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CDE & LDE Box 241Mr D Miller
Post Office Counters Ltd
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1. Bruce McNiven
2. Keith Gaines

*Please ensure that these
issues are fully addressed
during the remaining
Acceptance process.
Keep me in touch.*

23 August 1999

ICO/IMK/KLR

Direct Line

GRO

Direct Fax

GRO

Dear Mr Miller

D Miller

24.8.99.

HORIZON ACCEPTANCE TESTING

As auditors of The Post Office we have been asked by Post Office Counters Ltd to provide you with our views in respect of certain accounting integrity issues arising from tests performed by POCL on Horizon data in the live trial.

We have not performed any validation of the issues or testing of the data. Our views expressed in this letter are based on information provided to us by POCL resulting from their tests. This letter is not intended to provide any assurance over any data in the live trial or over any results arising from tests of such data.

The live trial is limited to 323 outlets. We make our comments on the assumption that this sample of outlets will be representative of the full network of outlets.

The following issue, as described to us by POCL gives us concern as to the ability of POCL to produce statutory accounts to a suitable degree of integrity. We understand that POCL has attributed a severity rating of 'High' to this matter.

Incident 376. Data Integrity - In order to test the integrity of weekly polling of Horizon cash account transactions, POCL are reconstructing a weekly total by outlet from daily Horizon pollings. At present this control test is showing discrepancies in that certain transactions do not record the full set of attributes and this results in the whole transaction being lost from the daily polling.

We are informed that an incident has also occurred where transactional data committed at the counter has been lost by the Pathway system during the creation of the outlet cash account and has not therefore been passed to TIP in the weekly cash account sub files.

Both types of incident result in a lack of integrity on each of the two data streams used by POCL to populate its central accounting systems. We understand that the cash account data stream is the primary feed for POCL's main ledgers and client reconciliation processes.

■ A list of partners' names is available for inspection at the above address, the partnership's principal place of business. Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

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