

House of Commons Parliamentary Question : 2009/802**Oral**

Question tabled	11/01/2010	Question for answer	14/01/2010	Return to PB by Noon	12/01/2010
Action officer/division			Copies to:		

Question from : Smith, Jacqui (Redditch - LAB)

Minister answering : Rt Hon Pat McFadden

Question

To ask the Minister of State, Department for Business, Innovation and Skills, What recent representations he has received from sub-postmasters on the effects on them of use by the Post Office of the Horizon computer system; and if he will make a statement.

Draft Answer

I have, in recent months, received a small number of representations from Hon members, and one direct from a subpostmaster, about the Horizon computer system. Issues relating to the Horizon system are operational matters for Post Office Ltd which investigates all concerns raised by subpostmasters about Horizon and will continue to do so if any are raised, ~~remains confident in the integrity of the system.~~

TOP LINES TO TAKE ON MAIN QUESTION

- Since 2001, when the Royal Mail was set up as a public limited company with the Government as its only shareholder, Government has adopted an arm's length relationship with the company so that it has the commercial freedom to run its business operations without interference from the shareholder.
- The integrity of the Post Office Horizon system is an operational and contractual matter for Post Office Ltd (POL).
- Over the past few months the Department has received a very small number of representations from Members of Parliament on this issue.
- POL has recently written to Jacqui Smith assuring her of the robustness and integrity of the system (copies of correspondence attached).

SUPPLEMENTARIES/Q&A

What confidence does the Government have in the integrity of the Post Office Horizon system?

This is an operational and contractual matter for the Post Office. Both the current management of Post Office Ltd and the unions representing staff working for the company recently gave evidence to the Business and Enterprise Select Committee sitting as a Task Force looking into the future of the post office network to the effect that the next generation of Horizon terminals would help Post Office Ltd to become more competitive and to win new business.

Isn't this yet another example of Government-financed IT systems which produce little or no public benefit?

Horizon has many public benefits. It has:

- enabled the Post Office to develop its on-lined banking capabilities, which were required as part of universal banking – the basic bank accounts of 17 high street banks and building societies would not have been accessible via the network without this;
- enabled the Post Office to modernise banking transactions, lower the unit cost and to make it more universally accessible.

Car tax

- Horizon has enabled POL to streamline and computerise the process for issuing car tax issuing;
- Bar code readers and automation have replaced manual form filling.

Bill payment

- Horizon has facilitated POL's bill payment business;
- The number of household bills transacted by POL is 180 million per annum with some 4.6 million customers giving payment of household bills as the reason for visiting the post office.

Foreign currency

- Horizon has enabled POL to develop its foreign currency business, including carrying up-to-date exchange rates;
- POL is now the market leader in foreign exchange in the UK.

E-top-ups

- Horizon has enabled POL to enter the E-top up market.

Isn't the Government concerned about the apparent failings of the Horizon system?

This is an operational and contractual matter for the Post Office. Post Office Ltd has stated recently in correspondence with Jacqui Smith "Over the years the system has been tested both in and out of criminal and civil court and has not been found wanting. Whilst I recognise that some subpostmasters have found this difficult to accept, there is no evidence to doubt the integrity of the Horizon system and we retain absolute confidence in its robustness and reliability."

Will the new Horizon system be more robust?

The new system called Horizon Online, which is being rolled-out this spring, has been designed with extensive input from subpostmasters to ensure it is easier to use. POL believes that the systems it has in place deliver a high level of support to subpostmasters and a very high level of security and resilience.

INFORMATION ABOUT MP/ CONSTITUENCY

Jacqui Smith is MP for Redditch. She has been a Minister since 1999, Chief Whip 2006-7 and Home Secretary June 2007-June 2009.

She has not raised any other Parliamentary Questions on Post Office matters in the past year. Her recent correspondence with POL is attached.

PRESS

There was an article in "Accountancy Age", October 2009 on the integrity of the Horizon system, with the magazine calling on Post Office Ltd to undertake an audit of the system.

A BBC Wales TV programme in September last year highlighted this issue. David Jones MP who has a case within his constituency was quoted as saying "I'm sure something's going on and the Post Office need to answer the questions that these people are asking. I am going to ask for a debate at the House of Commons." There has not, however, been a debate on this subject.

OTHER PQs

There has been one other Parliamentary Question on this issue in recent months from Brooks Newmark MP:

Q. To ask the Minister of State, Department for Business, Innovation and Skills, whether he has received reports of errors in the Post Office Horizon system which have led to Postmasters or Postmistresses being falsely accused of fraud; and if he will make a statement.

A. The Department has received no such reports. Any issues relating to the Horizon system are operational matters for Post Office Ltd. I have therefore asked Alan Cook, Managing Director of Post Office Ltd, to respond directly to the Hon Member and a copy of his reply will be placed in the House Libraries.



The Rt Hon Jacqui Smith MP

House of Commons, Westminster, London SW1A 0AA

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Mr Alan Cook
Chief Executive Officer
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Our Ref: 01090013

1 December 2009

Dear Mr Cook

I am writing to you in relation to a constituent of mine, Mr. Julian Wilson, former sub-postmaster as Astwood Bank Post Office, Redditch. Mr Wilson was suspended and then resigned in September 2008 over financial irregularities which resulted in a £27,000 discrepancy.

Mr. Wilson maintains that he is innocent of any malpractice, and that the Horizon computer system was responsible. He writes:

"The Post Office 'Horizon System' does what it says but with numerous faults. Yes it does give a running total of transactions carried out but it does not give details of individual transactions in many cases so therefore there is no way of checking back to see if and where any mistakes have been made."

I understand that there are numerous other cases of a similar vein across the country, all of which involve sub-postmasters/mistresses accused of financial irregularities but who claim the Horizon system was to blame. The cases brought to my attention include: Mr. Noel Thomas of Anglesey, Ms. Jo Hammond of North Hampshire, Mr. Lee Castleton of Bridlington, Mr Amar Bajaj of Chelmsford, Mr Alan Brown of Falkirk, Ms. Judy Ford of Yeovil, Mr. Alan Bates of Llandudno and Ms Seema Misra of Surrey.

I am also aware of reported additional issues with the system within my own constituency, and a recent BBC/S4C investigation into the issue which highlighted a further 30 similar cases.

Working for Redditch, Inkberrow, Feckenham and Cookhill

Rt Hon Jacqui Smith MP
House of Commons
LONDON
SW1A 0AA

Your Ref: 01090013
Our Ref: ECT 377/09

23 December 2009

Dear Ms Smith

Thank you for your letter of 1 December in relation to one of your constituents, Mr Julian Wilson and your concerns around the Horizon computer system. May I first apologise for the delay in reply.

Horizon is a computerised accounting system which operates in around 12,000 Post Office® branches. At peak times it is processing up to twenty million transactions per day, 750 transactions per second.

Over the years the system has been tested both in and out of criminal and civil court and has not been found wanting. Whilst I recognise that some subpostmasters have found this difficult to accept, there is no evidence to doubt the integrity of the Horizon system and we retain absolute confidence in its' robustness and reliability.

Our ongoing monitoring and control processes mean that any issues in a 'live' operation are quickly identified and resolved, and ensure that should part of the system or equipment fail, the integrity of the accounting records is maintained.

The Horizon system provides a transaction log which sets out details such as date and time, the name, volume and value of transactions. If an error takes place these transaction logs and other system reports can be used to pinpoint and correct this. However, the Horizon system and the processes around it are dependent on the staff in branch entering items accurately into the system.

Moving forward, as with any business we constantly look to how we can operate more cost effectively but at the same time update and improve our systems and processes.

We are currently in the process of implementing a new version of Horizon with the main aim of significantly reducing running costs that has been achieved by the negotiation of a new contract. The new system called Horizon Online™ has been designed with extensive input from subpostmasters to ensure it is also easier to use. The preparation for the roll out of new counter software is at an advanced stage and completion is expected to be by the end of April.

The relationship between Post Office Limited and the thousands of independent business people who operate a Post Office® service is of paramount importance to us and I fully agree that it is vital that our subpostmasters and mistresses are provided the highest level of support. I believe that the systems we have in place deliver this and remain fully satisfied that the system and processes around Horizon offer a very high level of security and resilience.

I trust the above information has allayed your concerns but should you have any further questions, then please do let me know.

Yours sincerely

Alan Cook
Managing Director



Brooke Newmark MP
House of Commons
LONDON
SW1A 0AA

Your Ref:
Our Ref:

13 October 2009

Dear Mr Newmark

I have been asked to reply to you directly on the Parliamentary Question that you raised as follows:

"To ask the Minister of State, Department for Business, Innovation and Skills, whether he has received reports of errors in the Post Office Horizon system which have led to Postmasters or Postmistresses being falsely accused of fraud, and if he will make a statement".

The Horizon computerised accounting system operates in around 12,000 Post Office® branches and processes up to 750 transactions a second at peak times. The system and the processes around it offer a very high level of security and resilience and are designed to ensure that should part of the system or equipment fail that the integrity of the accounting records are maintained. The system has proved to be very robust since its introduction some ten years ago.

The Horizon system was fully tested at the time of the nationwide implementation and all new software releases are also subject to rigorous testing prior to going live in order to ensure the accuracy of the accounting processes. Additionally, our ongoing monitoring and control processes ensure that any performance issues in the 'live' operation are quickly identified and resolved at no detriment to individual subpostmasters.

Over the years we have scrutinized many Horizon transaction records to establish where a discrepancy in the branch accounting may have occurred. This takes place prior to crediting subpostmasters that an error has been made at their branch, and asking them to make good the loss, as per the terms and conditions of the Subpostmaster contract for services. Any subpostmaster who is unhappy to accept a loss has the opportunity to provide evidence to support why they believe that they are not responsible for it. We do take the concerns of our subpostmasters extremely seriously and we do thoroughly investigate matters when they are raised with us but there has never been any evidence found that states that the Horizon system has caused accounting errors.



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In the ten years since Post Office Limited started using Horizon the integrity of the system has also been tested in both the criminal and civil courts and has not been found to be wanting.

I am satisfied that there is no evidence to doubt the integrity of the Horizon system and that it is robust and fit for purpose.

I hope this information is helpful to you.


GRO
Alan Cook
Managing Director