
From: Parsons, Andrew[/O=BOND PEARCE/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=AP6]
Sent: Fri 28/06/2013 3:45:05 PM (UTC)
To: Rodric Williams [GRO]
Cc: Pheasant, Andrew [GRO] Matthews, Gavin [GRO]
Subject: RE: Horizon - Suspense Account Bug

Rodric

Re-drafted briefing section below.

I've just included a short description of the bug in the briefing. However, for your information, a fuller description is set out below. I've discussed this with Andy Winn.

I've also got the details from Andy of all the SPMRs that need to receive 14 Bug letters.

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Full description.

If a SPMR declares on Horizon 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), the discrepancies are removed from the branch's live Horizon records, so that the branch accounts will reflect the cash/stock actually in the branch at that point. However, the loss or gain in cash/stock is stored as a temporary accounting record in a separate part of Horizon called the "Discrepancy Account".

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 transfers the net value of all discrepancies recorded in Discrepancy Account during that trading period into a "Suspense Account". The SPMR can then settle any loss or gain in the Suspense Account by:

- "Making Good" the discrepancy in branch. If there is a gain, the SPMR is permitted to remove the excess cash from the branch directly. If there is a loss, the SPMR may put extra cash into the branch.
- "Settle Centrally". The SPMR agrees to pay the value of any loss directly to POL at a later date (or if they dispute the discrepancy, they can raise a dispute with POL at this stage).

After settling any loss or gain, the Suspense Account resets to zero and the branch rolls over.

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. For example, at the Dundas branch, the SPMR put a £5.84 gain into Suspense in Trading Period 9 of 2010. This £5.84 gain then erroneously re-appeared in the branch's Suspense Account in Trading Period 9 of 2011 and 2012.

This error forced SPMRs to re-settle the incorrect 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.

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The "14 Bug":

- i. affected 14 branches (4 Crowns, 10 subpostmasters)

- ii. concerns an error in Horizon that caused historic accounting entries in particular branches in FY 2010/11 to be erroneously reproduced in those branches' accounts in FY2011/12 and 2012/13. 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.
- iii. the effects of the 14 Bug on branch accounting were notified to POL by a few SPMRs in around January 2012. However, POL did not identify Horizon as the root cause until January 2013.
- iv. issue discovered because those 2 SPMRs who suffered significant discrepancies raised the matter with POL in early 2012. However, the error in the Suspense Accounts was highly unusual, occurred irregularly and only materially affected a very small number of branches. As such, although POL did investigate these issues immediately, 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 (principally because they were too small to raise any concern) and were therefore settled by SPMRs in the normal course of managing their branches.
- v. subpostmasters notified on [TO BE COMPLETED].
- vi. relates to transactions dating from mid-2011 to early 2013 (two financial years)

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Kind regards
Andy

Andrew Parsons

Senior Associate

for and on behalf of Bond Dickinson LLP

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From: Rodric Williams [mailto: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]**

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