

Message

From: Andrew Winn [GRO]
on behalf of Andrew Winn [GRO]
Sent: 28/06/2013 14:03:42
To: Parsons, Andrew [GRO]
Subject: RE: Horizon - Suspense Account Bug

From: Parsons, Andrew [GRO]
Sent: 28 June 2013 14:27
To: Andrew Winn
Subject: RE: Horizon - Suspense Account Bug

Andy

Thanks for sending through the letter details.

I'd be grateful for your thoughts on the below which will form part of a larger briefing.

Thanks
Andy

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The "14 Bug":

- i. affected 14 branches (4 Crowns, 10 subpostmasters)
- ii. concerns a glitch in Horizon that caused historic accounting entries in particular branches in 2010 to be erroneously reproduced in those branches' accounts in 2011 and 2012. This caused some branches to benefit from additional gains whilst other branches saw additional losses. The gains and losses ranged from a penny up to £9,799.88

If a SPMR declares that there is a discrepancy between the amount of cash/stock in the branch and the amount of cash/stock recorded on Horizon (say following an ad hoc cash/stock count) this discrepancy will be recorded in the "Discrepancy Account" on Horizon. This is a temporary accounting entry on Horizon that allows SPMRs to track their net stock losses/gains during a trading period.

At the end of each trading period, the figures in the discrepancy account must be cleared before the branch can move on to trade during the next trading period (called "rolling over"). To do this SPMRs can transfer any discrepancies into a "Suspense Account". By doing this the discrepancies are removed from the branch's records, so that the branch accounts now reflect the cash/stock actually in the branch at that point.

However, the "Suspense Account" must also be settled by the SPMR. If the Suspense Account is showing a net loss, the SPMR must make a payment to POL. If the Suspense Account is showing a gain then POL makes a payment to the SPMR. Once settled, the Suspense Account is cleared to zero. Difference between MG & SC

The 14 Bug caused a small number of entries in the Suspense Accounts of 14 branches in 2010 to be erroneously reproduced in those branches' Suspense Accounts for 2011 and 2012. Some of the entries were losses and some were gains. This then forced SPMRs to re-settle those entries in order to clear their Suspense Accounts in 2011 and 2012 despite those entries already having been settled in 2010.

In effect, some branches accidentally benefited from the same gain three times and some branches suffered the same loss three times.

- iii. issue discovered on Jan 2013 – awareness in early 2012 but not identified as a system issue and escalated.

- iv. issue discovered because those 2 SPMRs who suffered significant **discrepancies** raised the matter with POL. **But multiple aged entries in POLSAP were also picked up.** However, the error in the Suspense Accounts was highly unusual, occurred **only twice** and only materially affected a very small number of branches. POL did investigate this issue but it took over 12 months for POL to realise that this was an error in Horizon rather than an error by an SPMR or by POL. In the interim period, POL did suspend any attempts to recover known losses from affected SPMRs. However, some of the losses were not identified by the SPMRs or POL at the time (usually because they were too small to raise any concern) and were therefore settled by SPMRs.
- v. subpostmasters notified on [ANDY – DON'T WORRY ABOUT THIS].
- vi. relates to transactions dating from **November to December 2010**

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Andrew Parsons

Senior Associate

for and on behalf of Bond Dickinson LLP

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From: Rodric Williams [GRO]
Sent: 28 June 2013 12:17
To: Parsons, Andrew
Subject: Horizon - Suspense Account Bug

Andy – here's the extract from the Briefing Paper that we need to fill in describing the bug in the suspense accounts.

I'd be grateful if you could fill this in for us with Andy Winn's help.
Kind regards, Rodric

- a. The "14 Bug":
 - i. affected 14 branches (4 Crowns, 10 subpostmasters)
 - ii. concerns **[EXPLAIN]**
 - iii. issue discovered on **[DATE]**.
 - iv. issue discovered because **[TO COMPLETE]**
 - v. subpostmasters notified on **[DATE]**.
 - vi. relates to transactions dating from **[X]** to **[Y]**

Rodric Williams I Litigation Lawyer



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