

## COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

## Initial Complaint Review and Mediation Scheme

## Post Office Investigation Report

<b>Branch Name:</b>	Semilong	<b>Branch Code:</b>	226226	<b>Case Number:</b>	M014
<b>SPMR Name:</b>	Mrs Jane Brewer	<b>Status of Case :</b>	Mediation Application	<b>Date of Appointment</b>	Approx. 1990 - Current
<b>Executive summary</b>					
<p>There is evidence to suggest that the branch has had issues with faulty printers, loss of connectivity, loop and noise on the line. However, from the records reviewed there is no evidence to suggest that these caused losses at the branch.</p> <p>There is evidence to suggest that there has been on-going support for the branch, including engagement from the POL Contract Advisor (CA), intervention visits by Field Support Advisors (FSAs), and a specific meeting to discuss the Applicant's issues on 09/10/2012. Additionally, records show that checks have been made for transactions over a 6 month period in 2012 and previously in 2011. Specific checks relating to July 2012 have also been carried out and feedback given by letter of 12/09/2012.</p> <p>Support has also been provided by Fujitsu, which has monitored the situation at the branch.</p> <p>Notwithstanding this, it is noted that the actions taken in response to the issues raised may not have been sufficiently visible to, or quick enough for, the Applicant. It is also noted that comments made by an engineer investigating the issues were likely to have been a source of concern to the Applicant until resolved by POL.</p> <p>Although it is recognised that having to deal with unresolved branch deficiencies could be stressful for a subpostmaster and branch staff, it is difficult to analyse or quantify the stress that the Applicant asserts that she and her staff have been under, or whether this would exceed that associated with commercial activity.</p> <p>There is evidence to suggest that there are some weaknesses in procedures followed by the subpostmaster and the branch staff such as compromising passwords and the Applicant's User ID being used by other members of staff when the Applicant was not at the branch. There is also evidence to suggest that similar balancing patterns and messages to the Network Business Support Centre (NBSC) have been logged at times other than those raised by the Applicant. This Report however focuses on those which occurred during the time period raised by the Applicant.</p> <p>In conclusion, based on all the material viewed as part of this review, there is evidence to support the Applicant's claim that there have been issues with equipment, however there is no evidence to suggest correlation between these and the losses at the branch from the logs and responses given by various parties.</p>					
<b>The Applicant's complaint</b>					
<p>The Applicant has raised issues concerning the Horizon system. Her application was received by Post Office Limited (POL) via Second Sight on 16/09/13 and a letter confirming acceptance to the scheme was sent on 26/09/13. A further more detailed Case Questionnaire (CQR) was received on 21/10/13.</p> <p>The Applicant states that the Semilong branch has been in the same family for over 60 years. The Applicant has cited that she has been a subpostmaster (SPMR) since approx. 1990 and is currently a serving SPMR.</p> <p>The initial application cited that issues had occurred between 2010 and 2012, whilst the CQR cited that the issues occurred between April 2011 and September 2012.</p>					

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The main issues raised in both the initial application and CQR can be divided into 3 categories: - Equipment, Operational, and Support, although it is noted that there is an interconnection of all these areas in the specific issues raised.

**Equipment:**

- Spasmodic faults with Horizon's accounting system and recording of transactions between April 2011 and September 2012.
- Lack of support when repeated requests for replacement equipment were made.
- Requested equipment to be changed on numerous occasions.
- Horizon system is old, not updated or replaced and not until all equipment was replaced did normal excellent balancing recommence.
- "System failure" was causing the errors and it was not until close monitoring and all equipment was replaced in July/August 2012 that perfect balances become the norm.
- During a visit on 09/07/12 a Fujitsu engineer suggested that there was an issue with connectivity when he checked Position 2 and that the ADSL cable and plate needed to be replaced. The Fujitsu engineer identified a noise on the line and thought that this could be caused by a loop. When the new equipment was installed the noise and any loop disappeared. Fujitsu then continued to monitor the situation.

**Operational:**

- Branch had been well run and untroubled until the 2 years between 2010 and 2012.
- Losses started as £80 per trading period, culminating in many hundreds of pounds.
- Losses always occurred on Position 2.
- Applicant and staff are accustomed to working together and they too have been under pressure and under suspicion as a result of the issues at the branch.
- Applicant is a full time SPMR and staff are not left alone at the counters.
- There was no pattern to the losses.

**Support:**

- She made monthly phone calls to the NBSC and numerous calls to her CA asking for advice and meeting.
- POL managers at no time took losses seriously and had no budget for system failures.
- She was informed that branch was being monitored but had the impression this meant was just running off reports.
- Stress suffered by her and her staff due to the issues at the branch.
- She was advised to contact the Police for advice about the losses and found this to be quite a traumatic experience.

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**Case Review Actions***Summary of the information collated by Post Office*

The review undertaken by POL has covered a period from 2009 to 2012 to ensure that it covers the time periods in the initial application, the subsequent CQR, and the timelines referred to in the body of both documents. Notwithstanding this, there may be areas that are found to be outside of the scope and therefore will not be considered in the final conclusions.

The issues described above have been investigated and a synopsis of the findings will be documented in this case review summary. The records that have been reviewed are contained in the "evidence" file provided with this Report, although it should be noted that these may not be exhaustive.

In order to understand the history of the issues at the branch and respond to them, the areas reviewed include:-

- Records of contact with POL to include logs to NBSC
- Records of training received
- Records of Audit and Intervention requests, including visits to support SPMR
- Records of Contract communications and meetings
- Records of Balancing and Transactions
- Specific issues on Horizon and associated issues including kit 'swap outs'
- Any offers of support to SPMR

**Record of NBSC Logs**

116 logs were recorded between 01/01/2009 - 14/10/2012. Below are the total of logs per year and a summary of those which potentially relate to the issues raised by the Applicant. (Doc 001 refers).

**2009 – total of 16 logs of which 4 refer to Horizon:-** 4 logs relate to Horizon issues: 03/06/09 & 04/06/09 Applicant advises having losses every week of £80, £320 put in over 4 weeks, technical issues asked about also; 05/06/09 request for Business Development Manager (BDM) to contact as losing cash and advised has had system checked; 22/12/09 – refers to 21/12/09 whilst doing Automated Payments (APs) printer breaks down, asks if user can barcode the summary for 19/12/09 and put it in list for 22/12/2009. (NB These issues are not referred to in the Applicant's CQR).

**2010– total of 30 logs of which 5 refer to Horizon plus 1 relating to Paystation:** 24/07/10 (2 calls) – complaint about the state of Horizon equipment, especially printer and how long it took to resolve. Return call – apologised for this, explained the process that had been undertaken and advised would pass to POL and Fujitsu for inclusion on weekly meeting. Offered a reference number, declined and closed call; 28/08/10 Printer problems; 03/12/2010 – Recovery of postage labels, unable to clear screen; 13/12/2010 – Paystation – message advising 'not contacting the host'.

**2011 –total of 41 logs of which 6 refer to Horizon** -25/05/11 Applicant upset about losses wants to speak to manager; over 12 months having losses £500 down for month; 20/06/2011 – same issue as above; 29/07/11 – loss of £80 consistently (Thursdays/Fridays) and even since going to single balancing; 28/09/2011 - contact re loss wants to speak to Field Support Agent (FSA), who helped with single tills; 30/11/11 request for FSA to help; 01/12/11 Request for further training

**2012 – 29 logs of which 11 refer to Horizon:** 29/02/12 & 05/03/12 – requesting to speak to CA; 02/07/12 reference loss on Position 1 of £545; 24/07/12 & 26/07/12 chaser messages for Contracts Advisor; 01/10/12 – advises Fujitsu changing base units, still not functioning properly. Second log for 01/08/12 – Advising that losses going on for 18 months and no-one supporting, Horizon Service Desk refusing to do anything; 06/08/12 – Request for update on phone line issue. 15/08/12 – Applicant advising that the system is the cause of the

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branch losses; 03/09/12 National Federation of Subpostmasters (NFSP) complaint to POL Duty Manager; 12/10/12 Request made for all call logs from 01/01/2009.

**Training:**

As part of the training provided when the branch migrated to the new Horizon Online (HOL) system, cash checks were performed on 15/05/2010 (£339 shortage, only 1 stock unit checked), and 23/07/2010 (£23 surplus).

**Audit & Intervention**

**03/02/2011** - Two audits undertaken:

- Financial Assurance Audit showed £507.39 shortage (£195.58 cash, £299.77 stock, £12.04 vouchers), which the Applicant agreed to make good at the end of the next Trading Period (Doc 002 & 003 refer).
- Compliance Audit Test, Appendix A and B of which identified 18 "gaps" in branch practices and processes. Applicant acknowledged the need for improvement in these areas on 24/02/2011 (Doc 003, 004, 005 refer).

**30/06/2009** Intervention – FSA visited branch 30/06/09 – visit requested via NBSC on 09/06/09. Scheduled on 22/06/09 (note re weekly losses and having had the system checked and wanted her BDM to contact her). Also note referring to Applicant off for 5 weeks July 09 as in hospital (Doc 006 refers).

**29/06/2011** – FSA visit to set up individual stock units. (Doc 007 refers).

**05/08/2011** – FSA visit as an intervention following contact request on 01/08/11. (Doc 008 refers).

**21/10/2011** – Intervention visit by FSA. (Doc 009 refers).

**13/12/2011** – Intervention visit by FSA. (Doc 010 refers).

All of the above FSA visits primarily related to balancing issues.

**Contractual Issues /Status**

**08 - 24/12/2010** – Communications between Applicant and CA concerning unpaid cheques (12 from 10/09/2010 to 08/12/2010 totalling approx. £25K. (Doc 011 refers). Two of the cheques are related to debt repayment held at POL Finance Service Centre (Doc 012, 013, 014 refers).

**11/02/2011** – Letter from CA providing "written direction" to Applicant on actions to take following audits undertaken on 03/02/2011 (Doc 015 refers). Applicant confirmed actions completed on 22/02/2011 (Doc 003 refers).

**29/07/2011** –Written warning from CA re breach of Horizon password/emails integrity (Doc 016 refers).

**06/02/2012** – Letter re follow up from conversation on 03/02/2012 (Guidance for possible theft) (Doc 017 & 018 refer).

**12/09/2012** – Letter from CA to Applicant regarding losses and responding to 3 issues that had been previously raised. **1)** FSC was asked to analyse cash declarations for Stock Unit AA, reporting that the Applicant User ID had been used during the period that the Applicant had cited she had been absent from the branch. **2)** The Applicant had raised an issue regarding balance snapshots, citing that there was a difference in figures on Position 3 and that these balance snapshots had been printed one immediately after the other. The response

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in the letter was that Horizon showed 2 balance snapshots generated on the day cited by the Applicant and these were generated at 11.33 and 11.50 and showed that 13 Customer Sessions had been completed in between these times, which would account for the difference in the figures. **3)** Fujitsu reply to the issue raised regarding the loop/noise on line scenario. Fujitsu response cites that the loop/noise on the line would not account for the losses at the branch. This letter is also an invite to a meeting on 09/10/2012 to discuss the issues raised. (Doc 019, 020, 021, 022, 023,024,025 refer).

**25/10/2012** – Letter from CA to the Applicant in respect of the meeting that took place on the 09/10/2012 and asking for confirmation of detail regarding losses of £187.67 on Branch Trading Statement of 29/08/12 is correct as cited no further losses have been suffered – Signed copy of the minutes returned, but no record of confirmation re loss on 29/08/2012 (Doc 026 & 027 refer).

**13/12/2010** – Rota check undertaken: current debt cited as £2,221; issues with Green Giro volumes; large reversals of other stamps ordinary to cash and then cheque; some cheques unpaid (Doc 028 & 029 refer).

**Balancing**

**31/08/2011 - 07/08/2013** Record of Declared Balances sourced from FSC on 13/11/2013. This record has been reviewed in conjunction with letter from CA to Applicant in respect of Summary of Meeting on 09/10/2012 (Doc 030 refers).

**13/09/2010 - 08/12/2010** Record of Discrepancies between recorded and transaction type in respect of number of unpaid cheques for postage transactions (Doc 014 refers).

**Transaction Corrections (TCs)**

**26/10/2005 -01/12/2010** – this record shows TCs for the dates specified (Doc 031 refers).

**24/04/2012 and 14/05/2012** - additional record sourced from FSC on 13/11/2013 showing 2 TCs received relating to these specific dates.

Applicant refers to two discrepancies in her application:

- £8,055.68 settled by Applicant; and
- £1,769.93 outstanding debt plus £187.67 discrepancy of 29/08/2012 (i.e. £1,957.60).

**14/11/2013** – FSC state latest debt position is £1,957.60 (this relates to August 2012)

**Horizon issues raised including 'Kit Swap outs'**

**09/07/2012- 01/10/2012** - The replacement swap outs took place between these dates (see meeting notes for this list of issues).

**01/08/2012 – 01/10/2012** -There were 27 contacts regarding monitoring of the branch (Doc 032 refers).

**09/07/2012** - pin pad position 1 replaced. Fujitsu Engineer noticed loss of connectivity, contacted Fujitsu helpline which could not see any issue.

**02/08/ 2012** - ADSL cable and plate replaced

**10/08/2012** - LAN cable and hub was replaced.

**11/08/2012** - Daily call monitoring by Fujitsu commenced. Fujitsu explained that the noise on the line could be

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caused by the loop.

**22/08/2012** – BT advised no fault found.

**30/08/2012** – Remote BT check shows the line associated with the provided service ID is currently in fault. This needed further exploration to understand the potential route cause; please refer to call of 09/10/2012.

**01/10/2012** – Base unit replaced

**09/10/2012** – issue may be with the back office phone as when this is plugged in the communications line drops out. The Applicant was advised by Fujitsu that there was a local problem and was then asked to unplug the back office phone in her branch.

**10/10/2012** – Fujitsu contacts the Applicant again and the Applicant confirms that there had been no further issues since the back office phone had been removed.

**Response to issues raised by Applicant**

The main issues identified relate to 3 key areas: Equipment, Operational and Support.

**Equipment:** The issues here can be categorised as: 'out of date' equipment; System errors and spasmodic faults causing errors until close monitoring was implemented; refusal to change equipment when the Applicant requested this.

- The Horizon system was developed in 1996 and this branch migrated to HOL in July 2010. It is fair to say that equipment has been in situ for a number of years, however performance of equipment is monitored and if a fix is not possible a replacement part/kit is installed. It is recognised that reconditioned kit can be installed in a branch, however prior to kit installation of a reconditioned unit, the kit would have been put into triage before it is sent back out. Equipment is replaced when Fujitsu are unable to resolve the issue and a swap out of the equipment is deemed to be necessary by Fujitsu to ensure the branch is fully supported and operational as soon as possible.

The reviewed documents show that hardware such as printers and base units were swapped out in addition to the changing of ADSL cable/ Faceplate, Hub and Ethernet cable. In addition to this there is evidence to suggest that all equipment has been taken off the line and replaced one by one to establish where any fault may be.

BT also checked the line as there were still issues following the replacement of the cable, faceplate etc. BT found no fault and deemed the issue to be a local one. The Applicant was advised to remove the phone from the back office and no further issues or drops have been reported out since this action (10/10/2012).

Records suggest that close monitoring of the system took place between 01/08/2012 and 10/10/2012. Prior to this there is evidence to suggest that the CA considered the issues as soon as they were made aware of them, and there is evidence of exchanges of emails to support this.

- During an engineer visit on 9<sup>th</sup> July 2012, it was suggested that issues with connectivity may be a cause for the loss of some transactions. Records show that both software and hardware were checked for the branch. Also, the meeting that took place on 9<sup>th</sup> October 2012 addressed the issue that had been considered by the engineer.

In respect of the noise on line, POL IT Service Manager had asked teams in POL and Fujitsu whether

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there were any lost transactions and it was confirmed this could not be the case.

The 'handshake' process was described to the Applicant. In essence, transactions at the counter are classed as a basket that is encrypted and sent to the data centre, where on receipt the transactions are unencrypted and settled to zero. If any problems occur during the transmission, the handshake would fail and not accept the transaction/s and invoke the recovery process.

Records for the branch were checked by Fujitsu for the 6 month period at the time the issues were raised and findings reported indicated that the recovery process had only happened a couple of times and for small amounts of £10 - £20.

At the meeting of 9<sup>th</sup> October 2012, the comments of the engineer were also discussed and the meeting notes record that the engineer would not have sufficient technical knowledge to say faulty equipment or noise on the line would cause losses (Doc 027 refers).

**Operational:** The issues here can be categorised as: "untroubled" balancing records before and after the time in issue (2010 – 2012); record of performance of the branch; whether there is a pattern to losses and if they are sustained from only one branch position (Position 2).

- Records show balancing discrepancies outside the 2010-2012 period, including:  
  
29/08/12 - loss of £187.67  
  
31/10/12 - loss of £95.94  
  
03/4/2013 - loss of £108.86.
- Records also indicate that a pattern of losses of between £80 - £90 has been cited over the years since 2009, before and after change to single stock units. Records show that there has been no issue with TCs since 2012.
- Records sourced indicate that there has been compromising of Horizon passwords for which a "written direction" was given. Requests from the Applicant to check Horizon logs for specific dates in July 2012 indicate that there was activity on the Applicant's User ID when advised that the Applicant was absent from branch. (Doc 016 refers).
- Records sourced indicate that there has been incorrect acceptance of cheques which culminated in cheques being returned as unpaid. Records sourced indicate that the CA had issued a written direction to the Applicant stating that instructions did not appear to have been followed. A number of cheques had been presented for Postage at the branch and had been returned unpaid. The cheques were drawn on an account in the name of Mr P Bedden Trading as Envirolite. The cheques had been annotated with the word postage and had been date-stamped, but did not appear to have been supported by a Cheque Guarantee Card or a Post Office Cheque Authority Card P843. (Doc 011 refers).
- Records also indicate that losses occurred from more than once branch position - the material provided with the Applicant's CQR discloses a loss of £479 on 26/07/2012 on Position 3 as well as Position 2.
- Records from both fraud checks by security and intervention visits indicate that there were a number of reversals for postage, and actions relating to the need to ensure security measures were in place regarding locking of Horizon system as well as physical security checks. (Doc 006,007,

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008,009,010,033 refer).

**Support:** The issues here can be categorised into type of support given here:-

- Records suggest that there is evidence of the Applicant making repeated requests for help and advice. Records show that there has been support given by phone and visits including an audit which identified 18 compliance gaps, intervention visits at the branch, and a meeting with Contract Team and IT Services.
- 119 NBSC logs have been actioned between 2009 -2012. Records suggest that the CA repeatedly offered support and advice and chased up issues reported. This culminated in intervention visits, change to single balancing, and -a meeting on the 09/10/2012 with the Applicant and IT Service Manager. (Doc 001,006,007,008, 009,010 refer).
- Records show that Fujitsu had been monitoring the situation and had been in contact with the branch between 01/08/2012 until 10/10/2012. There is also evidence to suggest that issues were raised in February 2012 and latterly July/August 2012. However, it could be said that this may not have been visible to, or quick enough for, the Applicant. (Doc 032 refers).
- Records also show the POL CA engaging with the NFSP following the NSFP's contact to POL on 03/09/2012.

**Documents being provided to Second Sight**

*List documents (if any)*

Reference	Description
M014_POL_ NBSC Call Logs_KA_001	NBSC Call logs 01.01.2009 – 14.10.12
M014_POL_ Audit Report_KA_002	Audit Report Feb 2011
M014_POL_ Audit Report Noted_KA_003	Audit findings noted by Agent
M014_POL_ Compliance Audit Feb 2011_KA_004	Compliance Audit Report Feb 2011
M014_POL_ Audit Appendix A&B_KA_005	Audit Appendix A & B Feb 2011
M014_POL_ Accounting Request Form_KA_006	Intervention Request Form
M014_POL_ Intervention Report _KA_007	Intervention Report 29.06.2011
M014_POL_ Intervention Email _KA_008	Email following intervention visit 08.08.2011
M014_POL_ Intervention Report _KA_009	Intervention Report 21.10.2011
M014_POL_ Intervention Report_KA_010	Intervention Report 13.12.2011
M014_POL_ Written Direction Cheques_KA_011	Written Direction to Agent re acceptance of cheques
M014_POL_ Written Direction Cheques	Written Direction on Cheques noted & signed by

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Noted_KA_012	<i>Agent</i>
M014_POL_ Copy of Cheques_KA_013	<i>Copy of unpaid cheques</i>
M014_POL_ Cheque & Postage FSC Info_KA_014	<i>Financial Service Centre Information on Cheques and Postage</i>
M014_POL_ Audit Report Letter_KA_015	<i>Letter to Agent following audit Feb 2011</i>
M014_POL_ Written Direction Password_KA_016	<i>Written Direction –Horizon Password Sharing</i>
M014_POL_ Letter re Guidance notes_KA_017	<i>Letter to Agent accompanying Guidance on theft &amp; fraud by Sub Office Assistants</i>
M014_POL_ Guidance Notes_KA_018	<i>Guidance notes on Theft &amp; Fraud by Sub Office Assistants</i>
M014_POL_ Letter to Agent re Meeting_KA_019	<i>Letter to Agent re POL Findings and Invite to meeting</i>
M014_POL_ FSC Summary of Data_KA_020	<i>Record of FSC Summary of Data 20.07.2012</i>
M014_POL_ Horizon Events July 12_KA_021	<i>Record of Horizon Event logs July 2012</i>
M014_POL_ Horizon Data July 12_KA_022	<i>Record of Horizon Logs July 2012</i>
M014_POL_ Horizon Data Aug 12_KA_023	<i>Record of Horizon Logs August 2012</i>
M014_POL_ Horizon Events Aug 12_KA_024	<i>Record of Horizon Event logs August 2012</i>
M014_POL_ Declared Cash_KA_025	<i>Cash declarations supplied by Agent</i>
M014_POL_ Agent Letter Follow Up to Meeting_KA_026	<i>Letter to Agent following Meeting</i>
M014_POL_ Signed interview notes_KA_027	<i>Signed Interview notes from Agent following meeting Oct 2012</i>
M014_POL_ Security Checks_KA_028	<i>POL Security Checks</i>
M014_POL_ Green Giro Logs_KA_029	<i>Green Giro Logs from Security Check</i>
M014_POL_ BT Discrepancies_KA_030	<i>Branch Trading Discrepancies</i>
M014_POL_ Record of TCs_KA_031	<i>Record of Transactional Corrections</i>
M014_POL_ Fujitsu Monitoring_KA_032	<i>Record of Fujitsu Monitoring</i>
M014_POL_ Postage Reversals_KA_033	<i>Horizon Logs indicating volume of Postage Reversals</i>