DRAFT - Thematic Issues Report

1. Introduction

- 1.1. [May need more of an introduction to the report]
- 1.2. [We may also need a Table of Contents]
- 1.3. The purpose of this Report is to deal with the common "Thematic Issues" that have been raised by many Sub-Postmasters in their applications to the Mediation scheme. This has been done in the interests of efficiency and in order to avoid duplication of facts and conclusions across many cases. It is envisaged that this report will be a "living document" which will be updated as further information arises.
- 1.4. We have adopted a modular approach to this report, with each thematic issue forming a separate section within the report.
- 1.5. As a result of our review of the 150 applications to the Mediation Scheme we have identified 17 key thematic issues. Of these, 10 relate to transactional issues such as "Transaction anomalies associated with Scratch Cards". These 10 transactional thematic issues are collectively described as "Type 1 Thematic Issues". The remaining 7 Thematic issues, collectively known as "Type 2 Thematic Issues", cover a wide range of issues.
- 1.6. A table showing the link between *Thematic Issues* and applications for the Mediation Scheme is at *Appendix 1* and the 17 key Thematic Issues are listed in the following table [Should these be rearranged to reflect importance] [Should this now be the simplified version?]

Type 1 Thematic issues	Type 2 Thematic issues
Transactions or Transaction Corrections not entered by the Sub- postmaster or staff	Hardware issues e.g. printer problems, PIN pads, touch screens and PayStation
Transaction anomalies associated with Cash or Stock Remittances	Failure to follow correct procedures or mis-advised by Post Office HelpLine
Transaction anomalies associated with Pensions and Allowances	Training and Support issues including Helpline and Audit
Transaction anomalies following telecommunication or power failures	Limitations in the Transaction Audit Trail available to Subpostmasters
Transaction anomalies associated with ATMs	Process issues at the end of each Trading Period
Transaction anomalies associated with Lottery Terminal or Scratch Cards	The contract between the Post Office and Subpostmasters
Transaction anomalies associated with Motor Vehicle Licences	The lack of an outreach investigations function
Transaction anomalies associated with Foreign Currency	-

Summary of Comments on Thematic Issues V8 Fist 15 pages only.docx

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Number: 1 Author: ap6 Subject: Sticky Note Date: 31/03/2014 14:21:54 +01'00'

SS should not share the spreadsheet as this risks unlawfully sharing personal data with other applicants (even if the spreadsheet only references case numbers)

Transaction anomalies associated with Bank / GIRO / Cheques	
Transaction anomalies associated with Stamps, Postage Labels, Phone Cards or Premium Bonds	

1.7. [Also include or refer to SOPs and Acronyms]

2. The Contract between Post Office and Subpostmasters



- 2.1. This sections deals with 2 separate issues. Firstly the impact on Sub-postmasters of the terms and conditions set out in the Contract and secondly, issues relating to the notification to Sub-Postmasters of the terms of the Contract.
- 2.2. The 'Standard Contract' (dated September 1994) between Post Office and Sub-Postmasters is a 114-page document, that now incorporates several post-1994 amendments. [the entire document is shown at Attachment 1]
- 2.3. The Standard Contract spells out the rights and responsibilities of both Post Office and Sub-Postmasters. The clauses most frequently referred to by Sub-Postmasters are as follows:
 - Section 17 (in the November 2002 amendment) which lists the Key Products and a) Services (also referred to as the core products and services)
 - Section 15 (in the November 2002 amendment) where the Post Office undertakes to b) provide the Subpostmaster with relevant training materials and processes to carry out the required training of his Assistants on the Post Office Products and Services... and the Sub-Postmaster accepts the responsibility to ensure the proper deployment within his Post Office branch of any materials and processes provided by Post Office Ltd and to ensure that his Assistants receive all the training which is necessary in order to be able to properly provide the Post Office Products and Services and to perform any other tasks required in connection with the operation of the Post Office branch.

Also... Post Office Ltd may request from time to time that where it has obligations as described above the Subpostmaster should conduct specific training (whether through written/distance learning that may require confirmation of completion or via presentations) in relation to certain Post Office Services (such as, but not limited to, money laundering). Failure by the Subpostmaster to arrange for such training to be properly applied will be deemed to be a breach of this Contract by him.

Section 1, paragraph 10 which requires three months notice of contract termination c) from the Sub-Postmaster to Post Office and allows Post Office to:

terminate a Subpostmaster's contract at any time in case of Breach of Condition by the Subpostmaster, or non-performance of his obligation or non-provision of Post Office Services, but otherwise may be determined by Post Office on not less than three months notice.

Section 12, paragraph 12:

The Subpostmaster is responsible for all losses caused through his own negligence, carelessness or error, and also for losses of all kinds caused by his Assistants. Deficiencies due to such losses must be made good without delay.

Number: 1 Author: ap6 Subject: Sticky Note Date: 31/03/2014 16:29:45 +01'00 Is commenting on the Contract inside SS' scope of work? This is not an "Horizon or associated issue". Date: 31/03/2014 16:29:45 +01'00'

e) Section 12, paragraph 13:

the financial responsibility of the Subpostmaster does not cease when he relinquishes his appointment and he will be required to make good any losses incurred during his term of office which may subsequently come to light.

f) Section 12, paragraph 14:

surpluses may be withdrawn provided that any subsequent charge up to the amount withdrawn is made good immediately.

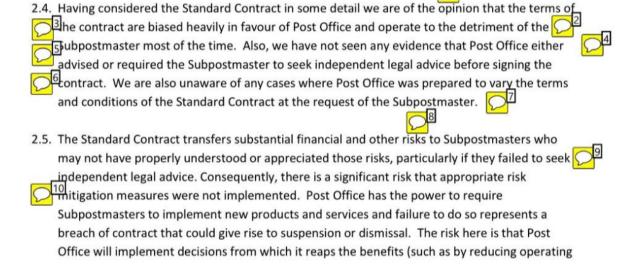
g) Section 12, paragraph 17:

Subpostmasters may exceptionally not be required to make good the full amount of certain losses at his office. If he feels entitled to relief in making good a loss he should apply to the Retail Network Manager.

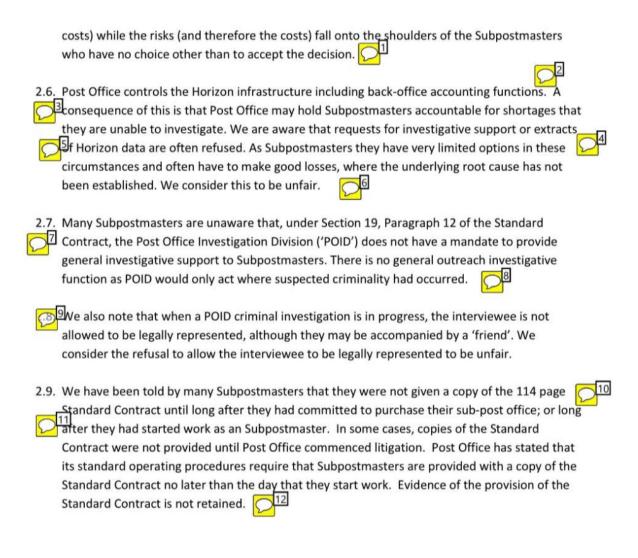
h) Section 19, paragraph 12 deals with Enquiries by officers of the Post Office Investigation Division and states that:

The main job of the Investigation Division is to investigate, or help the Police to investigate, criminal offences against the Post Office, British Telecommunications and the Department of National Savings. The Investigation Division does NOT enquire into matters where crime is not suspected.

i) Section 19, paragraph 19 allows persons interviewed by Post Office's Investigators to have a friend present during the interview but that that person may not interrupt in any way, either by word or signal.



Number: 1	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:25:15 +01'00'
In what way are terms?	SS experts in the ar	rea of contract law / commerc	cial franchising so to permit them to offer an opinion on the fairness of the
Number: 2	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 14:30:59 +01'00'
All contracts op	erate to some detri	ment of someone - that is the	e nature of a contract in that in binds a party to a position.
What detriment	t are they referring t	o?	
Number: 3	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:25:36 +01'00'
In what way is t	he contract biased?		
Number: 4	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:28:02 +01'00'
In order to mak this information		t "SS have not seen any evide	ence" of SPMRs taking legal advice, SS should set out the enquiries made to elici
Number: 5	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:26:03 +01'00'
How do they qu	uantify that the detri	iment occurs "most of the tim	ne"?
Number: 6	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:26:53 +01'00'
			Why does this make a difference? An SPMR can take legal advice at any time - sion from this fact so why is it included?
Number: 7	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:29:32 +01'00'
consequences	of this approach and	I their expertise for forming a	
Note: the terms	are agreed collective	vely with the NFSP which wou	ald negate the need for individually negotiated terms.
Number: 8	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 14:31:10 +01'00'
Need to identify	y the "financial" and	"other" risks referenced here	
Number: 9	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:33:21 +01'00'
			not properly understood the contract terms? At present, this is a passive been quantified when compared to the 1000s of SPMRs over the years?
Number: 10	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 14:31:20 +01'00'
What is a "risk r	mitigation measure"	?	



Number: 1	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 14:30:46 +01'00'
Not correct - PC	DL can only impleme	nt changes that are "reasona	able" - see clause 1(6).
Number: 2	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 14:32:50 +01'00'
What functions	are being referred to	0?	
Number: 3	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 14:32:37 +01'00'
There is no expl	anation of the causa	I link between the POL's con	trol of "back office" functions and a SPMR's ability to investigate.
Number: 4	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:35:41 +01'00'
SS need to first "limited".	set out the options a	and explain why, in their exp	ert opinion and on what evidence, they form the view that those options are
Number: 5	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:35:15 +01'00'
the opinion tha	t this happens "ofter	n" - where are the statistics to	b back up this statement.
Number: 6	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:36:01 +01'00'
		Subject: Sticky Note this conclusion with reasons	
Need to explain Number: 7	the rational behind Author: ap6	this conclusion with reasons Subject: Sticky Note	and evidence. Date: 31/03/2014 14:35:37 +01'00'
Need to explain Number: 7	the rational behind Author: ap6	this conclusion with reasons Subject: Sticky Note	and evidence.
Need to explain Number: 7	the rational behind Author: ap6	this conclusion with reasons Subject: Sticky Note	and evidence. Date: 31/03/2014 14:35:37 +01'00'
Need to explain Number: 7 Where is the ev Number: 8	the rational behind Author: ap6 idence that supports Author: ap6	this conclusion with reasons Subject: Sticky Note this view about the collective	Date: 31/03/2014 14:35:37 +01'00' /e knowledge of subpostmasters Date: 31/03/2014 14:36:09 +01'00'
Need to explain Number: 7 Where is the ev Number: 8	the rational behind Author: ap6 idence that supports Author: ap6	this conclusion with reasons Subject: Sticky Note this view about the collectiv Subject: Sticky Note	Date: 31/03/2014 14:35:37 +01'00' /e knowledge of subpostmasters Date: 31/03/2014 14:36:09 +01'00'
Need to explain Number: 7 Where is the ev Number: 8 Not true - POL	Author: ap6 idence that supports Author: ap6 has several investiga Author: ap6	this conclusion with reasons Subject: Sticky Note this view about the collectiv Subject: Sticky Note tion functions within P&BA /	Date: 31/03/2014 14:35:37 +01'00' we knowledge of subpostmasters Date: 31/03/2014 14:36:09 +01'00' FSC.
Need to explain Number: 7 Where is the ev Number: 8 Not true - POL Number: 9	Author: ap6 idence that supports Author: ap6 has several investiga Author: ap6	this conclusion with reasons Subject: Sticky Note this view about the collectiv Subject: Sticky Note tion functions within P&BA /	Date: 31/03/2014 14:35:37 +01'00' we knowledge of subpostmasters Date: 31/03/2014 14:36:09 +01'00' FSC.
Need to explain Number: 7 Where is the ev Number: 8 Not true - POL Number: 9 Need to check to Number: 10	Author: ap6 idence that supports Author: ap6 has several investiga Author: ap6 chis with Jarnail Author: ap6	this conclusion with reasons Subject: Sticky Note this view about the collectiv Subject: Sticky Note tion functions within P&BA / Subject: Sticky Note Subject: Sticky Note	Date: 31/03/2014 14:35:37 +01'00' we knowledge of subpostmasters Date: 31/03/2014 14:36:09 +01'00' FSC. Date: 31/03/2014 14:36:37 +01'00'
Need to explain Number: 7 Where is the ev Number: 8 Not true - POL Number: 9 Need to check to Number: 10	Author: ap6 idence that supports Author: ap6 has several investiga Author: ap6 chis with Jarnail Author: ap6	this conclusion with reasons Subject: Sticky Note this view about the collectiv Subject: Sticky Note tion functions within P&BA / Subject: Sticky Note Subject: Sticky Note	Date: 31/03/2014 14:35:37 +01'00' /e knowledge of subpostmasters Date: 31/03/2014 14:36:09 +01'00' FSC. Date: 31/03/2014 14:36:37 +01'00' Date: 31/03/2014 16:37:02 +01'00'
Need to explain Number: 7 Where is the ev Number: 8 Not true - POL Number: 9 Need to check to Number: 10 The statement and Number: 11	Author: ap6 idence that supports Author: ap6 has several investiga Author: ap6 chis with Jarnail Author: ap6 about "many" subpo	this conclusion with reasons Subject: Sticky Note this view about the collectiv Subject: Sticky Note tion functions within P&BA / Subject: Sticky Note Subject: Sticky Note stmasters needs to be quant Subject: Sticky Note	Date: 31/03/2014 14:35:37 +01'00' we knowledge of subpostmasters Date: 31/03/2014 14:36:09 +01'00' FSC. Date: 31/03/2014 14:36:37 +01'00' Date: 31/03/2014 16:37:02 +01'00' ified and put into context against the total number of SPMRs.

3. Cash machines

- 3.1. Not all sub post offices are equipped with ATMs ("Automated Teller Machines"). Post Office provided financial incentives for the installation of ATMs in some of the larger sub-post offices in order to attract greater footfall and, as a consequence, increased sales of Post Office products and services.
- 3.2. Of the approximately 150 Cases referred to the Mediation Scheme, over 20 have referred to problems with ATMs. These have included large shortages that were charged back to Subpostmasters by Post Office. In other cases large surpluses occurred, which caused concern to some Subpostmasters.
- 3.3. Most of the reports that we have seen relate to Bank of Ireland ('Bol') ATMs and to some to HANCO ATMs. Bank of Ireland ATMs were either internal or external to the branch.
- The normal cash dispensing process on Bol ATMs involved electronic interaction between the Branch's ATM; Wincor Nixdorf; the LiNK platform and the customer's bank. The ATM cash balancing/reconciliation process involved electronic and also manual interaction between the Branch's ATM; the Branch's Horizon system; Post Office's Financial Service Centre (the 'FSC'); and Bol. This is a more complex arrangement than that deployed by high street and other banks whose ATMs are seamlessly connected to their own computer systems.
 - 3.5. One notable problem, reported by several Applicants using Bol ATMs, seems to relate to the manual (rather than electronic/automatic) extraction and use of the 'cash dispensed' figures from the 'Bank Totals' receipt that Subpostmasters were required to obtain each day from their ATM and the daily input of 'cash declarations' into Horizon. This problem is sometimes referred to as "problems with the 'air gap' between the ATM and the Horizon system".
 - 3.6. As a result of the problems that the 'air-gap' was causing, the Post Office in February 2008, issued an 'Operations Manual interim'. Post Office stated that it was issuing new instructions because a number of non-conformance issues are still affecting the processes for ATM reconciliation and settlement and to explain the correct end to end accounting processes relating to Bank of Ireland ATMs.



3.7. The Introduction to the *Operations Manual interim* stated:

The Bank of Ireland, via the LiNK network, extracts a 16:30 -16:30 'cash dispensed' figure automatically from your ATM each day. This figure forms the basis of a settlement to Post Office. This figure is the value of cash dispensed from your ATM from 16:30 the previous day until 16:30 on the current working day." In other words, the amount of cash dispensed to customers, from each branch's ATM during the previous 24 hours (or during the previous 72hrs between Friday at 16:30 hrs and Monday at 16:30 hrs), would be available to Bol and that data would be extracted by Bol from each ATM.

3.8. The Operations Manual interim goes on to say:

Number: 1	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:38:25 +01'00'	
Need to quanti	fy what is meant by a	a "large" surplus? Who make	es the assessment as to what is a large loss / surplus?	
Number: 2	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 14:56:31 +01'00'	
This summary of	description of the pro	ocess is deficient and require	s much more detail.	
		# 11 . # # 1 . A		
Number: 3	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 14:56:03 +01'00'	
		Subject: Sticky Note on about other companies us		
Where is the ev		on about other companies us		

In order to meet the required business accounting standard, branches are required to obtain each day the 16:30 - 16:30 'cash dispensed' figure from the 'Bank Totals' receipt which is available from the Bank of Ireland ATM, and to enter this figure on the Horizon system on a daily basis"... The Manual later describes that as needing to be done each day "after 16:30 but before 19:00 hrs...

The Manual continues:

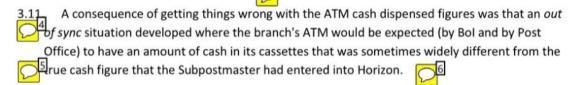
In Product and Branch Accounting (P&BA) a comparison is made between the LiNK generated figure and the figure you enter on Horizon. If the totals differ, they are queried with Bank of Ireland and may result in a Transaction Correction sent to your branch. If you do not enter the daily 16:30 - 16:30 'cash dispensed' figure on Horizon, this means that the settlement figure by Bank of Ireland cannot be confirmed. In this case the two sets of figures are automatically reported as differing, resulting in reconciliation problems.

3.9. In addition to obtaining the cash dispensed figures from their ATM and entering it into Horizon at the right time of day, Subpostmasters were also instructed to make a daily cash declaration (and do this every day including on days when the branch closed before 16:30 hrs) into their Horizon terminal:

You must make a daily cash declaration on the Horizon system for the separate stock unit you have set up for ATM transactions (including days when you close before 4.30pm (16:30 hours) and you have logged on to the ATM stock unit). Unlike cash declarations for your counter stocks, however, you do not need to make a physical count of the cash contained in the ATM in order to complete the declaration.

You must make the declaration before 7pm (19:00 hrs) and you must include all funds stored in your official safe that you have received on a Remittance specifically for your ATM.

3.10. It would appear that some Subpostmasters either misunderstood the complex instructions or, were told by Helpline staff that the problem would sort itself out (though it did not) and subsequently found that the Helpline advice was later countermanded.



This *out of sync* situation became, it seems, commonplace in some branches prior to the February 2008 release of the Manual Update. Indeed, the Manual says:

If following the instructions contained in this workaid means that the way you will now enter data on Horizon and balance your ATM cash will change (for example, if you have previously entered figures which are not based upon the 16:30 - 16:30 figures or if you have not completed this task daily, moving to the correct process is likely to result in a cash balancing difference).

Number: 1	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 15:13:29 +01'00'
		? What is unclear? Where is ave not encountered problem	the rational and evidence for this conclusion? To what extent, has SS taken into ns with ATMs.
Number: 2	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:40:39 +01'00'
Where is the ev cases.	vidence for the stater	nents about helplines being u	unhelpful? Is this based on only SPMR's submissions only or on fully investigated
Number: 3	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:41:08 +01'00'
			the person "getting things" wrong is the SPMR.
Number: 4	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:41:49 +01'00'
What is an "out	t of sync" situation?	This needs to be described in	n much more detail.
Number: 5	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:42:18 +01'00'
			never the one on Horizon, not the other way around.
	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:42:50 +01'00'
Number: 6			
		ne SPMR wrongly accounts or	n Horizon a TC would bring the amount of cash in the accounts into line with the

If this is the case, P&BA will issue a Transaction Correction, to address the cash balancing differences, and will try to provide clear evidence and as much information as possible to help with correcting transactions. The correction assumes that all previous ATM dispensed figures have been recorded on Horizon accurately and that branch cash has been correctly declared.

13. As further illustrations of the sheer complexity of the February 2008 instructions, the following extracts shows how easy it must have been to make mistakes, even after the new instructions were released:

From the paragraph titled Loading cash into the ATM:

Always enter in the ATM the number of notes loaded in the machine, not the value

Ensure that you enter the number of notes you are loading, not the amount already in the ATM

Please remember: At the weekly balance all figures are cleared. Therefore, you will need to enter all amounts in total when you reload the machine next.

14. The following extract is from the paragraphs dealing with Weekly balancing and recording figures on the Cash Management Sheet:

You must make a physical count of the cash in your ATM at least once a week and record the figures on the Cash Management Sheet before removing the cassettes for your physical check of the cash. You must not enter any of the figures on the Horizon system. The weekly balance can be carried out on any day of the week, even at the end of a Branch Trading period as long as your premises are closed to the public. It should be completed at any time after 16:30 hrs when the Disp 16:30 – 16:30 figure has been entered.

Please note: You do not have to reconcile the cash in your ATM with the cash declaration you make on Horizon. The ATM is balanced using the Cash Management Sheet as described below. If the Cash Management Sheet balances, your ATM has balanced.

... and the following extract is from the paragraphs dealing with *If the Cash Management Sheet balances, but there is a discrepancy on Horizon*:

The Horizon system should not be recording a discrepancy in the ATM stock. If a discrepancy is not rectified, it will give you a wrong carried forward figure and the problem could be compounded. If there is a discrepancy on Horizon but the Cash Management Sheet balances, you could have entered incorrect figures on the Horizon system.

Go back through your receipts and double check that the 16.30-16.30 'cash dispensed' figures for each day have been entered correctly on Horizon

Check that any ATM cash originally remitted into a counter stock has been transferred into the ATM stock

Check that the transfer into the ATM stock has been accepted

Number: 1	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 15:23:44 +01'00'
Emotive langua	age not required. Wh	at is the rational behind the	conclusion that the instructions were complex.
Number: 2	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:46:21 +01'00'
		ATM transactions on Horizon	(above) to loading the ATMs (below). These are two separate issues and do not
relate to one a	notner.		
Number: 3	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:45:05 +01'00'
These mistakes	s were made by the S	PMR but the report does not	t make this clear.
Also, what is th	ne justification for say	ing that these mistakes were	"easy" to make?
In any event, w	hy is POL responsible	for these mistakes and, if so	o, what are SS proposing that POL failed to do?
Number: 4	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:46:41 +01'00'
What is the rele	evance of this section	? SS do not comment on it.	

If you cannot resolve the discrepancy, do not phone the Wincor Helpdesk; please phone the NBSC for advice.

3.15. The Subpostmasters, in virtually every case that we have examined, state that they had no idea what was causing the out of sync situation. Of potential significance is whether the problems reported occurred before or after the February 2008 Manual update and also whether the branch was operating ATMs after the 16:30 hrs Bol 'cut-off' time during the week accounting entries on Mondays between 16:30 and 19:00 hrs. These entries should include all cash dispensed in the preceding 72 hrs between 16:31 hrs on the previous Friday afternoon and 16:30 hrs on that Monday afternoon.

3.16. We have also been told that when ATM problems were reported to the Helpline, cut the risk of allowing a large shortfall to build up, possibly in excess of £100,000, rather that

3.17. It is also possible that some of the large discrepancies reported could also include losses due to external theft using sophisticated methodologies such as *retract fraud*. The risk and consequences of this does not seem to have been appreciated by Post Office until quite recently.

particularly prior to the 2008 Manual update, appears to have been routinely provided which may have 11 sulted in Subpostmasters coming under pressure to falsely account as part of a

dealing with the underlying problem. Inadequate and possibly inappropriate advice,

3.18. Enquiries on this matter are continuing.

temporary solution to the as yet unresolved problem.

Number: 1	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:47:19 +01'00'
Not every case	- just the 20 that rais	se ATM issues. This needs to	be made clear.
Number: 2	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 15:27:26 +01'00'
Does this not sl		were negligent and at fault?	
Number: 3	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:48:23 +01'00'
Why does the t 2008 manual.	iming of the problen	ns have any bearing? SS have	e not described any of the processes before 2008 as they only quote from the
Number: 4	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:49:06 +01'00'
	ke a difference that inues to operate at		e after 16:30? The report shows the previous days trading so it does not matter
Number: 5	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:49:36 +01'00'
Why would the	accounting be more	complex over a weekend? I	t's the same process just for multiple days.
Number: 6	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:51:31 +01'00'
What "ATM pro	blems" are being re	ferred to?	
Number: 7	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:50:58 +01'00'
Nullibel. /			Date. 31/03/2014 10.30.30 +01 00
			ived this report about the response from the helpline?
	idence for this? In h	ow many cases, have SS rece	
Where is the ev Number: 8 Why would this	idence for this? In h Author: ap6	ow many cases, have SS rece Subject: Sticky Note build up? Incorrect accounti	Date: 31/03/2014 16:52:27 +01'00'
Where is the ev Number: 8 Why would this	idence for this? In h Author: ap6 cause a shortfall to	ow many cases, have SS rece Subject: Sticky Note build up? Incorrect accounti	Date: 31/03/2014 16:52:27 +01'00'
Where is the ev Number: 8 Why would this cash will still be Number: 9	idence for this? In h Author: ap6 cause a shortfall to in the branch / ATN Author: ap6	Subject: Sticky Note Subject: Sticky Note build up? Incorrect accounti 1. Subject: Sticky Note	Date: 31/03/2014 16:52:27 +01'00' ng would cause an error in the accounts but no loss cash as the unaccounted for
Where is the ev Number: 8 Why would this cash will still be Number: 9 What evidence wrong. Number: 10	Author: ap6 cause a shortfall to in the branch / ATM Author: ap6 is there that advice v	Subject: Sticky Note build up? Incorrect accounti 1. Subject: Sticky Note was "inadequate and inappro	Date: 31/03/2014 16:52:27 +01'00' Date: 31/03/2014 16:52:27 +01'00' Date: 31/03/2014 16:53:47 +01'00'
Where is the ev Number: 8 Why would this cash will still be Number: 9 What evidence wrong. Number: 10	Author: ap6 cause a shortfall to in the branch / ATN Author: ap6 street that advice was a shortfall to in the branch in the branch is there that advice was a short advice was a shor	Subject: Sticky Note build up? Incorrect accounti 1. Subject: Sticky Note was "inadequate and inappro	Date: 31/03/2014 16:52:27 +01'00' ng would cause an error in the accounts but no loss cash as the unaccounted for Date: 31/03/2014 16:53:47 +01'00' priate"? What is the justification for saying that this advice was "routinely"
Where is the ev Number: 8 Why would this cash will still be Number: 9 What evidence wrong. Number: 10	Author: ap6 cause a shortfall to in the branch / ATM Author: ap6 is there that advice v	Subject: Sticky Note build up? Incorrect accounti Subject: Sticky Note was "inadequate and inappro Subject: Sticky Note Subject: Sticky Note	Date: 31/03/2014 16:52:27 +01'00' ng would cause an error in the accounts but no loss cash as the unaccounted for Date: 31/03/2014 16:53:47 +01'00' priate"? What is the justification for saying that this advice was "routinely"
Where is the even Number: 8 Why would this cash will still be Number: 9 What evidence wrong. Number: 10 Why is this profit Number: 11	Author: ap6 cause a shortfall to in the branch / ATM Author: ap6 is there that advice of Author: ap6 blem worse before 2 Author: ap6 Author: ap6 Author: ap6 Author: ap6	Subject: Sticky Note build up? Incorrect accounti Subject: Sticky Note was "inadequate and inappro Subject: Sticky Note 008? Subject: Highlight Date Subject: Sticky Note	Date: 31/03/2014 16:52:27 +01'00' The private of the properties o
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Where is the even Number: 8 Why would this cash will still be Number: 9 What evidence wrong. Number: 10 Why is this profit Number: 11 Number: 12 Are SS saying the	Author: ap6 cause a shortfall to in the branch / ATM Author: ap6 is there that advice of Author: ap6 blem worse before 2 Author: ap6	Subject: Sticky Note build up? Incorrect accounting. Subject: Sticky Note was "inadequate and inappro Subject: Sticky Note 008? Subject: Highlight Date Subject: Sticky Note	Date: 31/03/2014 16:52:27 +01'00' The private of the properties o

4. National Lottery

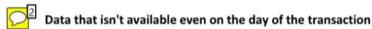
- 4.1. Not all branches sell Lottery tickets or Lottery Scratch Cards. Where these items are sold, they are usually sold from the retail counter, not the Post Office counter, even though they have to be accounted for using the Horizon terminal at the Post Office counter.
- 4.2. There is often a significant discrepancy between the trading hours of the retail shop counter compared with the Post Office counter. The retail counter will therefore be selling Lottery tickets/scratch cards outside the hours where the Horizon system is operating at the Post Office counter. Since branches are not allowed to sell National Lottery products other than through
 Post Office, all ticket sales have to be recorded, each day, into Horizon. Also, before any Lottery products can be sold, the pack of Lottery products must be 'Activated' on the Camelot terminal and then 'Remmed in' to Horizon.
- 4.3. We have received many reports where Subpostmasters have stated that their branch's Horizon system would get 'out-of-sync' with the quite separate Camelot system, thereby generating material surpluses or deficiencies that are eventually corrected by Post Office issuing ransaction Corrections ("TCs") through the Horizon system. The average Lottery-related TC was approximately £650 and many of these TCs were for amounts that were exactly divisible by £160, that being the value of a full pack of Scratch Cards.
- 4.4. These problems appear to have been most serious and frequent between 2005 and February 2010, when Post Office made a significant change to its standard operating procedures that made it impossible, after that date, to have packs of inactive Scratch Cards recorded in Horizon at the same time as in the Camelot system. A further important improvement was made in February 2012 when Post Office introduced a system change that finally eliminated the possibility of synchronisation errors between the Horizon and Camelot systems.
- 4.5. We have also been told that before these important system improvements were introduced, inconsistent and sometime conflicting advice was provided by the Helpline which further exacerbated the problem.
- 4.6. The *out-of-sync* problem was particularly relevant in branches where the retail shop sold
 Lottery tickets late into the evening, long after the Post Office counter had closed. A further
 complication often occurred on a Wednesday evening that was the end of the weekly Trading
 Period. Subpostmasters were required to reconcile the Horizon/Camelot figures first thing on a
 Thursday morning, rather than at 17:30 hrs on the Wednesday, but this requirement was not
 always advised by the Helpline. It is not clear whether the training that Subpostmasters
 received covered this important point.
 - 4.7. A specific example of the Camelot/Horizon synchronisation issue is described in *Appendix 4* to 2nd Sight's Interim Report dated 8th July 2013 and this provides further important information about this matter.
 - 4.8. Enquiries on this matter are continuing.

Number: 1	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:57:48 +01'00'
SPMRs are not	required to sell Lotte	ery products outside of count	er hours - that is their choice. Need to confirm this with AVDB.
Number: 2	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:58:30 +01'00'
AVDB to confir	m whether these pro	cess descriptions are correct.	
Number: 3	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:59:06 +01'00'
Need to explai	n what is meant by "o	out of sync".	
Number: 4	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 16:59:45 +01'00'
Where do thes	e statistics come from	n?	
Number: 5	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 17:02:24 +01'00'
If not, what dic	I cause these problem		significant change" caused the problems between 2005 and 2010? e problems?
If not, what did	l cause these problen	ns? nt" and why did it cause thes	e problems?
If not, what did If so, why was t Number: 6	l cause these problen	ns? nt" and why did it cause thes Subject: Sticky Note	
If not, what did If so, why was t Number: 6	cause these problen the change "significal Author: ap6	ns? nt" and why did it cause thes Subject: Sticky Note	e problems?
If not, what dic If so, why was a Number: 6 Need to check Number: 7 More detail ne	the change "significal Author: ap6 whether this para is to Author: ap6 eded - what informat	nt" and why did it cause these Subject: Sticky Note factually correct. Subject: Sticky Note tion is SS relying on? Who to	e problems? Date: 31/03/2014 17:00:45 +01'00' Date: 31/03/2014 17:04:08 +01'00'
If not, what did If so, why was the Number: 6 Need to check Number: 7 More detail ne reflective of the Number: 8	the change "significal Author: ap6 whether this para is the Author: ap6 eded - what informate wider SPMR commit	nt" and why did it cause these Subject: Sticky Note factually correct. Subject: Sticky Note tion is SS relying on? Who to unity? Why was the advice "i Subject: Sticky Note	e problems? Date: 31/03/2014 17:00:45 +01'00' Date: 31/03/2014 17:04:08 +01'00' old them this? How have they assessed whether this anecdotal evidence is
If not, what did If so, why was the Number: 6 Need to check Number: 7 More detail ne reflective of the Number: 8	the change "significate Author: ap6 whether this para is Author: ap6 eded - what informate wider SPMR commi	nt" and why did it cause these Subject: Sticky Note factually correct. Subject: Sticky Note tion is SS relying on? Who to unity? Why was the advice "i Subject: Sticky Note	e problems? Date: 31/03/2014 17:00:45 +01'00' Date: 31/03/2014 17:04:08 +01'00' old them this? How have they assessed whether this anecdotal evidence is noonsistent" and "conflicting"?
If not, what dic If so, why was a Number: 6 Need to check Number: 7 More detail ne reflective of the Number: 8 POL to confirm	Author: ap6 whether this para is in Author: ap6 whether this para is in Author: ap6 eded - what informate wider SPMR common Author: ap6 whether this is factor	nt" and why did it cause these Subject: Sticky Note factually correct. Subject: Sticky Note tion is SS relying on? Who to unity? Why was the advice "i Subject: Sticky Note	e problems? Date: 31/03/2014 17:00:45 +01'00' Date: 31/03/2014 17:04:08 +01'00' old them this? How have they assessed whether this anecdotal evidence is neconsistent" and "conflicting"? Date: 31/03/2014 20:03:11 +01'00'





- 5.1. Over 30 Applicants have claimed that they were unable to determine the root causes of discrepancies (both <u>shortfalls</u> and <u>surpluses</u>) reported by Horizon, because the underlying transaction data was not made available to them.
- 5.2. The concerns fall broadly into two areas:
 - data that isn't available even on the day of the transaction; and
 - data that was only available for 42 days after a transaction occurred (later increased to 60 days following a system change by Post Office).



5.3. Applicants' concerns principally relate to transaction types where Horizon produces, at the end of day, only an *aggregate amount* and a *volume* for that day's transactions e.g.:

Transactions: 35, Value: £17,112.

- 35.4. This occurs, for example, where customers have paid for goods and services by Debit or Credit Card.
 - 5.5. In the event of an end-of-day discrepancy for this transaction type, and without the benefit of a disaggregation of a total amount into its constituent transactional components, Subpostmasters will find it difficult, if not impossible, to identify the individual transaction(s) that brought about the discrepancy.
 - 5.6. Typically, a Subpostmaster will need to find items:



- a) that should be, but are not included in the aggregate total; or
- amounts that have been incorrectly entered such as £50.00 entered as £500.00, £39.00 entered as £93.00, etc.; or
- amounts that form part of the aggregate total, but should not be included in that total at all.
- 5.7. Only by finding those errors and omissions can the Subpostmaster begin the process of correction and loss mitigation. That may sometimes involve contacting the relevant customer but in order to do that, he needs not only to identify the incorrect or missing transaction, but also know the name, and perhaps also the address, of the relevant customer.
- 5.8. Many Subpostmasters have told us that prior to the introduction of Horizon it was easy to do this since the paper dockets retained to evidence each transaction provided this information. It regrettable that the Horizon system does not provide the same functionality as the previous manual system.

Number: 1	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:11:27 +01'00'
This section ove	erlooks the fundame	ntal point that this problem b	begins with an error by the SPMR and should reflect this point in this analysis.
Number: 2	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:09:01 +01'00'
This is a new po	oint that I dont belie	ve POL has seen before.	
Number: 3	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:08:40 +01'00'
s this correct?	Payment by a credit	/ debit card is not a transacti	on type so this appears inaccurate.
			nd what proportionate does these make up of all transactions.
Number: 4	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:09:49 +01'00'
Number: 4	Author: ap6	Subject: Sticky Note	
Number: 4 This section is u	Author: ap6 useful as it reflects th Author: ap6	Subject: Sticky Note e errors section in the factfile Subject: Sticky Note	Date: 31/03/2014 20:09:49 +01'00' e and justifies the inclusion of that info in the factfile. Date: 31/03/2014 20:13:32 +01'00'
Number: 4 This section is u Number: 5 Need to quanti	Author: ap6 useful as it reflects th Author: ap6 fy "many subpostma	Subject: Sticky Note te errors section in the factfile Subject: Sticky Note sters" and put in context of t	Date: 31/03/2014 20:09:49 +01'00' e and justifies the inclusion of that info in the factfile. Date: 31/03/2014 20:13:32 +01'00' the total number of SPMRs. Also, needs to explain how SS has tested the veracit
Number: 4 This section is u Number: 5 Need to quanti	Author: ap6 useful as it reflects th Author: ap6 fy "many subpostma	Subject: Sticky Note e errors section in the factfile Subject: Sticky Note	Date: 31/03/2014 20:09:49 +01'00' e and justifies the inclusion of that info in the factfile. Date: 31/03/2014 20:13:32 +01'00' the total number of SPMRs. Also, needs to explain how SS has tested the veracity

Data that was at first available, but after 42 days (later extended by Post Office to 60 days) is no longer available

5.9. The main concern expressed about data availability is the need to go back to a previous period when delayed Transaction Corrections ("TCs") are issued by Post Office. If the delay in issuing the TC exceeds 42 days (now 60 days), the Subpostmaster has little choice other than to accept the TC. Requests for supporting evidence that would enable the substance of the TC to be validated were routinely rejected by Post Office, usually on cost grounds.

Number: 1 Author: ap6 Subject: Sticky Note Date: 31/03/2014 20:16:38 +01'00'

This overlooks the fact that in a large number of cases, SPMRs are required to keep papers records for a number of transactions by printing off receipts at the end of each day. SS therefore needs to assess the merits of this point before drawing any conclusion.

Number: 2 Author: ap6 Subject: Sticky Note Date: 31/03/2014 20:17:34 +01'00'

The statement that requests for data were routinely rejected needs to be evidenced. In particular, the comment that the rejection occurs on costs grounds needs justification.

6. Transactions not entered by the Subpostmaster or their staff



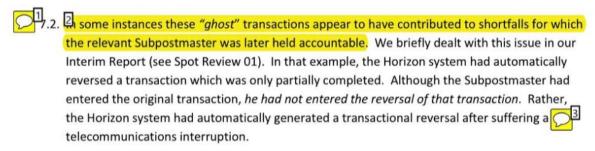


- 6.1. Many Applicants have reported that Horizon transactions have been entered, or cash or stock balances changed, when the branch was closed and no one had access to any of the Horizon terminals. Evidence has also been provided of transactions apparently occurring after a Subpostmaster was suspended and no access to the relevant systems. Enquiries on these matters are continuing.
- 6.2. Post Office's position on this is that it does not, cannot and never has input transactions (or journal entries or Transaction Corrections) that impact branches. However, we are aware that certain error recovery and correction processes can result in transaction reversals that carry the System Identities ('IDs") of the branch employee who entered the originating transaction that the system itself is automatically reversing (see Section XXX 'Automatic Transaction Reversals').
- 6.3. Enquiries on this matter are continuing.

Number: 1	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:24:40 +01'00'
Regardless of v	vhether ghost transa	ctions exist or not, SS needs t	to show that they would have a negative impact on SPMRs.
Number: 2	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:21:52 +01'00'
The anecdotal of	evidence from SPMR	s needs to be explained, qua	ntified and tested for veracity.
Number: 3	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:22:19 +01'00'
SS refer to evid	ence so this evidenc	e needs to be set out in full.	
Number: 4	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:23:48 +01'00'
			ended / terminated because TCs may occur after these events. SS therefore legation they are making here.
Number: 5	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:26:21 +01'00'

7. Automatic Transaction Reversals

7.1. As mentioned in Section XXX a number of Applicants have reported transactions that appear to have been input when the branch was shut and no one had access to the Horizon terminals.



- 7.3. The transaction identity assigned by Horizon to that reversal was that of the Subpostmaster, rather than a system-generated ID. We consider this to be inappropriate as it fails to differentiate between entries genuinely made by a User and those that are system generated.
- 7.4. This misuse of User IDs for system generated transaction reversals appears to be inconsistent with various assurances and evidence provided by Post Office and further enquiries are continuing.
- 7.5. This matter was also highlighted in a report by Helen Rose, Post Office Security Fraud Analyst dated 12 June, 2013:

"... it is just that I don't think that some of the system based correction and adjustment transactions are clear to us on either credence or ARQ logs."...

"However, my concerns are that we cannot clearly see what has happened on the data available to us and this in itself may be misinterpreted when giving evidence and using the same data for prosecutions."

- 7.6. N.B. 'Credence' is a Post Office Management Information Reporting System and 'ARQ logs' is a reference to a request for Horizon information archived through the 'Audit Retrieval Query' process.
- 7.7. Enquiries on this matter are continuing.

lumber: 1	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:28:19 +01'00'
his first senter	nce is very dangerous	. SS needs to clearly set out	the evidence and analysis behind its conclusion.
This statement	could undermine the	safety of convictions - need	CK input here.
Number: 2	Author: ap6	Subject: Highlight Date	: 31/03/2014 20:38:09 +01'00'
Number: 3	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:28:59 +01'00'
Again, SS need	to offer a view on wh	nether this process is incorre	ct. If so, they need to state that view with supporting reasons.
Number: 4	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:35:11 +01'00'
Need to justify	why they consider th	is inappropriate and why thi	s would cause losses to SPMRs.
Number: 5	Author: ap6	Subject: Sticky Note	Date: 31/03/2014 20:35:55 +01'00'
Need to explain	n the relevance of the	quote passage below to thi	s issue.

8. Cash and Stock Remittances ('REMs') in and out of the branch



- 8.1. More than 25 Applicants have raised issues concerning REMs.
- 8.2. 'REMs' are inward and outward remittances of stock and cash. Large amounts of cash and stock are routinely sent to and from branches using this system. Robust procedures are in place to ensure that the process normally operates reliably and that errors are rapidly detected.
- 8.3. Occasionally branches will report that a REM package has not been received or that it contains fewer items, or lower value, than the sender claims. Post Office deals with these discrepancies by issuing 'Transaction Corrections' (TCs) that show the details of the shortfall or overage. Because such discrepancies relate to physical items it is necessary to rely on witness statements and other documentary evidence as to the exact content of REM packages.
- 8.4. Some Applicants have described instances of Foreign Currency shipments being accidentally sent to the wrong branch. We are aware that some of these errors have occurred due to Post Office's Business Partner for Foreign Currency ('First Rate') using an incorrect delivery address.
- 8.5. Enquiries on this matter are continuing.

Number: 1 Author: ap6 Subject: Sticky Note Date: 31/03/2014 20:37:40 +01'00'
This section does not highlight any discrepancy that cannot be resolved by a TC in the manner described by SS.