customer calls at your branch to make good the counterfeit note**

- Accept the genuine banknote from the customer to replace the counterfeit one in the Alliance & Leicester Business Deposit
- Issue a Miscellaneous Receipt P1091 to the customer in exchange for the counterfeit note
  
- Send the counterfeit note to the issuing bank with a covering letter, giving the circumstances of the transaction and the customer's details.

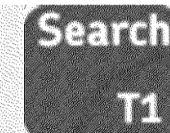
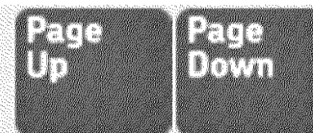
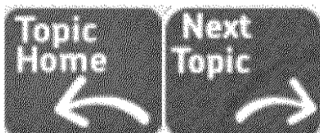
(for a list of bank addresses, see link)

Bank of  
England  
Banknotes



**If the customer does not call at your branch to make good the counterfeit note**

- Ask the Cash Centre to give you a reference number to enter in section 4 of the Counterfeit Notes and Discrepancies Found in Banknote Envelopes form P6005



## Methods of Payment

Cash Handling / Counterfeit banknotes (Page 7 of 8)

ch\_05\_07f v1.0

Counterfeit notes found in a deposit prepared by an Alliance & Leicester business depositor

Counterfeit banknotes discovered in sealed Plastic Banknote Envelopes (PBNEs)

If the customer does not call at your branch to make good the counterfeit note

- Tick the corresponding box in section 4

<u>DISCREPANCY FOUND IN BANK NOTE ENVELOPE REPORT</u>	
<u>4. Discrepancy found in bank note envelope</u>	<input checked="" type="checkbox"/>
Received from <i>THOS COWAN LTD</i>	Date received
Date opened... <i>9/8/02</i>	Shortage/surplus* <i>8/8/02</i>
	*delete as applicable
Cash Centre reference number... <i>H81046</i>	
Opened by (signature)... <i>Alan Foster</i>	
Witnessed by (signature)... <i>Darren Lane</i>	

P6005

- Telephone the NBSC to obtain an incident reference number

# Methods of Payment

Cash Handling / Counterfeit banknotes (Page 8 of 8)

ch\_05\_07g v1.0

Counterfeit notes found in a deposit prepared by an Alliance & Leicester business depositor

Counterfeit banknotes discovered in sealed Plastic Banknote Envelopes (PBNEs)

If the customer does not call at your branch to make good the counterfeit note

- Input the incident reference number at the top of the form, with the other general details

<b>COUNTERFEIT NOTES OR DISCREPANCIES FOUND IN BANK NOTE ENVELOPES</b> Instructions are included on the reverse of this form.	
<b>GENERAL</b>	
Office name... <i>WARREN STREET PO</i>	Incident reference number... <i>H13596541</i>
FAD code: <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="X"/>	(Telephone the Network Business Support Centre, NBSC)
SAPADS Plant Code <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
Counterfeit note(s) value... <i>£50</i>	
Number of notes... <i>7</i>	

- Remit the counterfeit banknote(s) as unusable banknotes on the Horizon Online™ System.

Inputting Cash Remittance Out  F1

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# Annex 2

## Initial Complaint Review and Mediation Scheme

## Pensions and Allowances "Reintroduction" Fraud

- 1 Summary
  - 1.1 Second Sight has asked whether there is an overarching briefing report which covers all Pensions and Allowances "Reintroduction" fraud. In asking the question, Second Sight assert that there appears to be "something of a pattern emerging" and, in particular, Second Sight questions why some of the prosecutions it has seen references to in Applicants' CQRs did not proceed to a conviction.
  - 1.2 It is not within the scope of the mediation scheme or within Second Sight's expertise to comment on whether prosecutions should or should not have been brought, but for the avoidance of doubt Post Office only prosecutes cases which merit prosecution and does so always on legal advice. However, Second Sight may wish to note that Post Office's experience is that the vast majority of the cases it takes to court involving reintroduction fraud are successful prosecutions.
  - 1.3 Second Sight appears to be drawing its information from eight CQRs which is only a narrow subset of cases and which do not reflect all of Post Office's prosecutions. In addition, Post Office has neither seen nor had the opportunity to investigate all of those cases. Nor has Second Sight, except in relation to two cases, been able to consider the evidence and assessment provided by Post Office.
  - 1.4 There is no overarching briefing report which would assist Second Sight explain a 'pattern' as, for the reasons explained in this paper, Post Office does not consider that such a pattern exists. However, Post Office hopes that the information provided in this paper will answer the points raised by Second Sight.
- 2 Pensions and Allowances Reintroduction Fraud
  - 2.1 "Reintroduction fraud" occurs where a subpostmaster (or assistant) dishonestly processes a false benefit claim through Horizon and then either does not remit the associated benefit paperwork (because no paperwork exists) or, more commonly, remits (reintroduces) paperwork for another benefit transaction (in effect trying to claim the same benefit twice). This generates a cash surplus within the branch accounts which can be set off against existing shortages or removed from the branch.
  - 2.2 Second Sight has asked why the standard operating procedure, the design of the dockets, and the cancellation process did not prevent reintroduction fraud occurring.
  - 2.3 Second Sight has also queried whether the surpluses could be created by human error rather than fraud.
  - 2.4 In summary, Post Office's response is that:

- 2.4.1 P&A docketts were designed by Department of Work and Pensions (DWP) and therefore their design was outside of POL's control.
- 2.4.2 P&A docketts are no longer used – they have been replaced with the Post Office Card Account which uses a "Chip and Pin" system.
- 2.4.3 Nevertheless, DWP did have in place a process whereby docketts were checked to ensure that they were not duplicates, thereby identifying any fraud.
- 2.4.4 Even where the re-introduction of a benefit payment is accidental, this is still an error for which the subpostmaster is liable.
- 2.4.5 "Overclaims" and "reintroductions" will not cause a cash loss to a branch. They generate a cash surplus, which as long as the cash is not removed from the branch, will be off-set by a later transaction correction.

### 3 Benefit payment methods

3.1 There are various methods by which benefits can be received by customers:

#### 3.2 Pension & Allowance (P&A) books

- 3.2.1 P&A books were provided by DWP to customers entitled to benefits. A nominated Post Office branch was set out on the cover of each P&A book, together with the customer's name, address, reference number (National Insurance or pension number), serial number of book and Common Payment Package Number.
- 3.2.2 Within each book were (usually) 20 docketts, vouchers or foils (referred to in this note as vouchers). These vouchers were not barcoded but did detail the customer's unique National Insurance or Pension number, serial number, a due on and not before date (to ensure that the benefits could not be claimed in advance), FAD code of the nominated Post Office branch, voucher number and amount to be paid. The vouchers normally appeared two to a page and were sequentially numbered.
- 3.2.3 The vast majority of P&A books were barcoded. The subpostmaster or assistant should scan the barcode or, where for some reason that was not possible (because the barcode was damaged or missing) enter the P&A book details manually on to Horizon.
- 3.2.4 On being presented with a P&A book by a customer, the subpostmaster or assistant should examine the front cover to check the branch is the nominated Post Office branch of payment, and then scan the barcode. Scanning the barcode or entering the required details manually ensures that the P&A book is checked against the Order Book Control Service (OBCS) electronic stop list, to see whether a payment should be made or restricted in some way. Once these checks were completed, Horizon would then instruct the subpostmaster or assistant to pay, pay and impound the P&A book, or impound the P&A book. There could be a number of reasons for a payment to be stopped or a book impounded (eg. the book had been flagged as being stolen).

- 3.2.5 In rare instances P&A books were not, and were not intended to be, barcoded. This was as a result of the DWP requirements which varied for different benefits. It was also DWP which specified which checks should be carried out for the different types of books. In such cases, the subpostmaster or assistant was required to check that the book did not appear on a manual stop payment list. Provided that it did not, in the case of non bar-coded books, the subpostmaster or assistant would enter the group number of the benefit to be paid as specified on the voucher, and the amount to be paid. These details did not result in the book being checked against OBCS and as such the instruction to pay or impound would not be given on Horizon.
- 3.2.6 The vouchers collected from customers were despatched each week by each branch to the Paid Order Unit (which in effect is the DWP) in Lisahally, Northern Ireland.
- 3.2.7 P&A books ceased to be used in circa 2005 and were replaced with Post Office Card Account.
- 3.3 Post Office Card Account (POCA)
  - 3.3.1 POCA is a limited service bank account that only allows benefits to be deposited into the account by DWP and cash to be withdrawn. Withdrawals are conducted by the customer taking his POCA card into a Post Office and withdrawing in cash either some or all of the benefits within his account. POCA uses a chip and pin security system to control access to the account.
- 3.4 Green Giros
  - 3.4.1 Customers who lose their POCA cards or customers who are on temporary benefits may be sent Green Giros by the DWP.
  - 3.4.2 These are cheques (also known as DWP cheques) which set out the payment amount and can be cashed in the usual way. These cheques are datestamped and retained by the Post Office after paying the customer. They have historically been accounted for and despatched by each branch weekly to Alliance & Leicester. They are now sent to Santander (both banks are referred to in this note as Santander for ease of reference).
- 4 P&A fraud
  - 4.1 P&A fraud encompasses a number of different types of fraud, some of which are historical due to the change in payment methods over time as detailed above. These methods are as follows:
    - 4.2 Overclaim fraud
      - 4.2.1 Overclaims occurred with P&A books and Green Giros.
      - 4.2.2 For each benefit payment to a customer recorded on Horizon, the branch should take from the customer the associated voucher or cheque and remit each week all

vouchers to DWP and all Green Giro cheques to Santander. An overclaim occurs when the branch records a benefit payment on Horizon but does not remit the associated voucher or cheque. Without the voucher / cheque POL cannot recover the payment from DWP / Santander. This places a loss on POL which is then passed to the branch by way of a transaction correction (formerly known as an error notice, but referred to in this note as a transaction correction for ease of reference).

- 4.2.3 Overclaims are relatively easy to identify as the branch must record the remittance of vouchers or cheques out of the branch on Horizon and therefore it is possible to identify any missing weekly remittance.
  - 4.2.4 A fraud can be committed by recording fake benefit pay-outs on Horizon, which lowers the amount of cash recorded to be in the branch (as Horizon assumes the cash has been passed to the customer). This causes a short term surplus (until the missing voucher / cheque is discovered and a transaction correction sent through) which can be used to cover other losses or removed from the branch at the end of trading period (assuming that there are no other offsetting losses).
  - 4.2.5 Where a fraudulent purpose was intended, the perpetrator would not scan the P&A book barcode but would rather manually input partial details of the P&A book on Horizon so to avoid the automated OBSC checks.
- 4.3 Reintroduction fraud
- 4.3.1 Reintroduction fraud is a more sophisticated version of overclaim fraud whereby the false benefit pay-outs are disguised by the submission of duplicate paperwork.
  - 4.3.2 In reintroduction fraud, a legitimate benefit pay-out is recorded on Horizon with cash being paid to a customer but with the corresponding voucher / cheque not being datestamped or remitted out. At a later date (typically the following week), the same benefit pay-out is recorded again on Horizon. This time however no cash is paid to a customer (as the customer is not present) but the voucher / cheque is date-stamped at the later date and remitted to DWP / Santander.
  - 4.3.3 For example, in week 1 there would appear to be an overclaim (amount claimed but no corresponding voucher or cheque). The amount would be claimed again in week 2 by submitting the cheque or voucher from week 1 (by this time datestamped). The fraud is premised on DWP / Santander not spotting the reintroduced voucher / cheque.
  - 4.3.4 The material difference between "overclaims" and "reintroductions" is that the former is possibly caused by human error (eg. forgetting to remit a voucher) however the latter takes a positive decision to re-process a benefit pay-out even though the transaction with the customer has already occurred. Although a "reintroduction" can happen by accident, the subpostmaster would still be liable for this error and multiple reintroductions would be indicative of fraud.
- 4.4 Each of these frauds have taken place both before the introduction of Horizon and once Horizon was in operation in Post Office branches. This is not a Horizon related issue.

- 5 Detection of fraud
  - 5.1 The detection of P&A book frauds, of any kind, was by the DWP (specifically the Paid Order Unit or POU responsible for paid orders) which referred them to the Post Office where appropriate.
  - 5.2 The detection of Green Giro frauds, of any kind, are identified by Santander and the DWP (for lost/stolen cheques) and referred to Post Office where applicable.
  - 5.3 Examples of patterns that would suggest improper activity would include large overclaims, high volumes of manual entries (as opposed to scanning barcodes or entering full details manually) with barcoded P&A books, reintroductions week after week and significant amounts of lost/stolen encashments in a branch.
  - 5.4 Following investigation, where appropriate, a prosecution may have been brought by Post Office, or sometimes a jointly led case with DWP. Accordingly, Post Office did / does not instigate these investigations and in effect there were / are at least two parties who assessed the situation and determined whether a case was worthy of investigation.
  - 5.5 By the nature of these frauds, which often involve DWP, police assistance and powers of arrest were often required, for example if a fraud was deemed to be significant or prolific, or if there were reasonable grounds to suspect searches were necessary and evidence was likely. Post Office only deals with suspects on a voluntary basis whereas suspects can be compelled where the police are involved. For this reason, suspicions of this type of fraud are often passed to the police to investigate.
  
- 6 Prevention of fraud
  - 6.1 Second Sight has queried why such frauds have not been prevented.
  - 6.2 In the above cases, the fraud is committed at the point in time that the Horizon operator in a branch records a duplicate or false transaction on Horizon, or alternatively when the perpetrator deliberately inputs a bar-coded book as non bar-coded. At that point, POL has no information available to determine whether the transaction is fraudulent or not. This checking process is engaged when the branch remits (or fails to remit) vouchers / cheques to DWP / Santander as described above or where DWP identifies that barcoded P&A book vouchers were being inputted as if they were non bar-coded. Horizon was required to have functionality to permit subpostmasters to input the details of non bar-coded books because DWP issued these books and required POL to pay the benefits from them.
  - 6.3 Due to the number of transactions carried out throughout the Post Office network on a weekly basis, it is not possible for the DWP or Santander to check every single transaction carried out. Instead, they conduct random or rota checks. This may mean a fraud is not immediately discovered. If an overclaim or reintroduction was discovered as a result of a rota check, then Post Office would issue a transaction correction provided only a single instance of an overclaim or reintroduction had been discovered. Where more overclaims or reintroductions are evident, an investigation would be raised.
  - 6.4 However, it was open to a subpostmaster to carry out immediate checks for P&A fraud as the subpostmaster will have access to (i) each week's batch of cheques/vouchers and (ii) that

week's records of P&A transactions as recorded in Horizon. It is therefore possible for a subpostmaster to easily confirm that the value of the cheques and vouchers being remitted each week match the value of benefit pay-outs recorded on Horizon. This would reveal any overclaims or reintroductions.

## 7 Non-fraudulent errors

- 7.1 A cash surplus may also be created in error if a subpostmaster or an assistant accidentally duplicates a benefit payment entry on Horizon. The Mediator's Briefing Report at sections 10.5 (mis-key) and 10.8 (errors in cash handling) describes potential "operator-error" causes of surpluses in more detail.
- 7.2 Although these errors would not be fraudulent, the branch is still liable for the error and it is appropriate for POL to submit a transaction correction to the branch to correct the error.
- 7.3 In the case of an overclaim, if on receipt of the transaction correction the branch has the missing voucher, then they can remit the voucher to POL and the transaction correction will be withdrawn.
- 7.4 It should be noted that "overclaims" and "reintroductions" will not cause a loss to a branch. They generate a cash surplus which, as long as the cash had not been removed from the branch, will off-set any later transaction correction.

## 8 Criminal prosecution of P&A fraud

- 8.1 There are a number of important matters to be taken into consideration when deciding whether to prosecute a case of suspected P&A fraud. In particular, Post Office applies the two-stage test for prosecution set out in the Code for Crown Prosecutors namely that:
- There must be evidence sufficient to provide a realistic prospect of conviction; and
  - The prosecution must be in the public interest.
- 8.2 Various parties contribute to this decision-making process including DWP, Post Office investigators, Post Office Decision Managers, Post Office Legal and the instructed barrister. There are therefore a number of checks and balances built into the system before a decision is taken to prosecute.
- 8.3 Post Office also confirms that from its experience where prosecutions were conducted by Royal Mail prior to separation, those prosecutions were also only brought following the same process and on legal advice.
- 8.4 Investigations can take time, partly as a result of the involvement of the DWP and Santander and the additional time needed to obtain witness statements or evidence from them.
- 8.5 In considering why prosecutions may not proceed, it is relevant to be aware that the victims in P&A frauds are often the elderly and vulnerable. These victims are crucial as witnesses. Given their circumstances, it can be a difficult experience for them to give evidence in court and

some, naturally, do not wish to do so. In addition, some victims/witnesses pass away before a case gets to trial or are otherwise unable to take matters forward due to ill health.

- 8.6 The availability of crucial witnesses is a factor in Post Office's decision whether to pursue a case to prosecution. It does not follow that simply because a prosecution is not progressed all the way to trial, Post Office was incorrect to seek to bring that prosecution in the first place.
- 8.7 It should be noted that where Post Office offers "no evidence" in Court this does not mean that there is no evidence of an offence. Offering "no evidence" is the legal process by which criminal proceedings can be brought to a close for a variety of reasons (eg. there may be very strong evidence of an offence but it may not be in the public interest to proceed).

25 July 2014

# Annex 3

## Transaction Recovery - Horizon Online Quick Reference Guide

### Hints and tips –when there’s a failure

(Refer to flow diagrams on reverse)

- Avoid logging on to more than one counter at once with same user name
- If there’s a Disconnected Session Receipt, settle with the customer in line with what it says. KEEP A NOTE OF ANY CASH exchanges.
- Make a note of what you did, in case there are recovery questions
- If counter has to be replaced and user hadn’t logged out, make a note of last successful session

#### Hints and tips –awaiting recovery

- Don’t use Transaction Log search to check the outcome of the failed session until recovery is complete as it won’t appear until fully complete.
- Don’t try to reverse transactions from the failed session
- Don’t use the customer’s account balance to check the outcome as there could be a delay in the refund.
- Don’t put transactions through again unless recovery is complete.
- You may have a cash variance. The stock unit can’t be balanced until the recovery has completed. Stock volumes may require correcting.
- Do log on to all counters with failed sessions as soon as possible (once the system seems stable)

#### Hints and tips –in recovery

- Use the Disconnected Session receipt, or notes made when the counter failed, to help answer recovery questions (if any)
- If a different clerk is likely to be using the counter, make sure they have this information
- Once recovery is complete, you can use Transaction Log search if needed
- Contact NBSC if the outcome doesn’t match what you did and it is not something you can reverse / put through again
- If recovery fails, this will be automatically investigated, but you should inform NBSC

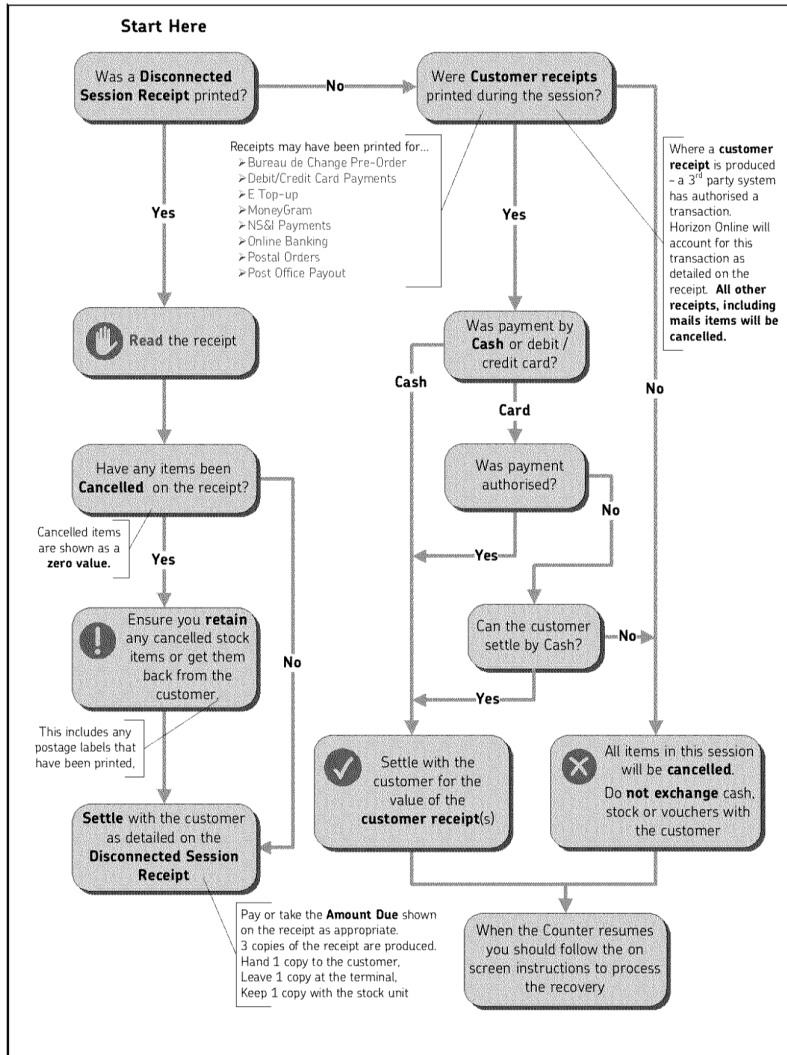
#### Recoverable transaction types

- During a customer session, the basket of transactions is built up on the counter, and stored on the database at the data centre when the session is settled
- For some types of transactions, information is stored centrally during the transaction –these are Recoverable transactions
- Recoverable transactions are usually those where there is an interaction with an external system during the transaction
- Non-recoverable transactions are also referred to as Cancellable
- The only information stored permanently on the counter is the last completed session number

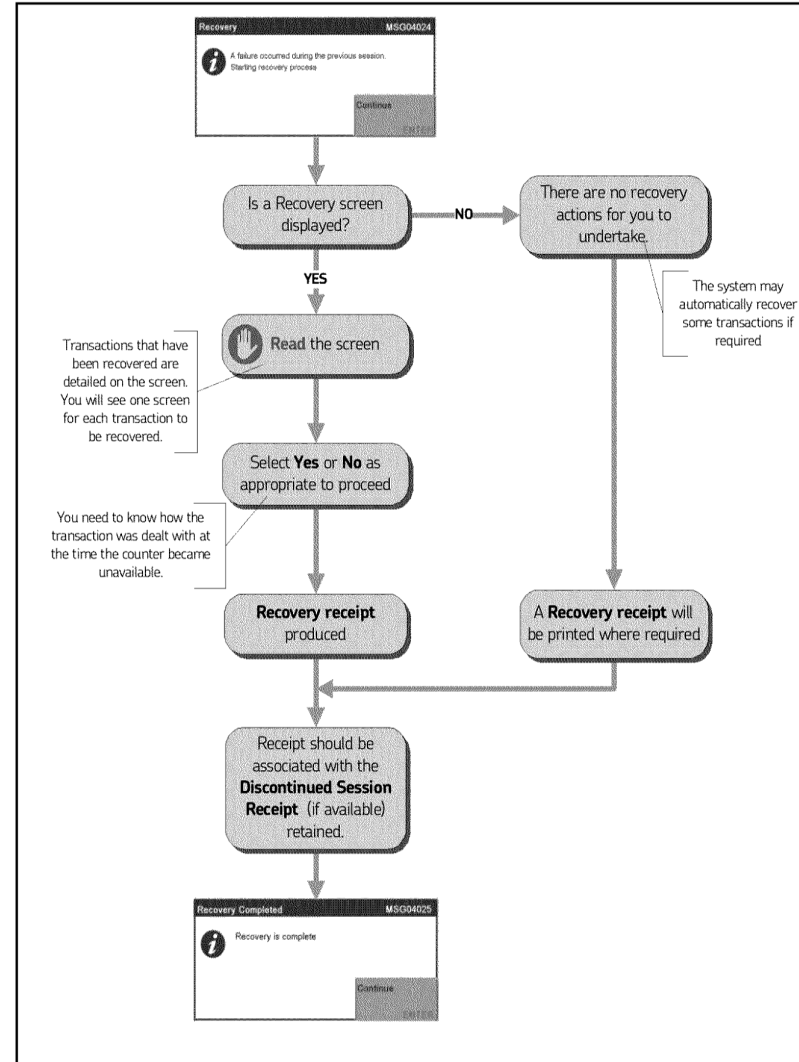
Which transactions are Recoverable?	And those that aren’t recoverable (Everything else is Cancellable, including)
Bureau Pre-orders	All Mails transactions (including labels)
Moneygram	Bill payments
Online Banking Services	Personal banking
E-Top Up	Transcash
Reversals (new and existing)	Back office transactions other than reversals
Postal Orders	All Mails transactions (including labels)
Post Office Payout	
National Savings and Investments	
Drop and Go	
.Debit/credit card payments	

### Transaction Recovery - Horizon Online Quick Reference Guide

What to do when a Horizon Online counter is unable to connect to the Data Centre or becomes unavailable due to Screen Freeze



What to do when a Horizon Online connectivity is restored



# Annex 4

## Initial Complaint Review and Mediation Scheme

### ATMs – power, telecommunications and third party fraud

- 1 Summary
  - 1.1 Second Sight has questioned whether Post Office ATMs accurately retain transaction records in the event of a power or telecommunications failure. It has also questioned whether branches can suffer losses due to third party attacks on ATMs.
  - 1.2 The ATMs used by Post Office are designed to be resilient to a power and telecommunications failure. In the event of such a failure, data is stored securely on a hard-disk in the ATM and the ATM shuts down in order to prevent misuse. These systems are tested and upgraded by Wincor Nixdorf / Bank of Ireland ("BOI"), the ATM provider, and they meet industry standards.
  - 1.3 Post Office is confident that a power and telecommunications failure in relation to an ATM will not cause any discrepancy that could feed through to an error in a branch's accounts.
  - 1.4 Neither Post Office nor BOI are aware of any form of ATM fraud that will create a shortage in a branch if a branch is following the correct ATM accounting procedure. This does not mean that cash is not lost due to ATM fraud (this is a risk for any operator of ATMs) but Post Office's standard procedures mean that such losses does not fall on a branch.
  - 1.5 This paper responds to a series of questions on these topics posed by Second Sight.
- 2 What happens if an ATM is turned off and on again during the day or weekend and what happens if there's a power cut interrupt?
  - 2.1 If there is a loss of power then the ATM will go out of service but the transaction data and information on the daily ATM total receipts will not be lost as this will be stored in the electronic journal on the ATM.
- 3 Does the ATM always pick up from where it left off and incrementally add new dispensed figures (dispensed before 16:30 hrs but AFTER the power or telecoms interrupt) to those stored figures?
  - 3.1 Yes.

- 4 Have POL/Bol/Wincor ever run tests on this functionality?
  - 4.1 BOI and Wincor perform tests at User Acceptance Testing level when any change is developed or deployed which would test for this functionality.
  - 4.2 Also any rebuild/maintenance to an ATM in the field that affects its software would also go through user acceptance testing before being brought back into service.
  
- 5 Are the ATMs running on a Windows NT platform?
  - 5.1 All BOI ATMs in Post Office branches have always operated on Windows XP and never the Windows NT platform.
  - 5.2 There are currently changes to ATM operating systems across the industry as XP is being replaced. BOI is working with Wincor on planning for this change. This programme is planned for 2015 as both central and local device changes are required.
  - 5.3 In the interim, whilst the ATM fleet is on the WIN XP operating system, BOI do not rely on Windows XP security. BOI uses industry leading software on all fleets to mitigate against the security risks associated with WIN XP.
  
- 6 What sort of routine investigations are carried out (by POL/Bol/Wincor) when ATM cash shortages are reported?
  - 6.1 Any unresolved cash discrepancies can be escalated by the branch for further investigation by BOI, POL or Wincor as appropriate.
  - 6.2 Any ATM Horizon stock unit misbalances (shortages or surpluses) can be escalated to NSBC. NSBC (or the ATM team at Post Office) will, where applicable, then go through all relevant ATM Horizon transactions (e.g. cash transfers, cash dispensed figures, etc.) with the branch to help resolve the issue.
  - 6.3 If further investigation is required, the matter can be escalated to Wincor. Initial investigations carried out by Wincor typically involve reconciling the weekly balancing information submitted by the branch through Horizon against the Electronic Journal information recorded on the ATM. Wincor will contact the branch directly with the outcome of its investigations
  - 6.4 If the outcome of these investigations point to an incorrect figure being recorded in Horizon by branch staff or there being a miscount of physical ATM cash in branch, this will be discussed with the branch as the subpostmaster may be liable for this type of shortage/loss.

- 6.5 If the outcome of these investigations point to a technical fault with the ATM (which is extremely rare) this can produce a shortage when balancing the ATM or a loss on the Horizon ATM stock unit. In these cases a credit is passed to branch in the form of a transaction correction.
- 7 Are Wincor ATMs susceptible to partial retract, transaction reversal or malware attacks / fraud? What steps has POL / Wincor taken to combat any recent malware or hacking attacks on ATMs?
- 7.1 Neither Post Office nor BOI are aware of any form of ATM fraud that will create a shortage in a branch if a branch is following the correct ATM accounting procedure. This does not mean that cash is not lost due to ATM fraud but Post Office's standard procedures mean that such losses do not fall on a branch.
- 7.2 As explained in Post Office's previous note to Second Sight on retract fraud, this type of fraud does not cause a loss to a branch where the correct Post Office procedure is followed. Second Sight has not defined what it means by a "transaction reversal attack" but Post Office understands this to be fundamentally the same as retract fraud.
- 7.3 As explained above, BOI ATMs have in place industry leading software security against malware attacks which includes Wincor's PSA/Protect-1 OS which protects each ATM from remote attack.
- 7.4 Although not specifically raised by Second Sight, another form of ATM attack is cash trapping. In the case of cash trapping, there is no loss to the branch as cash has been dispensed correctly from ATM (and will be recorded as being dispensed by the ATM on the Bank Totals receipt) but intercepted by fraudster. It will be the customer that did not receive their cash. Although Post Office will assist customers and BOI to investigate any cases of cash trapping, it will not cause a loss in the branch accounts as the accounts will record cash being dispensed and the cash will have been taken (albeit by the fraudster rather than the customer).

20 October 2014

# Annex 5

## Initial Complaint Review and Mediation Scheme

### Retract fraud on ATMs: Post Office Review

#### Executive summary

Retract fraud:

Retract fraud occurs where a customer conducts a withdrawal transaction from their own bank account using an ATM. When the cash is vended, the customer looks to remove the middle notes, leaving the top and bottom notes behind, thereby hoping to trick the ATM into believing that the cash has not been taken. The ATM then retracts the cash back into the machine, believing that it has retracted the entire sum withdrawn.

Issue:

Second Sight has raised a concern that when a subpostmaster comes to count the cash in an ATM which has been subject to retract fraud, there would be a shortfall between the amount of cash physically in the ATM and the amount recorded on the ATM as being retracted. Second Sight asks whether subpostmasters are held liable for this loss.

Response:

As long as a subpostmaster follows the correct ATM balancing procedures and accurately records the amounts of cash in the ATM, the subpostmaster will not be liable for any ATM cash loss caused by retract fraud. A loss of cash from an ATM caused by retract fraud falls on Bank of Ireland (BOI). It is not passed to a subpostmaster and there will be no negative impact on a branch's accounts if the subpostmaster has followed the proper accounting process.

#### Retract fraud

All ATMs in the UK (including those operated by BOI at Post Office branches) are at risk of retract fraud. Customers undertake this fraud in the hope of persuading their bank that they have not received the cash withdrawn from an ATM.

After physically removing cash from the ATM in the manner described above, the fraud is perpetrated in two ways:

- (i) The customer waits to see if a full refund of their cash withdrawal is automatically refunded by their bank; or
- (ii) The customer contacts their bank to "complain" about a withdrawal from their account on the false grounds that they did not receive the withdrawn cash from the ATM.

It should be noted that where money is retracted, the withdrawal transaction still proceeds and the sum "withdrawn" is debited from the customer's account.

The fraudulent customer's intention is that when the bank checks the retract records for the ATM in question, it sees that there was a retract recorded against the customer's withdrawal transaction and would then re-credit the customer's account.

#### ATM accounting process for retracts

The branch accounting process for retracts is set out in Post Office accounting instructions. The latest version of the process is set out at section 3.3 of *MISC1425: Post Office® Accounting Instructions for Bank of Ireland ATMs* – a copy of which has been provided to Second Sight.

This accounting process has not materially changed for a number of years. Previous versions of the accounting instructions have also been provided to Second Sight.

The accounting process for retracts is as follows:

1. Each working day, a subpostmaster must check the ATM Totals receipt (which is generated by the ATM) to see if any retracted transactions have taken place since the last ATM weekly balance was completed. The receipt will show the number of retracts.
2. If any retracts have taken place, the subpostmaster must physically remove the retracted notes from the ATM (which are stored in a separate part of the ATM from other cash).
3. For all retracted cash removed from an ATM, the subpostmaster must count and report on Horizon the total value of retracted cash on the same day (using the ATM Surplus Cash button on Horizon). If a retract occurs when the Post Office branch is closed it should be removed and reported on the next working day.
4. Once reported on Horizon, the retracted cash should be placed in the main branch safe and forms part of the cash holdings of the branch.

The subpostmaster does not have access to, nor is required to record on Horizon, the value of the withdrawal transactions connected to the retracts. Therefore any loss due to retract fraud (ie. where there is a difference between the withdrawal value and actual amount of retracted cash) will not be recorded on Horizon by the subpostmaster and cannot therefore be the cause of a loss in the branch accounts.

It should be noted that BOI ATMs only allow 2 retract transactions before the machine goes out of service. In this instance, the retracts need to be reported (as described above) and the retract counter within the ATM has to be reset to zero in order to bring the ATM back into service. This is to prevent multiple retract frauds happening. It also means that accounting for retracts on Horizon is very simple as the amount of cash involved is likely to be small.

### **Reconciliation with BOI**

Post Office provides to BOI details of the amount of each retracted cash transaction as part of its weekly ATM balances recorded in Horizon. BOI uses that information to look for a match between the actual amount of retracted cash removed from the ATM and the amount of the original cash withdrawal transaction. If there is a match, then this will indicate that there has been no retract fraud and the full amount will typically be re-credited to the customer. If there is a discrepancy, then BOI may undertake further investigations into the customer's activity.

As long as Post Office can provide the daily retract declarations from Horizon then any loss caused by any retract fraud does not fall on the subpostmaster.

If a subpostmaster does not declare a weekly ATM balance through Horizon, which includes the amount of any retracted cash, then Post Office cannot provide that information to BOI. As BOI has not been provided with balancing information it is unable to determine whether a retract was fraudulent. The full amount of the cash withdrawal re-credited to the customer is therefore charged on by BOI to Post Office.

### **Reconciliation with the subpostmaster**

Where Post Office is charged by BOI, it passes on this charge to the subpostmaster by way of a transaction correction where the weekly ATM balance, including any retracted cash records, are not available because of the subpostmaster's failure to follow proper accounting processes.

It should be noted that where the retract was not fraudulent, the correct amount of cash will have been retracted into the ATM. Even if the subpostmaster has not properly accounted for this cash on

Horizon, the retracted cash will still be in the branch (either in the branch's cash holdings or still in the ATM) as surplus cash. This surplus cash will offset any Transaction Correction for failing to follow proper accounting procedures.

Where retract fraud has occurred, then the amount of surplus cash recovered from the ATM will be less than the amount of the original cash withdrawal transaction. This discrepancy will fall on the subpostmaster due to them not following proper accounting procedures

Post Office considers that this allocation of risk between the parties is fair and reflects each parties' respective responsibility for preventing retract fraud. In the round, the risk to subpostmasters is small, entirely within a subpostmaster's control and can be eliminated if the subpostmaster accounts for retracts on a daily basis as per the ATM operating and accounting instructions issued byPOL.

5 March 2014

# Annex 6

Strictly confidential and commercially sensitive

## Initial Complaint Review and Mediation Scheme

### Suspense Account

This paper

This paper has been prepared for Second Sight in response to the following question raised by Second Sight:

“Could any SPMRs have been charged by Post Office Ltd for amounts that become incorporated in suspense account balances that were subsequently taken into profit by POL or any of its Counterparty Companies, or that remain as credit balances on the balance sheet of POL or any of its Counterparty Companies?”

#### Summary Position

Post Office principally pays its clients according to transaction information originating from branches. If the transaction is completed correctly the branch accounts will balance (ie. they will show no loss or surplus of cash or stock). Post Office will then deal separately with any reconciliation discrepancy with a client.

If a branch, a client or a customer suspects an error with a transaction then there are processes in place for investigating that suspected error. Where an error is suspected in branch and a transaction correction is sent to that branch, the branch has full visibility of that transaction correction and has the ability to challenge that transaction correction. So long as the branch validly challenges the transaction correction with the necessary supporting paperwork from the branch's records, the branch will not be held liable for the underlying discrepancy.

#### Client reconciliation – how it works

Horizon collects data on a substantial volume of transactions which allows it to identify issues by branch, transaction type, client and method of payment according to how the transaction was recorded in the branch. In conjunction with clients, and subject to data protection requirements, Post Office can also sometimes track transactions back to individual customers or, in many cases, the subpostmaster may themselves recall the customer involved through their own knowledge of their customer base.

For many services, the transactional records as recorded in Horizon in branch are the sole data stream regarding activity in a branch. For a number of transactions and methods of payment, though, it is possible to compare the transactional records as recorded in Horizon with the clients' view of the transactions. In these latter cases, the daily transactional totals recorded in Horizon by the subpostmaster are matched with clients' records which in almost all cases are the same. In the rare cases where there is a mis-match, Post Office investigates the difference – a process which can involve the subpostmaster and the client.

Where an error is suspected in branch, a transaction correction may be issued with relevant evidence to correct the accounting record of what has happened in branch. This may occur, for example, where there is a discrepancy between the branch records and the client records. If a difference arose where the client records exceeded the branch records then for services where the

Strictly confidential and commercially sensitive

customer was paying money in that could lead to a charge from Post Office to the branch or where the customer was withdrawing money it could lead to a credit from Post Office to the branch.

The transaction correction process is fully visible to each branch and corrections cannot be made without a subpostmaster having accepted them. Subpostmasters may also challenge a transaction correction which would result in the transaction correction being put on hold pending further investigation by Post Office. For some transactions, the branch may hold additional paperwork or evidence not available to Post Office. Often branches are asked to submit this extra evidence to Post Office in order to validate the subpostmaster's challenge.

It should be noted that assuming the branch paid out or took from the customer cash to the same value as the actual transaction, then there will be no physical loss of cash and the transaction correction will simply correct the accounting error.

However, the branch is accountable for any failure to follow correct operating procedures in terms of processing transactions. It is the case that a subpostmaster may bear a loss if they have incorrectly processed a transaction or failed to follow the necessary processes for correcting that transaction or should they accept a transaction correction even though they were holding the necessary evidence to disprove the transaction correction.

#### Example

An ATM is directly connected to the LINK network and hence to the banks. Customer withdrawals are therefore reported direct to the customer banks and to Bank of Ireland as the provider of the ATMs. Bank of Ireland therefore knows how much should be paid to Post Office for the value of withdrawals done in the Post Office estate. In tandem with this, subpostmasters are required to record in Horizon the value dispensed to customers on a daily basis (as shown on the 16:30-16:30 receipt).

If a subpostmaster erroneously records the wrong cash dispensed figure on Horizon, this would be revealed as a discrepancy once the Horizon figures were compared to the Bank of Ireland figures directly recorded from the ATM. However, this would not cause a cash loss, only an accounting error, that would be corrected by a transaction correction.

Alternatively, if (in theory) Bank of Ireland's figures were incorrect, it would be a relatively straightforward exercise for a subpostmaster to challenge a transaction correction and submit to Post Office the 16:30-16:30 receipt from the ATM that would prove they have entered the correct figure into Horizon.

#### Suspense account

The proposition underlying Second Sight's question is that where the Counterparty Company – the "client" – informs Post Office that an amount due to the client is greater than that recorded by the Branch, that charge is automatically passed onto the branch, and the branch has limited data on which to investigate discrepancies. Second Sight appears to assert that this results in a systemic control weakness. This assertion is incorrect given that:

- Post Office and the client are often able to resolve differences between themselves in the first instance, or are able to resolve them with the help of the subpostmaster, before getting to the stage of issuing a transaction correction.

Strictly confidential and commercially sensitive

- A transaction correction will be issued where appropriate with supporting evidence and the subpostmaster can either accept or challenge (on the basis of the evidence and other information held in branch or available on Horizon).
- Horizon provides a subpostmaster with a number of 'reports' which can be used to resolve queries in branch.

It is acknowledged that Post Office has a suspense account for discrepancies between Horizon records and client records. These discrepancies are held for 3 years for investigation before being released to Post Office's profit and loss account.

This does not however operate to the disadvantage of subpostmasters. As described above, there are extensive processes in place to investigate Horizon-client discrepancies. To the extent that Post Office issues a transaction correction to a branch then the transaction correction and its evidence may be challenged by the branch. So long as a subpostmaster challenges a transaction correction and submits the applicable evidence to show there is no error on their part, Post Office will withdraw the transaction correction even where the client does not accept the evidence from the branch. The unresolved discrepancy therefore does not fall on the branch, but rests in the suspense account to be resolved between Post Office and the client.

Post Office notes that in addition to the assurance processes referred to in this note, Second Sight have given subpostmasters the opportunity to challenge specific transactions or transaction corrections through the Spot Review process and through the Scheme. The outcomes of those investigations have not revealed any findings that overturn Post Office's position.

#### Other issues

In the narrative supporting the central question, Second Sight also raise a number of other issues which we would like to address:

- Second Sight claims to have seen many cases where a non-cash payment does not hit the customer's bank account, particularly in relation to power or communications interruptions which Second Sight alleges can cause one side of a transaction to fail. Post Office has already set out in some detail what happens in relation to power or other communications disruptions and the subject is covered in Second Sight's Part One Mediation Briefing Report. In addition, the issue Second Sight refers to as a "one-sided transaction" is being dealt with separately.
- Likewise with other examples quoted where Second Sight alleges errors have occurred - it is not possible to comment on those in the absence of more detail and the opportunity to properly investigate what happened in those instances. However, assuming that these examples relate to cases in the Scheme, Post Office will investigate them in the normal way.
- In relation to comments made by Post office about challenging regulated and audited entities, this was not meant to be interpreted as meaning those entities would never make administrative errors. The reasoning was simply that such entities are regulated and are required to have systems and processes in place to comply with industry standards. It is, therefore, not wrong of Post Office to assume that those systems and processes work properly unless there is evidence to suggest that they do not.

29 July 2014

# Annex 7

## HOL help National Lottery Scratchcard returns

### Unactivated full packs

When a Scratchcard game is withdrawn, Camelot notifies Parcelforce Worldwide (their contracted courier) of the number of unactivated packs of expired Scratchcard games to be collected from each branch. Camelot will send you a collection bag in which the stock should be despatched. You should complete the form provided by Camelot and attach the label, also provided by Camelot, to the collection bag.

Please remember: You must not place stock that is still activated in the collection bag.

If you have unactivated full packs on hand, and the Parcelforce Worldwide collection officer visits your branch:

- Check the identity of the courier, who will carry a photo ID card
- If you have any doubts about their identity, phone the Camelot Retailer Helpline on 0800 0649 649
- Sign the form (showing the number of packs to be collected) presented by the courier and ask them to sign as proof of the collection

Please note: The Parcelforce Worldwide collection officer will only collect complete unactivated packs. If there are no packs to be collected the courier will complete a nil return. The Camelot Field Sales Executive will not deactivate full or part packs that have been activated.

Keep two copies of the form locally for six months.

### Unactivated full packs Accounting

As unactivated packs of expired scratchcards are not part of your value stock, you do not need to account for their withdrawal on the Horizon Online™ system.

### Unsold activated stock

The Parcelforce Worldwide collection officer will not collect full activated packs from your branch when a Scratchcard game is withdrawn.

Instructions for the return of any activated stock to Swindon Distribution Centre are published in Operational Focus. When you return this stock as instructed, you must add the activation slip.

Please remember: If the activation slip is not included, Swindon Distribution Centre will return the Scratchcards to the relevant branch and the branch bears the cost of the unsold stock.

If you have lost the activation slip for the stock you are returning:

- Call the NBSC on 0845 601 1022
- Explain which games you do not have an activation slip for.

Unsold activated stock

The NBSC will request:

- your Post Office Branch Code
- your branch Camelot Lottery Retailer number
- the relevant game and number
- the game pack serial number (the first nine numbers of the 12 - digit serial number)

Please remember: The game pack serial number can be found on any of the Scratchcards in the pack and is made up of the following: first three digits: the game number; next six digits: the serial number of the pack (eg 149 - 293847). All nine numbers must be quoted.

The NBSC will phone you back to confirm if you have authorisation to send the stock without an activation slip, or not. If the authorisation is given, the NBSC will provide you with an authorisation reference number.

Please note: Authorisation will be denied if the game was activated after the Post Office Ltd game end date or if the withdrawal deadline date for remitting the stock to Swindon Distribution Centre has passed. The stock must then be removed from the stock unit and the loss made good by the relevant branch.

Please make a note of the authorisation reference number as this number must be recorded against the appropriate game on the Monthly Stock Returns form RS 1, in order that the stock is accepted at Swindon Distribution Centre.

Unsold activated stock

If you have several games to return without activation slips, the NBSC will provide you with a separate authorisation reference number for each authorised game.

Returning Withdrawn Scratchcards

When you need to return Scratchcards to Swindon Distribution Centre you will receive a Monthly Stock Returns form RS 1 (forms must be completed in duplicate, carbon paper will be required).

The following details will be pre-printed on the form when you receive it:

- your Post Office Branch Code
- the name of your branch
- your branch address (including the postcode)
- your telephone number
- the Client Accounting week number when you are due to return your stock

Please note: You should make every effort to return your stock in the specified week. If you miss the return date, for example due to annual leave commitments, you should return it as soon as possible after this date.

### Returning Withdrawn Scratchcards

Details of all the value stock items you need to return will also be listed. Again, the following details will be pre-printed:

- the item code (this column has been divided to match the code format on the Swindon Distribution Centre computer system)
- a description of the stock
- the unit of measure
- the value per unit
- Complete table A of the form RS 1 as follows:
  - print your name and sign the form
  - date-stamp the RS 1
  - enter the current Client Accounting week number if you return your stock in a week other than the Client Accounting week specified on the form

RETURNED STOCK				RS 1																					
Post Office Branch Code		Branch Name	Address																						
Name		Postcode																							
Telephone No.		Date																							
<p>TABLE A - Enter details of the returned stock below. The rest of the form can be found on the RS 107 notes form.</p> <table border="1"> <thead> <tr> <th>Item Code</th> <th>Description</th> <th>Unit</th> <th>Value</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>JC</td> <td>LOTUS SEATCASES SOLIDATION</td> <td>100</td> <td>100</td> <td>11/1/04</td> </tr> <tr> <td>JC</td> <td>LOTUS SCRATCHCARD TWISTER</td> <td>49</td> <td>49</td> <td>11/1/04</td> </tr> <tr> <td colspan="3">TOTAL</td> <td>149</td> <td>11/1/04</td> </tr> </tbody> </table>						Item Code	Description	Unit	Value	Date	JC	LOTUS SEATCASES SOLIDATION	100	100	11/1/04	JC	LOTUS SCRATCHCARD TWISTER	49	49	11/1/04	TOTAL			149	11/1/04
Item Code	Description	Unit	Value	Date																					
JC	LOTUS SEATCASES SOLIDATION	100	100	11/1/04																					
JC	LOTUS SCRATCHCARD TWISTER	49	49	11/1/04																					
TOTAL			149	11/1/04																					
Please do not send Cash or Postal Orders in the Next Week.		TOTAL TABLE A: £149.00 TOTAL TABLE B: £45.93 TOTAL TABLE C: £194.93																							

**Please remember:** You should make every effort to return your stock in the specified week.

- For each of the items listed, enter:
  - the quantity
  - the total value of each item (if you do not have a particular item that is listed, insert 0.00)

- Enter the total of Table A

Do not add the details of any additional stock items in this table.

When you have completed the Stock Returns Forms RS1:

Enter the stock Remittance onto the Horizon Online™ system and despatch the items from your branch.

The appropriate options are as follows:

<b>Value of scratchcard</b>	<b>Option</b>
£1	Instants £1
£2	Instants £2
£5	Instants £5

# Annex 8

## Return of non-activated scratchcard games

Your branch should have received a grey pouch with a yellow label from Camelot to return un-activated National Lottery scratchcard packs (the returnable games and numbers are listed in the table to the right). Please follow the instructional guide that comes with the pouch and ensure that you return ALL of these un-activated packs to Camelot by Monday 22<sup>nd</sup> December 2014.

Failure to do this will result in a financial loss for Post Office.

Please return un-activated packs to Camelot by following the instructions

### Return of un-activated scratchcards to Camelot

Pack Number	Game Name
0611	Cool Cash
0575	Quick Cash
0591	Cash Match
0571	Lucky Bug
0552	Cloud 9
0589	Match 3 Tripler
0578	Money Spinner
0583	£100,000
0608	£100,000
0601	Lucky Streak
0604	Cash Rich
0598	£70,000
0597	£250,000
0616	£250,000
0612	Monopoly
0603	Bingo
0600	Bejeweled
0587	£1 Million

- Please make sure you return all un-activated scratchcard packs from the above list to Camelot in the correct grey collection pouch provided by them.
- If you haven't received a grey collection pouch marked "September" please contact the Camelot Retailer Hotline immediately, they will then send out a Black returns pouch with a red label. You MUST return stock in this pouch as soon as you receive this.
- Call Parcelforce on 0844 800 4466 to arrange for the collection of un-activated packs.
- If Parcelforce doesn't collect, report this to the Camelot retailer hotline immediately.
- Under NO circumstances should packs be given back to your Camelot Representative.

Please Note: You must proactively sell to exhaustion any activated scratchcards of the closing games until the end date of the pack as any returned activated cards incur a loss to the Post Office.

# Annex 9

## Initial Complaint Review and Mediation Scheme

### Audit Trail on Girobank Deposits

- 1 Summary
  - 1.1 Second Sight has raised a question about whether there is an "audit trail" available in relation to Girobank deposits on Horizon.
  - 1.2 Although Second Sight characterise this as an "audit trail" issue, it is in fact an issue about there being safeguards against branch staff making an error by keying in the wrong figure into Horizon. An audit trail is simply one possible safeguard against this type of error.
  - 1.3 Before 2008, at the end of each day the subpostmaster would rem out the paper paying in slips presented by customers for Girobank deposits. The safeguard being that FSC (via Girobank) would then compare the figures on the paying in slips against the information input on Horizon by branch staff to identify and correct any keying in errors.
  - 1.4 After 2008, the use of paper paying in slips started to be phased out by Girobank and it moved customers to using chip and pin cards. This change was outside of Post Office's control and so there was no way to retain the audit trail presented by paying in slips.
  - 1.5 Post Office implemented a substitute safeguard in that customers were asked to confirm through the chip and pin machine that the figure entered on Horizon was correct.
  - 1.6 In effect, the safeguard of seeking the customer's confirmation of the amount to be deposited was still in place but it moved from being via the paying in slip to via the chip and pin confirmation.
  - 1.7 Post Office considers that its safeguards, both pre and post 2008, against keying in errors in branch are adequate. In any event, this issue only arises where branch staff make the initial keying in error and, as per the terms of the subpostmaster contract, subpostmasters will be liable for any loss that arises as a result of this error. It is an obvious point that, regardless of any safeguards, the best way to manage this risk is for branch staff to be diligent in their work.
  - 1.8 It is noted that the chip and pin method of making deposits into bank accounts without any paper audit trail is industry standard practice in high street banks which have also phased out the use of paying in slips.
- 2 Girobank deposits
  - 2.1 Girobank was the company that provided the banking services behind Girobank deposits. Alliance & Leicester acquired Girobank in 1990 and Santander took over Alliance & Leicester in October 2008. For ease of reference, all three organisations are referred to as "Girobank" in this note. Girobank deposits are deposits of cash into a customer's bank account. They work, for all intents and purposes, like a customer making a deposit of cash into a bank account at any high street bank.

- 2.2 Girobank deposits should not be confused with Green Giro payments. Green Giro payments relate to the payment of benefits to customers. This is an entirely different product and is outside the scope of this note.
- 3 The issue
- 3.1 Second Sight have described their concern as follows:
- 3.1.1 "In mid-2008 the method of processing receipts into Giro Bank accounts was changed. Previously, customers completed a two-part paying-in slip. One copy of the paying-in slip was retained by the customer, another was retained in the branch and cross-referenced to the entry made on Horizon. If, for example, the counter clerk accidentally keyed in £2,000 instead of £200 and did not spot that error immediately then, when the next balance was carried out, Horizon would have reported that there should be £2,000 cash in the safe whereas in fact there was only £200 in it (i.e. there would be a £1,800 cash shortfall).
- 3.1.2 Prior to the mid-2008 processing change, the Subpostmaster would have been able to identify that £2,000 cash had been entered onto the system relating to a customer whom, by cross-checking with the paying-in slip, in fact had only paid in £200. Hence, a correction could have been actioned and the branch's books brought back into balance. In such a case, the apparent cash shortage would have been eliminated because the audit trail enabled the specific cause of the shortage to be identified and corrected.
- 3.1.3 However, after the processing change, paying monies into Giro Bank accounts was actioned via swipe cards and one-part paying in books with no supporting documentation being retained in branch.
- 3.1.4 After that processing change, the counter clerk would swipe the customer's card to access the account details and then key in the cash deposit. After inputting the deposit, the system printed out just one copy of a receipt (which specifically states on it "NOT TO BE RETAINED") and this was then passed back to the customer along with their swipe card.
- 3.1.5 It follows that, if the counter clerk had accidentally input £2,000 instead of £200 into Horizon and did not immediately spot the error, the balance would show an £1,800 difference between the cash holdings on Horizon and the actual cash holdings (as in the previous example). However, after the processing change, there would be no supporting documentation available either to the Subpostmaster, or to Post Office centrally. Therefore neither the Subpostmaster nor the Post Office's central processing unit would be able to check whether or not the cash deposit entries on the system reflected the actual amount of cash that had been deposited."
- 3.2 The process change described above was driven by Girobank. Post Office had no control over the bank's change in the way it conducted its business and could only adapt its processes to accommodate the change. The lack of a paying in slip after 2008 was therefore outside of Post Office's control.

- 4 Response
- 4.1 Pre-2008 the process for recording a Girobank deposit was:
  - 4.1.1 A paying in slip would be completed by the customer showing the total amount of the deposit and the various denominations of cash that made up that total.
  - 4.1.2 The customer would hand over the cash to be deposited which would be counted by the branch staff and checked against the amount on the paying in slip.
  - 4.1.3 The amount to be deposited would then be typed into Horizon by the branch staff, the transaction completed and a receipt given to the customer.
  - 4.1.4 The paying in slip would be retained in branch until the end of the day when it would be remitted to Girobank via Royal Mail.
- 4.2 In processing a Girobank deposit, there is a risk that branch staff could key in the wrong deposit amount into Horizon (a Miskey Error). This creates a discrepancy because the amount of money that will be deposited into the customer's account (as per the paying in slip) is different from the amount recorded on Horizon.
- 4.3 To mitigate this error, Santander would compare the value of the deposits on the paying in slips to the values stated on Horizon. Through this reconciliation process any discrepancies would be notified to FSC. Where there was a discrepancy, FSC would generate a transaction correction back to branch to correct the mistaken Horizon entry.
- 4.4 If a subpostmaster identified an error, he/she could contact NBSC to highlight the transaction for review during the reconciliation process described above.
- 4.5 It should be noted that:
  - 4.5.1 It was not standard Post Office process for branches to correct Miskey Errors in branch – they should have been reported to NBSC. In fact, in branch corrections could create confusion in the accounts making it difficult for FSC to determine if an error had been corrected. For example, if the Miskey Error was corrected at the end of the day (by reversing the erroneous transaction and putting through a new correct transaction), the Horizon record of the transaction would be correct and match the paying in slip but would not then match the receipt handed to the customer early that day (which would reflect the details of the erroneous transaction). This could then lead to a customer complaint that could be difficult to reconcile with the branch accounts.
  - 4.5.2 The above process does not include any check of the cash taken for the Girobank deposits. Indeed, such a check could not be undertaken as the Girobank deposit cash would have been mixed during the day with the branch's general cash holdings. Also, the Girobank slips are typically picked up by Royal Mail at around 5pm, which in most branches would be before that day's cash declaration so the slips would not have been available to help resolve any cash handling error. The only point at which it is possible to check that the correct amount of cash has been taken from the customer is at the point of the transaction.

- 4.6 After 2008, Girobank deposits were processed by way of swipe card or a chip and pin card although paper paying slips were still used by some customers:
- 4.6.1 The customer would either hand the card to the counter clerk to swipe on the Horizon keyboard or place their card into the chip and pin reader and tell the branch staff how much cash they wished to deposit.
  - 4.6.2 The branch would take the cash from the customer and count it to make sure it matched the deposit amount; the branch staff would key in the deposit amount on Horizon.
  - 4.6.3 The chip and pin machine would then display the amount to be deposited (as per the figure keyed into Horizon) and ask the customer to confirm the amount;
  - 4.6.4 The customer would confirm the amount and enter their pin number. The branch staff would then complete the transaction on Horizon.
  - 4.6.5 No paperwork is retained in branch and nothing is remitted to Girobank.
- 4.7 It is noted the post-2008 process described above is the same as operated by all High Street banks conducting bank deposits after those banks phased out paying in slips in favour of chip and pin machines.
- 4.8 Although Second Sight suggests that a lack of an "audit trail" is in itself a problem, Post Office considers that it is more important to understand the holistic risks and safeguards in place – which are different for different products.
- 4.9 For Girobank deposits, the purpose of the pre-2008 paying in slips was to facilitate the processing of payments between Post Office and Girobank. These slips were not designed or used to provide an "audit trail" to assist branches in checking for Miskey Errors at the end of a day – the branch should check that they are keying in the correct amount at the point of conducting a transaction. This is why it was not part of Post Office standard process for branches to correct such errors in branch. The safeguard pre-2008 was the reconciliation process undertaken by Girobank and FSC. .
- 4.10 Post 2008, the safeguard was that the customer would double check the Horizon figure on the chip and pin machine before completing the transaction. Therefore the chance of a Miskey Error going unnoticed was significantly reduced.
- 4.11 In any event, post 2008, the amount recorded on Horizon is the amount credited to the customer's account. Therefore even if the wrong figure was keyed into Horizon, this would match the amount deposited into the customer's account and would not generate a transaction correction to the branch but would result in a discrepancy in the branch accounts if the branch took the incorrect amount of cash from the customer. This however is a cash handling error and not an accounting error (and is therefore outside the "audit trail" issue being raised by Second Sight).
- 4.12 If a customer later complains about the wrong amount being deposited into their account, then this is an issue between the customer, Girobank and Post Office depending on whether the customer has proof of the amount they deposited. In practice, the only evidence the customer may hold is the receipt from Post Office which will validate that the customer confirmed the Horizon recorded figure on the chip and pin machine.

- 4.13 The lack of an audit trail post 2008 as claimed by Second Sight is therefore not a failing of Horizon or Post Office in that Post Office operates an effective safeguard against Miskey Errors in the form of confirmation through the chip and pin machine. In any event, and as noted above, it was outside of Post Office's control to retain the old audit trail of paper paying in slips and this approach to bank deposits is used across the industry.

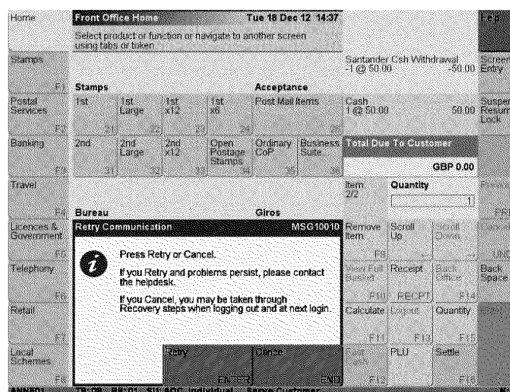
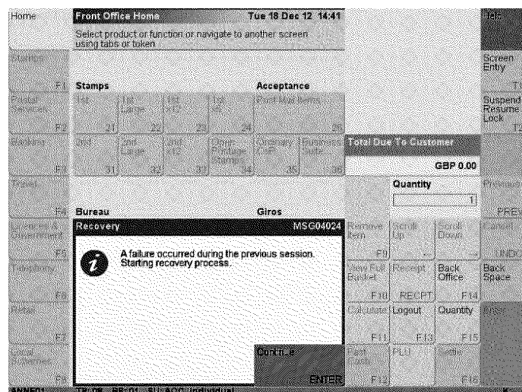
20 October 2014

# Annex 10

# Horizon Transaction Recovery Guidelines

## Background

Sometimes when logging on to the Horizon terminal or during the processing of a transaction, the Horizon terminal screen displays a “Recovery” or “Retry Communication” message to the person working on that particular counter unit.



If the person working on that counter doesn't follow the correct steps when these messages are displayed, this can have a negative impact on the successful completion of a customer's transaction, which may also then impact on the cash and/or stock balance of the branch.

The purpose of this document is to help you understand:

- Why the system displays these messages
- What happens to the transactions that are being or have just been processed when you see these messages
- What you should do when these messages are displayed including what you should tell the customer
- What the information means on any receipts that are printed
- What may happen if the correct procedures aren't followed
- What happens if a system recovery fails
- Where to go for extra help and support when you need it

The document will show you example screen shots from the Horizon system and help you understand what to do in these circumstances.

1. When will a Recovery message be displayed and what does it mean?

A Recovery message will be displayed on the Horizon screen in the following scenarios:

- a) Scenario 1: Someone tries to log onto another Horizon terminal using the same user ID and password whilst they are still logged onto another terminal. This will appear even if the user is trying to attach to a different stock unit.
- b) Scenario 2: The Horizon system loses communication with the relevant data centre during the processing of a transaction due to an incident with the communication line.
- c) Scenario 3: The Horizon system loses communication with the relevant data centre as a result of a power cut.
- d) Scenario 4: An Horizon terminal counter unit has been replaced and the previous user on the counter unit being replaced had not logged out.

When serving a customer, there are certain transactions where the information is sent directly to external data systems during the transaction, and some where no interaction with the data systems happens until the customer session is completed. Those transactions where the information is sent directly to the data systems during the transaction are known as Recoverable transactions and those that aren't are known as either Non-recoverable or Cancellable.

Which transactions are Recoverable?

- Bureau Pre-orders
- Moneygram
- Online Banking Services, including Post Office card account
- E-Top Up
- Reversals (new and existing)
- Postal Orders
- Post Office Payout
- National Savings and Investments
- Drop and Go
- Debit/credit card payments

And those that aren't recoverable

Everything else is known as non-recoverable or Cancellable, including

- All Mails transactions (including labels and the sale of postage stamps)
- Automated Bill payments including DVLA transactions
- Personal banking (does this mean the likes of cheque deposits?)
- Transcash
- Back office transactions other than reversals

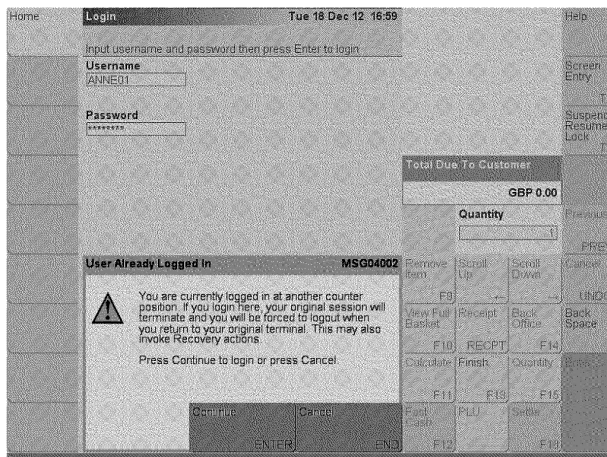
Once the Recovery process starts, there will be different outcomes depending on the type of transaction that the system is trying to recover, and it will depend on what information is printed on the receipt.

- Completed recoverable transactions listed above where a receipt is printed should be settled with the customer – i.e. take payment for an e-top-up
- Transactions which are classed as recoverable but a receipt is not printed are classed as incomplete and therefore they should not be settled with the customer – i.e. don't take payment or assume that a banking withdrawal has been processed so don't pay the customer
- Non-recoverable or cancellable transactions should be discarded and the item shouldn't be settled with the customer – i.e. don't give them the stamps or take payment for an AP billpayment

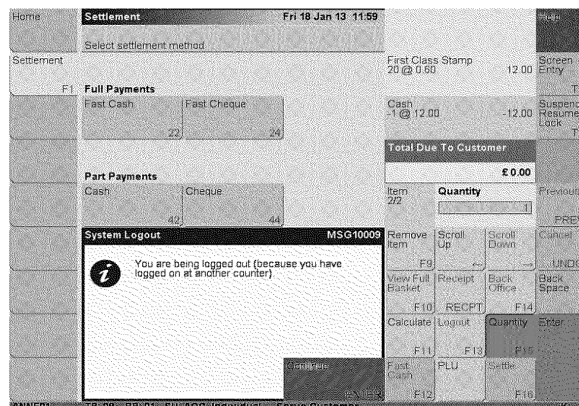
Below are some examples of the different types of scenarios and takes you through what to do in these instances.

2. Scenario 1 - User tries to log onto another Horizon terminal while still logged onto another terminal

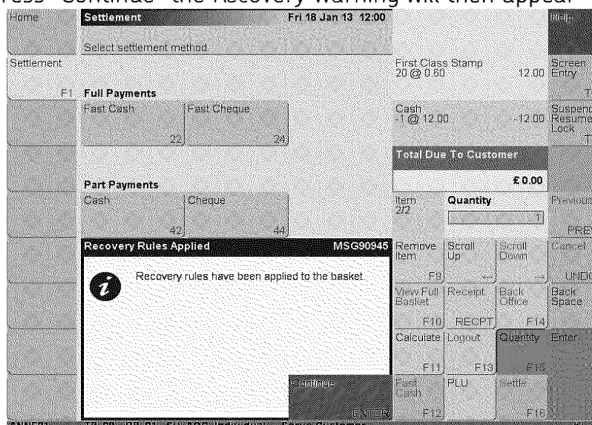
If you or one of your team is logged on to one Horizon terminal and is in the process of selling stamps and an attempt is made to log onto another terminal the following message will appear on the terminal where an additional log on is being attempted:



If you press "Continue", you can still use the first Horizon terminal but when you come to settle the transaction for the sale of the stamps, the system will automatically log you out and force a transaction recovery. The following message will appear:



and when you press "Continue" the Recovery warning will then appear



Three copies of a disconnected session receipt will be printed. You will see from the receipt below that the stamp transaction has not been completed.

Therefore the stamps should not be given to the customer and payment should not be taken.

```

DISCONNECTED SESSION
Recovery Code: 0120416
Do not attempt to reverse
any transaction from this
session, until this counter
has been successfully
recovered.

1st class stamp
0 0 0.60 0.00

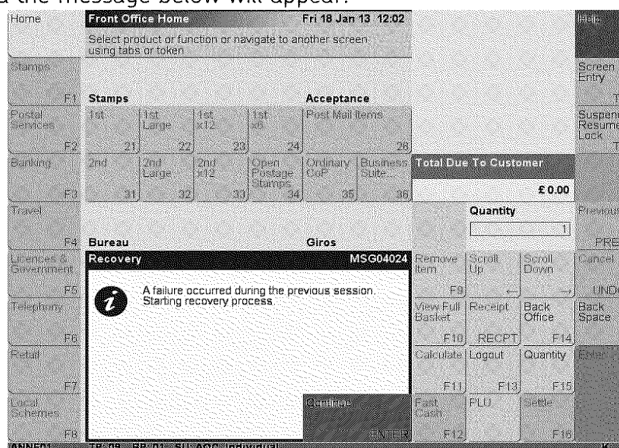
TOTAL DUE TO POST OFFICE 0.00

Cash FROM CUSTOMER 0.00
BALANCE 0.00

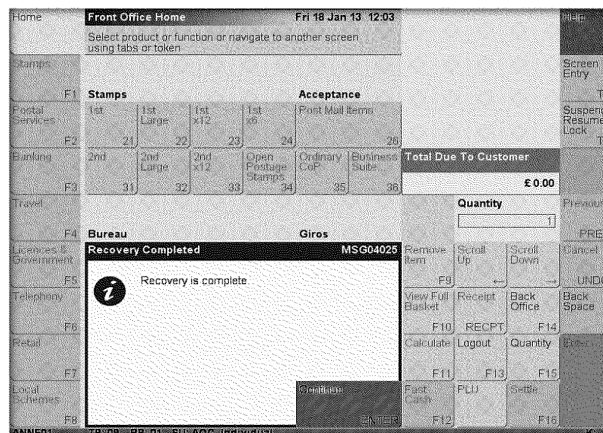
Please retain for future reference

Thank You
    
```

Once the receipt has been printed, you or anyone who wants to use this terminal again will need to log-in again and the message below will appear.

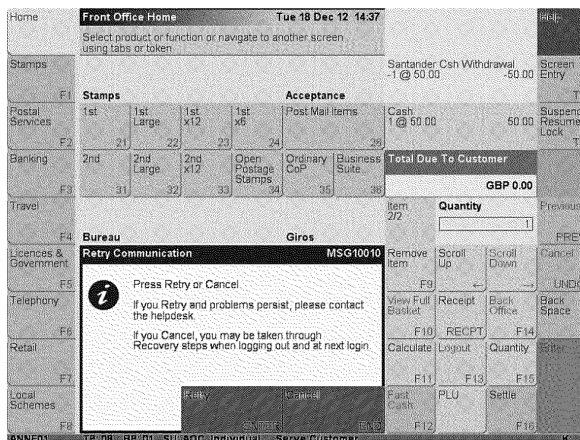


No recovery is needed because the previous transaction was recovered and therefore no receipt will be printed.

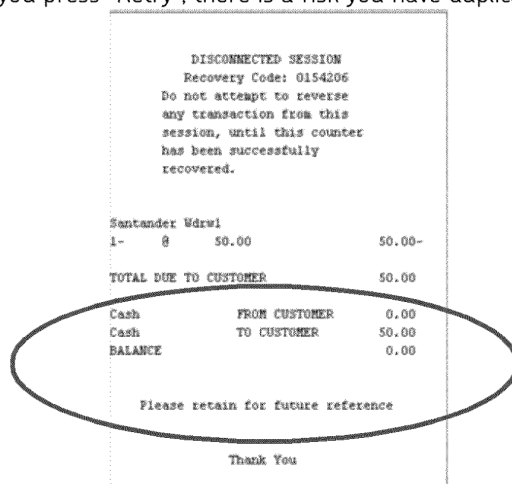


- Scenario 2 – The system loses connectivity (for example where workmen dig through a phone line) if during with the data centre whilst a customer is undertaking a cash withdrawal and the system asks you for the outcome of how you settled the transaction

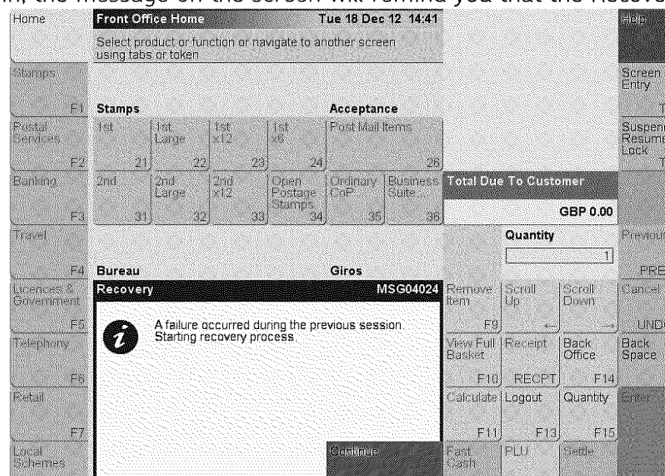
If the Horizon terminal screen shows this message during the transaction, connectivity with the data centre has been lost.



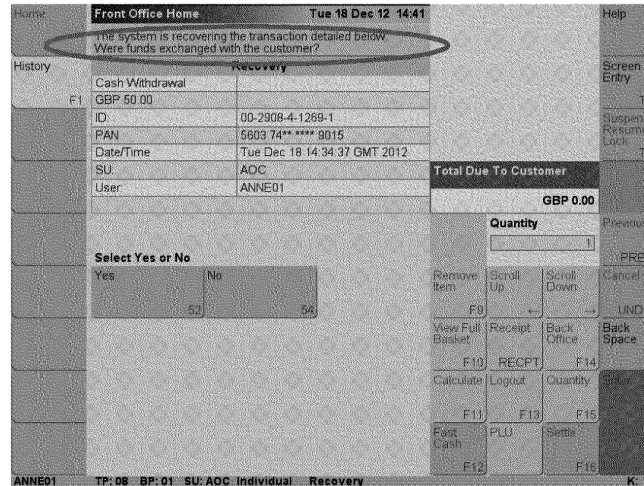
Press "Cancel". In this scenario, the withdrawal will have already been authorised and a receipt will be printed like the one below. It will be called disconnected session receipt which says payment should be made to the customer. If you press "Retry", there is a risk you have duplicated the transaction.



When you log back in, the message on the screen will remind you that the Recover process will start.



In this case, you will be asked what the outcome of the transaction was. For this example, the screen is asking for confirmation as to whether the customer was paid.



BE CAREFUL, if you don't know or are not sure STOP and ring for help.

Answer YES or NO

```

VAT REG No. GB 243 1700 02
Date of Issue: 18/12/2012 14:43
SESSION: 4-15427

Recovery Successful.

Santander Wdrwl
1- 0 50.00 50.00-

TOTAL DUE TO CUSTOMER 50.00

Cash TO CUSTOMER 50.00
BALANCE 0.00

Please retain for future reference

Thank You
    
```

```

VAT REG No. GB 243 1700 02
Date of Issue: 18/12/2012 14:57
SESSION: 4-15430

Recovery Successful.

Santander Wdrwl
1- 0 0.00 0.00

TOTAL DUE TO POST OFFICE 0.00
BALANCE 0.00

Please retain for future reference

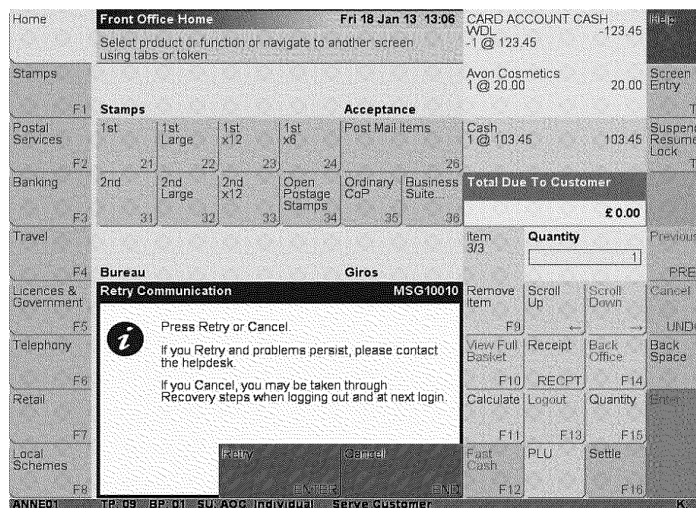
Thank You
    
```

If you select YES: £50 withdrawal and the cash settlement will be allocated to your branch account.

If you select NO: a reversal communication will be sent to the customer's bank account, if withdrawal had been authorised, and zero-value transaction written to the branch accounts. This means that your branch account will be short by £50 if you have pressed "No" by accident.

- Scenario 2 – The Horizon system is unable to connect to the data centre and the customer is in the middle of a transaction with both a cash withdrawal (recoverable) and a bill payment (non-recoverable). The system knows the outcome of the recoverable transaction.

If the Horizon system loses connectivity to the data centre, the same Retry Communication message as above will appear on the screen.



Press Cancel and the Disconnected Session receipt will be printed. Remember that the recoverable transaction which is the cash withdrawal will have started to complete and the bill-payment one is cancelled.

Settle the customer transaction as shown on Disconnected Session receipt

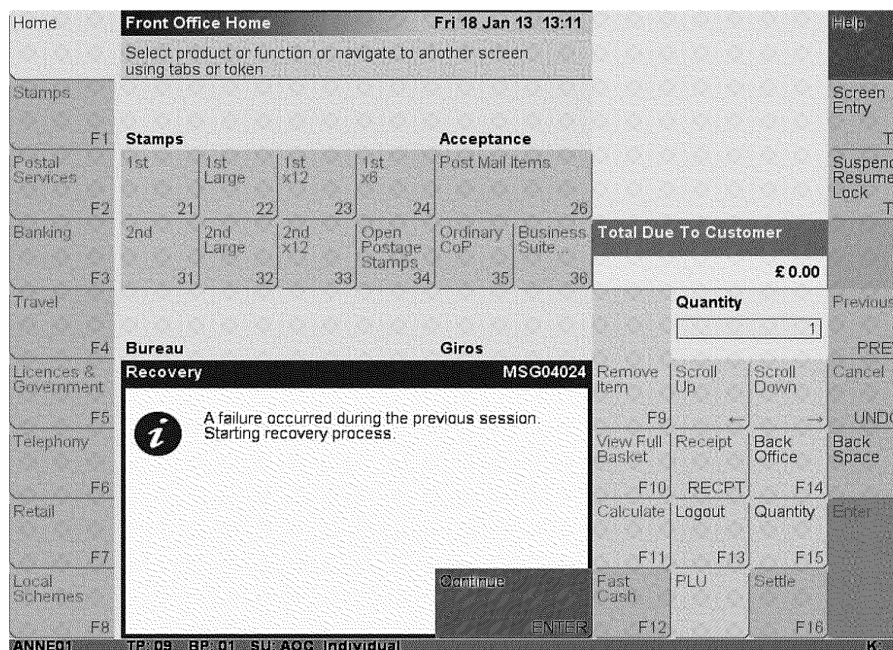
DISCONNECTED SESSION			
Recovery Code: 0120487			
Do not attempt to reverse any transaction from this session, until this counter has been successfully recovered.			
CA CASH WDL			
1- @	123.45		123.45-
Avon Cosmetics			
0 @	20.00		0.00
TOTAL DUE TO CUSTOMER			123.45
Cash	FROM CUSTOMER		0.00
Cash	TO CUSTOMER		123.45
BALANCE			0.00

Please retain for future reference

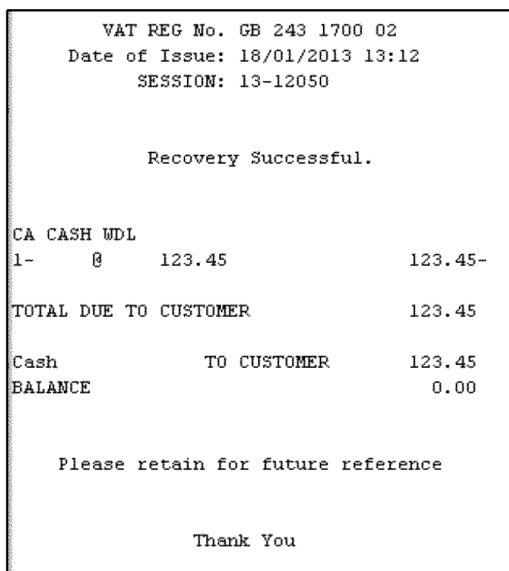
Thank You

This receipt shows that the Bill Payment FAILED so give the customer the full amount of £123.45 and record this event and amount given. You need to tell the customer that the Bill was not paid.

Once the receipts have been printed and you are asked to log back in, the Recovery message will appear.



If the system knows the outcome of the transaction which has just been recovered, it will not ask you for confirmation but will print an automatic "Recovery Successful" receipt.



Once the recovery has been completed and the customer is still at the counter, they can then pay the bill as a new transaction and payment will need to be taken.

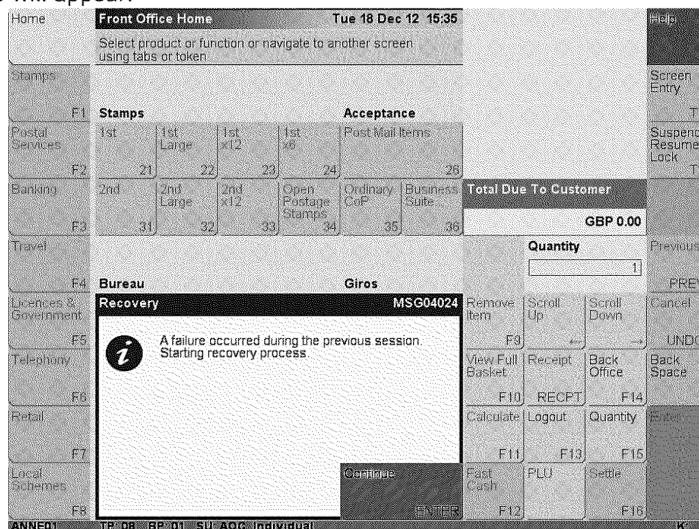
- Scenario 3 – The Horizon system loses connectivity with the data centre due to a power cut. The bill payment has been settled by debit card which has been authorised but the power cut happens before the branch receipt has been printed.

In this instance, no Disconnected Session receipt has been printed and therefore the transaction is classed as incomplete.

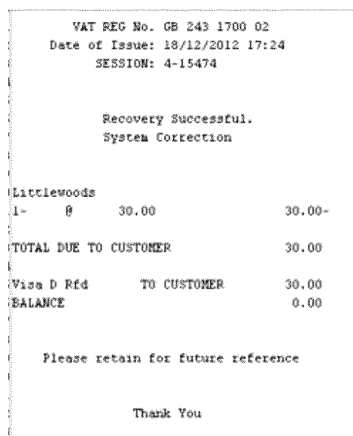
You must make it clear to the customer that:

- The bill has not been paid
- The debit card will be refunded (but this may not be instant)

Once the power is restored and the Horizon terminal restarts, when you next log in, the standard Recovery message will appear.



An automatic system correction will be initiated and a receipt like the one below will be printed.

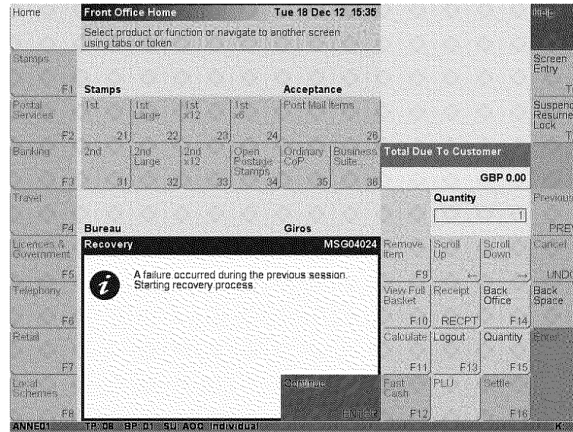


This is telling you that the Bill has not been paid and the customer will be automatically refunded on their debit card.

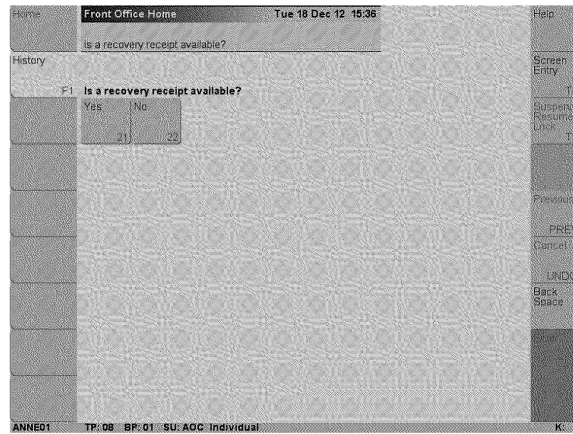
No action required, but please don't give any cash to the customer.

6. Scenario 4 – The Horizon terminal has been replaced and the user on the old counter has not logged out

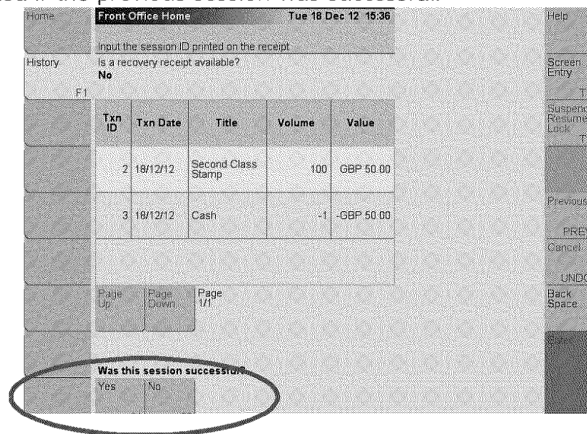
Whoever attempts to log on following the replacement of the counter unit will see the Recovery message on the screen.



You will be asked if you have a Disconnected Session receipt for the last transaction which happened on the terminal.



In most instances there will not be a receipt available. When you press “No”, the following screen will appear. You will be asked if the previous session was successful.



If you select "No" to say the session wasn't successful, the Horizon system will undertake an automatic System Correction. In this instance, if the last transaction you did was sell 100, 2<sup>nd</sup> class stamps, then it will reverse this transaction out of you branch account. If you had completed the transaction with the customer, then your stock of 2<sup>nd</sup> class stamps would be down by 100 and your cash would be over by £50.

```

VAT REG No. GB 243 1700 02
Date of Issue: 18/12/2012 15:55
SESSION: 4-15448

Recovery Successful.
System Correction

2nd class stamp
100- 0 0.50 50.00-

TOTAL DUE TO CUSTOMER 50.00

Cash TO CUSTOMER 50.00
BALANCE 0.00

Please retain for future reference

Thank You

```

Therefore a correction to adjust the stock may be required if this has happened.

#### 7. What should you do if you are undertaking a DVLA transaction if the Recovery process starts?

DVLA licencing transactions are classed as Automated Payment Services and therefore these are cancelled during the Recovery process following a system failure and the Method of Payment is reversed.

If you experience a system failure during an MVL transaction you must not, under any circumstances issue a tax disc to the customer.

- Retain the tax disc to be spoiled, and spoil it as soon as the system is restored
- Read Disconnected Session Receipts and hand one copy to the customer with their paperwork, retain the second receipt in the till and attach the 3<sup>rd</sup> receipt to the Horizon screen terminal so the person performing the recovery knows what transaction failed.
- Return any payment by cash or cheques to the customer, and if they have paid by debitcard, inform them that their card will automatically be refunded
- If you have given the customer the tax disc by mistake, it will not be valid and the customer will receive a continuous registration penalty letter for failure to relicense or SORN their vehicle. When the customer then produces the tax disc as evidence for their case, the DVLA notify the Finance Service Centre (FSC) that a disc has been issued without being scanned onto the Horizon On-line system.
- FSC investigate and issue a Transaction Correction to the relevant branch for the full amount of the tax payable (please be mindful that this could be for the price of an HGV disc in the future).
- NOTE: If the method of payment was by cash or cheque and retained during the failure, you will be able to associate the gain incurred at the time of recovery with the loss generated by the Transaction Correction. If however a debit card (or in the future credit card) was accepted, the card will be refunded as part of the recovery procedure and you will have to stand the loss when a Transaction Correction is processed.

## 8. The E Top Up Scenario.

Note that a similar scenario applies to any Recoverable transaction where the customer has to give money to Post Office Ltd.

In such cases, it is the clerk's responsibility to ensure that the customer is able to pay for a transaction before they process the E Top up or Deposit. If the customer is offering to pay for it with a Debit or Credit card (plastic), then this is not possible, since the E Top Up has to be added to the basket before processing the plastic payment.

This then gives rise to the following scenario:

1. Request an E Top Up (£10 say)
2. E Top Up successful
3. Communication line fails
4. Attempt to settle using plastic
5. Payment fails
6. Request customer pays cash
7. Customer has no cash

If the plastic payment had been declined, and communication lines are OK, then the way to progress is to do an ETU Reversal on a different counter and settle to cash and use this cash to settle the basket.

However if communication lines are down, the system will expect the session to be settled to cash and so the branch will be out of pocket by £10 unless they can do the reversal on a different counter (unlikely if communication lines are down)

If you are unable to resolve the incident with these instructions, please contact the Network Business Support Centre (NBSC).

9. What if recovery fails?

Below are some examples of what the receipts will look like if the Recovery process fails.

```
DISCONNECTED SESSION
Recovery Code: 2955958
Do not attempt to reverse
any transaction from this
session, until this counter
has been successfully
recovered.

Co-op Cash wdr1
1- @ 50.00 50.00-

TOTAL DUE TO CUSTOMER 50.00

Cash FROM CUSTOMER 0.00
Cash TO CUSTOMER 50.00
BALANCE 0.00

Please retain for future reference
Thank You
```

```
VAT REG No. GB 243 1700 02
Date of Issue: 09/07/2012 12:50
SESSION: 2-295597

Recovery Failed.

TOTAL DUE TO POST OFFICE 0.00
BALANCE 0.00

Please retain for future reference
Thank You
```

All these failures are monitored and investigated automatically by Fujitsu, but you should also report them to the Network Business Support Centre (NBSC).

In the event of any confusion, retaining documentation is the key. Please keep a record of any reference numbers, transaction details and the action or advice taken.

10. Helpful hints and tips and where to go for support

- Avoid logging on to more than one counter at once with same user name Create a second user name ID if you regularly use another counter – i.e for processing large numbers of mails transactions. Please remember you must not share these user IDs and passwords.
- If there's a Disconnected Session Receipt, settle with the customer in line with what it says KEEP A NOTE OF CASH
- Make a note of what you did, in case there are recovery questions
- If counter has to be replaced and user hadn't logged out, make a note of the last successful session

Hints and tips –awaiting recovery

- Don't use Transaction Log search to check the outcome of the failed session until recovery is complete as it won't appear until fully complete.
- Don't try to reverse transactions from the failed session
- Don't use the customer's account balance to check the outcome as there could be a delay in the refund.
- Don't put transactions through again unless recovery is complete.
- You may have a cash variance. The stock unit can't be balanced until the recovery has completed Stock volumes may require correcting.
- Do log on to all counters with failed sessions as soon as possible (once the system seems stable)

Hints and tips –in recovery

- Use the Disconnected Session receipt, or notes made when the counter failed, to help answer recovery questions (if any)
- If a different colleague is likely to be using the counter, make sure they have this information
- Once recovery is complete, you can use Transaction Log to search if needed
- Contact NBSC if the outcome doesn't match what you did and it is not something you can reverse / put through again
- If recovery fails, this will be automatically investigated, but you should inform NBSC

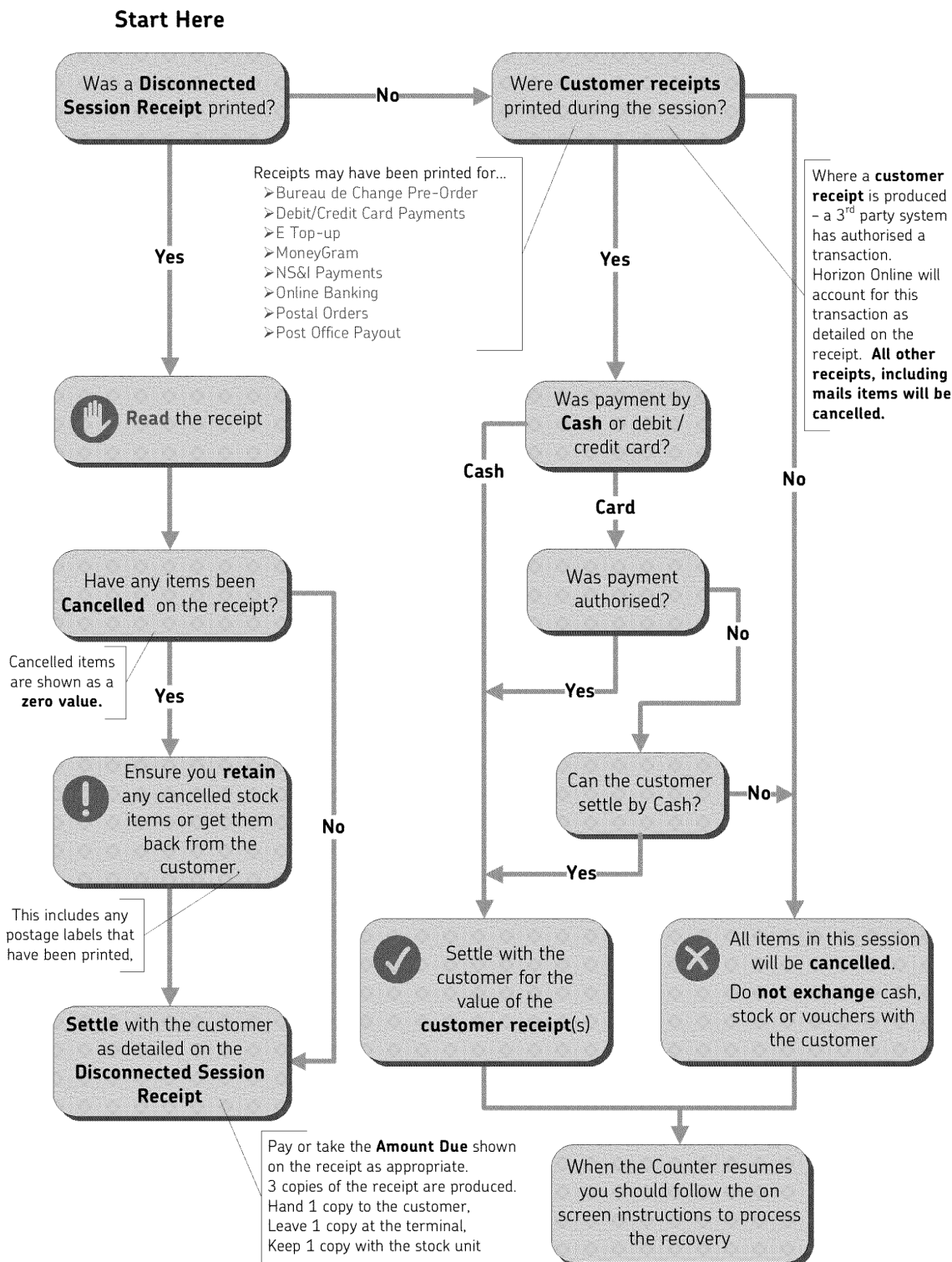
Full details of Horizon On-line system failures and recovery procedures can be found in subsection 36 and 37 of the Horizon Online™ equipment and administration operations manual.

Information can also be found on Horizon on-line help by going to Home, F10, F6, and paging Down

Other				Close
Horizon Online™ Equipment & Administration (Page 2 of 2)				hea_index_1 v1.0
View	Starting up and shutting down	Using Quantity Mode	View	HELP
F1			F9	Help Home
View	Login and Logout	Vouchers	View	Back
F2			F10	PREV
View	Main functions of a system and how to move around it	Transferring cash and stock out of a stock unit	View	Forward
F3			F11	MORE
View	Temporary locking of a session	Reversing Transactions	View	Print
F4			F12	T2
View	Suspending and transferring transactions (sessions)	Using the Memo View facility to access emergency messages	View	
F5			F13	
View	Setting Transactions	System unavailability	View	
F6			F14	
View	Printing a receipt	Fallback procedures	View	
F7			F15	
View	Using Calculate	Recovery procedures	View	
F8			F16	
Topic Home	Next Topic	Page Up	Page Down	Find
				T1
ANNE01 TP: 09 BP: 01 SU: AOC Individual Serve Customer				K:

## What to do when a Horizon Online counter is unable to connect to the Data Centre or becomes unavailable due to Screen Freeze

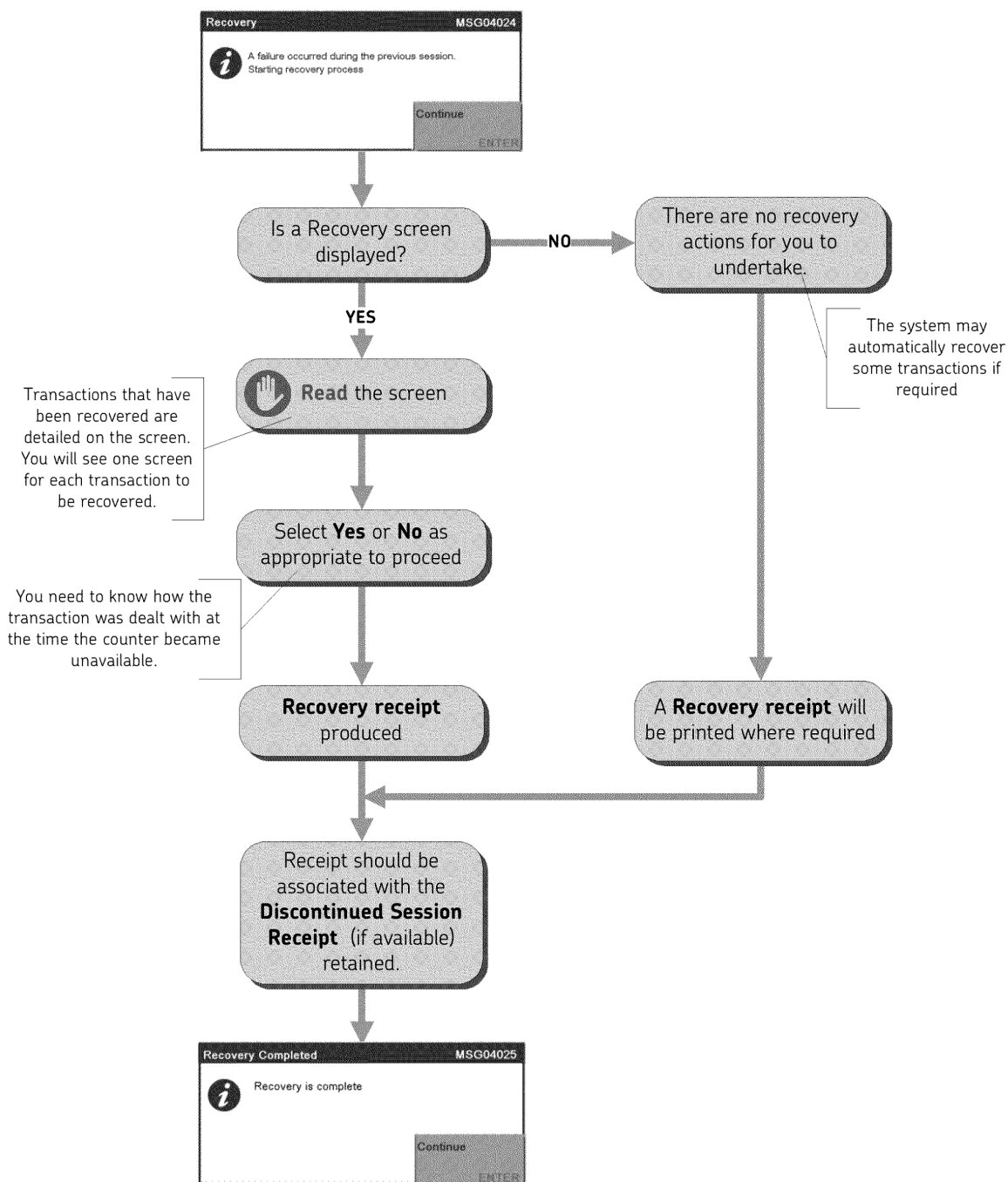
To ensure that you are able to deal correctly with any outage while the customer is still present in the branch you should familiarise yourself with this process.



Recovery - What to do when Horizon Online connectivity is restored

The diagram below provides a simplified view of the generic approach to recovering a counter that has forced a user logout from the system following an unexpected outage.

The key point to remember is that you need to **ensure you do the right thing at the time the counter becomes unavailable**.



# Annex 11

## Initial Complaint Review and Mediation Scheme

### One sided transactions – "something for nothing"

- 1 Summary
  - 1.1 Second Sight has raised a question about whether it is possible for there to be a "one sided transaction" where a customer receives a benefit without having to pay for it which in turn either (1) causes a discrepancy in a branch's accounts and/or (2) creates a loss that is passed on to a branch (for short this has been referred to as the "something for nothing" issue).
  - 1.2 As Second Sight has been unable to identify any general issue with Horizon that could give rise to this situation, it has put forward an example from an Applicant's CQR. As described in more detail below, in this example, a customer attempted on several occasions to make a cash deposit into her bank account. Although, the branch Horizon terminal recorded that the transaction failed multiple times and only completed once, the customer's bank account was credited on 3 occasions.
  - 1.3 Post Office's review has determined that Horizon operated correctly and that no discrepancy was caused in the branch's accounts nor was any loss passed to the branch.
  - 1.4 It is of course possible that any data being transmitted over the internet may not be received by the recipient. It is therefore possible that Horizon may not be able to contact a customer's bank's IT systems (and vice versa) in order to complete a deposit transaction.
  - 1.5 However, every night there is a reconciliation between the bank deposit transactions recorded on Horizon and those processed by a customer's bank. From this information, the bank corrects any mistaken deposits it has made into a customer's account which have not been recorded on Horizon. Post Office is not responsible if the customer's bank does not take this corrective action or does not do so promptly. This error is never corrected by the discrepancy being passed back to a branch by way of a transaction correction.
  - 1.6 From a branch's perspective no discrepancy will arise from this situation as the branch accounts will have recorded only the completed deposits and cash will only have been taken from customers for those completed deposits. The branch will therefore be in balance.
  - 1.7 Although this briefing only deals with the example put forward by Second Sight, it reflects the approach that Post Office takes to this issue in relation to other products. It is therefore confident that the "something for nothing" issue cannot be the cause of discrepancies in a branch's accounts or a source of losses for subpostmasters.
- 2 The issue
  - 2.1 Second Sight has provided the following example which it has asked Post Office to investigate:

"In this instance, the benefitting customer was also the SPMR so would only have benefitted at her own expense thus having no incentive to keep quiet. Nonetheless, it serves as an example of the phenomenon.

As you may recall, in this example the SPMR asked a clerk to pay £300 in for her and she was credited with that amount three times over. POL initiated one reversal, but the SPMR herself, as we understand it, had to action the other reversals in order to correct the position.

Our point all along has been that, when a customer gets nothing for something (e.g. if he/she pays a Utility bill and gets debited with the cost of doing that, but the bill doesn't get paid, then there exists a very effective secondary error detection control (they'll get a Final Demand from the Utility Company). There is, on the other hand, no such secondary error detection control in the case of one-sided transactions that benefit customers (the bill gets paid but they don't pick up the cost: the SPMR does). " <sup>1</sup>

### 3 Response

3.1 When a customer wishes to deposit cash into their bank account at a Post Office branch, the processing sequence on Horizon is as follows:

- 3.1.1 The customer hands the cash to the subpostmaster (or assistant) who counts the cash and enters the amount to be deposited on Horizon.
- 3.1.2 The customer enters their bank card into the chip and pin machine or the card is swiped on Horizon by the branch staff. The amount to be deposited is shown on the chip and pin machine and the customer confirms the amount of the deposit.
- 3.1.3 Horizon then sends the (encrypted) transaction details to the customer's bank over the internet.
- 3.1.4 If the bank accepts the deposit, it sends a message back to the Horizon terminal confirming that the deposit is accepted.
- 3.1.5 Horizon then informs the subpostmaster that the transaction is completed, prints a receipt for the customer and records the transaction as completed in the branch accounts.

3.2 The branch terminal may not record the confirmation message from the customer's bank for a number of reasons:

- 3.2.1 The bank may not accept the deposit;
- 3.2.2 There may be an error in the bank systems such that the confirmation message is not sent;
- 3.2.3 There may be issue with the third party network connection between Horizon and the bank such that the transaction details are never received by the bank (in which case the transaction would fail totally with no funds being deposited at all);

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<sup>1</sup> Email from Ron Warmington to Angela Van Den Bogerd on 23 July 2014. Second Sight has also provided Post Office with the case details from which this example is taken but this information has been omitted from this briefing in order to protect the Applicant's privacy.

- 3.2.4 There may be issue with the third party network connection between the bank and Horizon such that the confirmation message from the bank does not reach the branch terminal;
  - 3.2.5 The customer could remove their card from the chip and pin machine before the confirmation is received; or
  - 3.2.6 The branch staff could terminate the transaction on Horizon before the confirmation is received.
- 3.3 All of these reasons are outside of Post Office's control. If the confirmation message is not received within a set period of time, the branch terminal assumes that the transaction has failed and this is displayed on screen to the user. The user may then either return the cash to the customer or retry the transaction. Either way, the attempted cash deposit will be recorded in the Horizon transaction logs as a failed transaction and nothing will have changed in the branch accounts.
- 3.4 In the 4<sup>th</sup> scenario above (and possibly the 2<sup>nd</sup>, 5<sup>th</sup> and 6<sup>th</sup> scenarios), the customer's bank will have processed the cash deposit into the customer's account before the point of failure which causes the confirmation message not to be received by the branch Horizon terminal. This occurs notwithstanding that Horizon will have subsequently and correctly recorded the transaction as failed.
- 3.5 To correct for this error in the bank's records, every night a file is sent from Post Office to the client bank listing all the deposits recorded on Horizon across the entire Post Office network. The client bank then reconciles this data against the deposits it has made into customers' accounts. If it finds that the bank has made a deposit where Horizon records a failed transaction, the bank will take corrective action, usually by withdrawing the deposited funds from the customer's account.
- 3.6 Critically, Post Office is not liable for the bank's error in making a mistaken deposit and no transaction correction is generated going back to the branch for this error. Indeed, the branch accounts are perfectly correct as the branch will have only taken cash from customers where transactions are confirmed as completed on Horizon.
- 4 Application to the specific example
- 4.1 In the example highlighted by Second Sight, Fujitsu has confirmed that there were recorded network difficulties on 15 January 2013 from 13:39 to 17:00 which covers the time of the transactions which took place between 15:35:55 and 17:00:04 (the last transaction being the successful one).
- 4.2 The transaction data<sup>2</sup> shows that:
- 4.2.1 6 attempts were made to deposit £300 into a bank account;
  - 4.2.2 The first 5 attempts failed and are recorded by the branch logs as having failed;

---

<sup>2</sup> This data will be provided to Second Sight separately with the Post Office Investigation Report into the relevant case but is not enclosed with this briefing to protect the privacy of the Applicant in the example.

- 4.2.3 The final attempt is recorded as being successful.
- 4.3 The transaction data therefore supports the Applicant's version of events but also proves that there was no error in the branch's accounting and cash positions (as the branch accounts recorded one successful deposit of £300 and the branch took from the Applicant £300 in cash). For the sake of clarity, there was no subsequent transaction correction in relation to these transactions.
- 4.4 Post Office cannot verify if 3 deposits were made into the customer's account as this information is held exclusively by the customer's bank. However, assuming that the 3 deposits did in fact occur, this pattern of events is consistent with a scenario in which the first 5 confirmation messages were lost in transit from the bank to Horizon due to the network difficulties.
- 4.5 In line with normal procedure, the overnight data file was sent to the customer's bank. The bank would then usually use this data to correct its errors and remove the additional deposits from the customer's bank. Post Office cannot however confirm this as it does not control the bank's corrective procedures: that is a matter between the bank and its customer.
- 5 Second Sight's specific comments
- 5.1 Second's Sight's statement in the quoted example that "POL initiated one reversal, but the SPMR herself, as we understand it, had to action the other reversals in order to correct the position " is not understood.
- 5.2 Neither Post Office nor Horizon generates reversals of this nature. If the deposit transaction does not complete (because the confirmation message is not received) the transaction will be recorded as failed on Horizon. This is not a reversal because there was no completed transaction to reverse.
- 5.3 Once the confirmation message is received at the terminal, the user is asked to confirm that the deposit should be completed. If the user declines the deposit at that stage, it is shown as cancelled in the branch logs and not added to the basket on Horizon – there is therefore no transaction to reverse on Horizon. However, Horizon does send a message to the customer's bank confirming that the previously confirmed deposit did not in fact complete at the counter and needs to be reversed at the bank's end.
- 5.4 If the user accepts the deposit, it is recorded in the basket and from that point forward cannot be cancelled or reversed. This is because the deposit will already have been credited to the customer's bank account. The branch would need to contact NBSC to seek their assistance in correcting any error in the transaction.
- 5.5 As with the situations described above, whichever option is selected at the counter, the branch accounts remain in balance as the record on Horizon will reflect the amount of cash taken (or not) from the customer.
- 5.6 The view that there is no "secondary error detection control in the case of one-sided transactions that benefit customers" is incorrect. As described above, the overnight data file is used to identify and correct any errors. In any event, these errors will not cause any discrepancy in the branch's accounts.

- 5.7 The claim that, where there is a one-sided transaction, customers "don't pick up the cost: the SPMR does" is incorrect. For the reasons stated above, deposit errors in the bank's records are not reflected in the branch's accounts and are never passed back to a branch.

20 October 2014

# Annex 12

## Postal Services - Postage Labels

### Spoiled Labels (Page 1 of 3)

pl\_spo\_labels v1.0

All Horizon Online postage labels now have extra code characters printed on them for the spoiled postage label accounting process. These codes will need to be entered onto Horizon Online to process a spoiled label. The codes ensure the label being spoiled is correctly accounted for by product and VAT type.

#### Royal Mail labels

A one code character (**a letter**) will appear at the end of the Royal Mail line of the label, the other code character (**a number**) will appear at the end of the Postage Paid line.

#### Parcelforce Worldwide labels

Similar to the Royal Mail arrangement except that both the code character at the end of the Parcelforce line and the one at the end of the Postage Paid line are numbers.

#### Counter Procedure

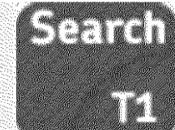
The new Spoilt Postage Label process is accessed via the **[Spoilt Label]** button on the **Postal Services [F1]** Home screen. The onscreen prompts will let you know what information you need to input.

A label can only be spoiled if the label is on hand (Horizon Online will remind you of this when you select the Spoilt Label button).

When you have selected **Spoilt Label [83]**, you're prompted to select the carrier **[Royal Mail]** or **[Parcelforce]** named on the label, then the first code character on the label (a letter for Royal Mail, a number for PFW).

You will only be asked to select the second code character where there is more than one possible option.

**Page Down** to continue



## Postal Services - Postage Labels

### Spoiled Labels (Page 2 of 3)

pl\_spo\_labels1 v1.0

Horizon Online will summarise the entries you have made and ask you to confirm if they are correct. (see image on right).

You will then be asked to write "SPOILT" across the label, add it to the printed system receipt and store these safely in branch for two years.

The credit value due to the customer should normally be used to transact a new label of the appropriate type. **Only in exceptional circumstances should a cash refund to the customer be necessary.**

#### Reconciliation process

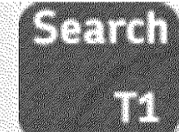
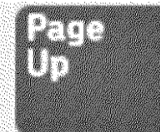
Spoilt Postage Label transactions will need to be reconciled by each VAT transaction type using the **second** code printed on the Horizon Online Label.

On the Balance Snapshot report, Spoilt labels will be totalled by VAT type and include the 2nd code from the label. Any labels spoilt under the old Horizon Online process are grouped under Miscellaneous.

If the total value of Spoilt Postage Labels on hand is less than the value shown on the Balance Snapshot report, you will need to use the new Spoilt Postage Label Reconciliation process to correct the value for each VAT transaction type.

The new reconciliation transaction is initiated via the Spoilt Label button [61] under Reconciliation on the Other Postal Services screen.

**Page Down** to continue



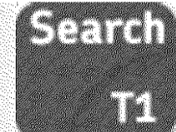
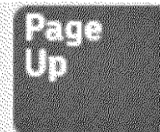
## Postal Services - Postage Labels

### Spoiled Labels (Page 3 of 3)

pl\_spo\_labels2 v1.0

- Horizon Online will remind you to have a balance snapshot report on hand before proceeding
- You will be asked to select a carrier to reconcile [Royal Mail] or [Parcelforce], you will then be asked to select the VAT type you wish to reconcile for that carrier
- You will be asked to enter the value for this carrier and the VAT type from the balance snapshot report
- You will then be asked to enter the total value of spoilt postage labels on hand for this carrier and VAT type
- Horizon Online will display a comparison of the balance snapshot value and the on hand value. Where the on hand figure entered is less than the balance snapshot, you will be asked to confirm the adjustment

**Please note:** should the on hand figure entered be more than the balance snapshot you will be asked to add any unprocessed labels using the Spoilt Label button. The reconciliation will then be abandoned.



# Annex 13



POST OFFICE LTD



# Customer Feedback Questionnaire

This customer feedback form is designed to assess the effectiveness of the Field Support Advisor's delivery of the training activity deployed. Your feedback is valuable to us and will form the basis of future improvements.

## My Training

**Type of training:**

(please select one box)

Classroom

Onsite

Please select one box only for each of the following questions..

1. How suitable was the classroom environment and the equipment (if applicable)?

Up to 25%    Up to 50%    Up to 75%    Up to 100%

2. How effective was the content of your classroom/on-site training?

3. How confident are you that using the customer sales conversations will help you to maximise your income opportunities?

4. How confident do you feel processing mails products & services?

5. How confident do you feel that the training received will enable you to deliver excellent customer service?

6. How confident do you feel in processing daily 'Back Office' tasks?

7. How confident do you feel in your ability to prepare the branch balance (Stock Unit and/or Branch Trading Statement)?

8. How effective was the training in helping you to find and rectify any discrepancy?

9. To what extent did the training meet your expectations?

If you have marked any of your answers 'Up to 25%' or 'Up to 50%' please tell us why in the comments section below

Please comment on the overall experience



POST OFFICE LTD



## Customer Feedback Questionnaire

This customer feedback form is designed to assess the effectiveness of the Field Support Advisor's delivery of the training/audit/support activity deployed. Your feedback is valuable to us and will form the basis of future improvements.

Your Name	Branch Name
-----------	-------------

Branch Code:        Field Advisor Code:     Date:   /   /

Branch Type: (please select one box) PO Local  Main  Community  Core & Outreach  Crown

### My Field Support Advisor

Please select one box only for each of the following questions..

	Strongly Disagree	Disagree	Agree	Strongly Agree
1. The Field Support Advisor introduced themselves and explained the purpose of the activity and the times of attendance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The Field Support Advisor was polite and approachable and behaved in a positive manner.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The Field Support Advisor was knowledgeable and answered questions relating to the visit in a positive manner.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The activity was delivered in an organised, focused and logical way	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The Field Support Advisor regularly checked my understanding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. I feel confident that the Field Support Advisor was well prepared and competent to support me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. The Field Support Advisor was wearing career/business wear and was neat and tidy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you have marked any of your answers 'Disagree' or 'Strongly Disagree' please tell us why in the comments section below

Please comment on the overall experience

# Annex 14



POST OFFICE LTD



# Customer Feedback Questionnaire

This customer feedback form is designed to assess the effectiveness of the Field Support Advisor's delivery of the support activity deployed. Your feedback is valuable to us and will form the basis of future improvements.

## My Support Activity

**My Support Activity:**  
(please select one box)

- Post Transfer Visit     Accounting     Training     Branch Standards

- |  | Yes                      | No                       |
|--|--------------------------|--------------------------|
| 1. The date and time of the visit was agreed in advance<br>_____ | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. The purpose of the visit was clarified in advance?            | <input type="checkbox"/> | <input type="checkbox"/> |

- Please select one box only for each of the following questions..
- |   | Up to<br>25%             | Up to<br>50%             | Up to<br>75%             | Up to<br>100%            |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| 3. How confident do you feel that the support received will enable you to deliver your role effectively?<br>_____               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. How effective was the support you received in resolving your issue and informing you of any appropriate next steps?<br>_____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To what extent did the support meet your expectations?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- |  | Mails<br>Compliance      | Dangerous<br>Goods       | Accessibility            |
|--|--------------------------|--------------------------|--------------------------|
| 6. Which of the following areas were discussed during the audit<br>(select all that apply) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If you have marked any of your answers 'Up to 25%' or 'Up to 50%' please tell us why in the comments section below

Please comment on the overall experience



POST OFFICE LTD



## Customer Feedback Questionnaire

**This customer feedback form is designed to assess the effectiveness of the Field Support Advisor's delivery of the training/audit/support activity deployed. Your feedback is valuable to us and will form the basis of future improvements.**

Your Name	Branch Name
-----------	-------------

Branch Code:        Field Advisor Code:     Date:   /   /

Branch Type: *(please select one box)* PO Local  Main  Community  Core & Outreach  Crown

### My Field Support Advisor

*Please select one box only for each of the following questions..*

	Strongly Disagree	Disagree	Agree	Strongly Agree
1. The Field Support Advisor introduced themselves and explained the purpose of the activity and the times of attendance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The Field Support Advisor was polite and approachable and behaved in a positive manner.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The Field Support Advisor was knowledgeable and answered questions relating to the visit in a positive manner.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The activity was delivered in an organised, focused and logical way	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The Field Support Advisor regularly checked my understanding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. I feel confident that the Field Support Advisor was well prepared and competent to support me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. The Field Support Advisor was wearing career/business wear and was neat and tidy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**If you have marked any of your answers 'Disagree' or 'Strongly Disagree' please tell us why in the comments section below**

Please comment on the overall experience

# Annex 15



POST OFFICE LTD



# Customer Feedback Questionnaire

This customer feedback form is designed to assess the effectiveness of the Field Support Advisor's delivery of the audit activity deployed. Your feedback is valuable to us and will form the basis of future improvements.

## My Audit

Please select one box only for each of the following questions..

	Strongly Disagree	Disagree	Agree	Strongly Agree
1. Introductions were made and the purpose of the visit was explained	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Appropriate steps were taken to advise customers of alternative branches during the audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. I was kept informed of progress throughout the audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The audit findings were clearly explained and if necessary any actions agreed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. There was minimal disruption to the branch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The audit team was knowledgeable and able to answer my questions/queries about the audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. I feel the audit was conducted in a professional manner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Mails Compliance	Dangerous Goods	General Compliance	Accessibility
8. Which of the following areas were discussed during the audit (please select all that apply)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you have marked any of your answers Disagree or Strongly Disagree please tell us why in the comments section below

Please comment on the overall experience



POST OFFICE LTD



# Customer Feedback Questionnaire

This customer feedback form is designed to assess the effectiveness of the Field Support Advisor's delivery of the training/audit/support activity deployed. Your feedback is valuable to us and will form the basis of future improvements.

Your Name	Branch Name
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Branch Code:        Field Advisor Code:     Date:   /   /

Branch Type: (please select one box) PO Local  Main  Community  Core & Outreach  Crown

## My Field Support Advisor

Please select one box only for each of the following questions..

	Strongly Disagree	Disagree	Agree	Strongly Agree
1. The Field Support Advisor introduced themselves and explained the purpose of the activity and the times of attendance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The Field Support Advisor was polite and approachable and behaved in a positive manner.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The Field Support Advisor was knowledgeable and answered questions relating to the visit in a positive manner.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The activity was delivered in an organised, focused and logical way	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The Field Support Advisor regularly checked my understanding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. I feel confident that the Field Support Advisor was well prepared and competent to support me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. The Field Support Advisor was wearing career/business wear and was neat and tidy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you have marked any of your answers 'Disagree' or 'Strongly Disagree' please tell us why in the comments section below

Please comment on the overall experience

# Annex 16

## **Branch Write Off Process**

Proposal to write-off a branch loss could result from several scenarios.

If discrepancy is disputed by agent/operator, then the disputes process should be followed and the agent advised to contact the Relationship Manager (RM) in the Finance Service Centre (FSC).

FSC Relationship Manager investigates case and makes decision on whether the discrepancy is proper to stand and whether this loss is attributable to the agent/operator, FSC or Network. If consideration is to be sought for write off, documentary evidence to support recommendation will be provided.

There may be occasions where Network propose write-off of a discrepancy after completing investigations which indicate an agent should not be held responsible for the cause of the loss. If investigations highlight the cause is outside of Network, the case should be passed to the appropriate team within Post Office Ltd. to deal with the case. (These cases should be minimal as majority of cases will be resolved within FSC and Network).

With these cases, liaison with the Relationship Manager is essential to agree course of action.

### **If consideration is to be given for FSC to write-off the loss:**

Case forwarded to appropriate person for authorisation by proposer.

Return authorised case to Relationship Manager

Relationship Manager communicates decision to agent

Relationship Manager arranges for any necessary branch accounting procedures to clear the loss from the branch accounts

Relationship Manager arranges for the loss to be charged to the relevant FSC budget

Supporting documentation retained for probity purposes.

### **If consideration is to be given for Network to write-off a disputed loss:**

The Relationship Manager advises the agent/operator in writing that the case is being passed to the Contract Advisor (CA) for further investigation.

The Relationship Manager forwards the case to the relevant Contract Advisor who will review the case and make further investigations as required. If the loss relates to Field Support Advisor (FSA) activity it will be necessary for the CA to refer the case to the relevant BAU Area Manager (AM) for the Field Change Advisor (FCA) to investigate.

Proposer (either CA or FCA) for write-off completes first section of 'Write-off Proposal' document and the decision rationale document detailing why the recommendation for writing off a debt partially or wholly is being made. The relevant (branch) cost centre code will be supplied by the CA on request.

The documents to be completed are embedded below:

Rationale document-



Write-off decision  
rationale doc v5.xls

Write off proposal form-



Write Off Proposal v  
6.doc

The case is forwarded to the relevant sign off authority as shown in the section headed Authority levels.

Authority levels:-

- < £5k - Agents Contracts Deployment Manager or BAU Regional Manager
- < £25k - Head of Network Services or Head of Network Operations
- >£25k and <£100k - General Manager Network Agency Sales, Services & Transformation
- >£100k - would need to be referred to Finance for write off by Director

Complete write-off documentation and return to the proposer for action.

Return authorised case to Contract Advisor if passed to higher level for authorisation who will send to Proposer and where appropriate the proposer's line manager.

Contract Advisor to advise the Network Services Finance Analyst by email, of the write off decision.

Proposer returns authorised case to Relationship Manager and arranges via Contracts Admin Team for copy to be filed on branch EFC.

der communicates decision to agent - in certain instances it may be more appropriate for the proposer to advise the agent. This should be agreed between the proposer and Relationship Manager e.g. where the case has been instigated by Network. If the case is not going to be completed within 10 working days of the escalation, due to the complexity of the case or additional time required for verification of data, then the agent/operator should be advised accordingly in writing by the Contract Advisor and the Relationship Manager updated.

If appropriate the Relationship Manager arranges for any necessary branch accounting procedures to clear the loss from the branch accounts.

Relationship Manager arranges for the loss to be charged to Network budget.

Supporting documentation retained for probity purposes.

