

MARINE DRIVE INTERVIEW 10 MAY 04

Attendees: Mr Lee Castleton Subpostmaster
Mrs Chrissie Train Post Office assistant
Cath Oglesby RLM
Lesley J Joyce CM

Cath opened the interview by introducing everyone, explained the reasons for the interview, the roles of those in attendance, read out the charge and said it was LC's opportunity to give any explanations or reasons as to why his contract for services should not be terminated. (LC asked to tape the interview but was informed he could not but could take notes and be copied these notes)

CO then went on to give a summary of events which led to the suspension of LC on 23 March 04 due to an unexplained shortage of £25,758.75.

During the 12 weeks prior to audit LC had several large unexplained losses. LC was suspended as a precautionary measure to try and investigate where the losses were occurring. CO asked LC if he would allow his premises to be used to conduct PO services and he agreed.

LC's thoughts have always been that the Horizon system was to blame for the shortages so the only thing that was changed in the office was the 'people'. All the current staff came out of the office and a temporary Postmaster, Ruth Simpson, was allowed to run the branch, during the 4 weeks that RS was in place the cash accounts showed no large losses.

The system did crash on her and was re-booted but this did not affect the balance. She had problems with the AP card reader but was not allowed to change the kit under the circumstances. No problems occurred while remming in or with Lottery.

When RS finished Greg was appointed as temp Postmaster, again no problems with balances or with any of the above.

CO Went on to discuss actions she had taken:-

Horizon-Asked for a system check twice

1-During the time of large losses——everything okay

2-During RS time “

3-Asked what upgrades had there been since week 39, the HSH said upgrades happened all the time, to different offices and they were unable look at individual offices.

4-All the events on the software system checked back to 1 March 04, no abnormalities.

Chesterfield

1-Contacted them on a number of occasions regarding any outstanding error notices

APS-None up to week 3

Lottery small error on prizes

Girobank

Checked all the weeks up to week 02-no issues

LC Agreed with all of the above. He asked CO what she considered was an acceptable amount for cash account losses.

CO Said it varied for different office's but £20 per week was reasonable. CO opened the discussion to LC to give reasons for the losses.

LC Said that he had not taken any money and that he trusted his staff 100% not to have taken anything. He said that he had asked for 10 bits of information in the letter he sent but only received 1 item. He had asked Fujitsu for help and the NBSC and no one had got back to him, they were not prepared to help. He had spent hours each night with CT looking at the balances. He said that a remote test would not turn up on a software check, he understood there were a lot of problems with Horizon and the system, he had a lot of problems at the office with re-boots etc, so why did this happen if nothing was wrong with the system. No one would tell him what tests were done, I don't know what 'clear desk top' means. I have had a lot of e-mails from Postmasters who have problems with Horizon.

CO Replied that she had only received his letter on the night of wed 5th May which was only 2 working days prior to the interview and she was working on getting him the information he requested. She had suggested several things for him to do in the office such as individual balances and the idea that staff could be responsible but he would not take any measures or listen to this point of view. CO then said it would be helpful to go through the individual balances, week by week methodically and look at the suspense accounts. CO clarified LC understanding of how the cash account worked with regards to balances and losses and gains. LC Confirmed he understood.

CO Then goes into detail with balances, error notices, losses etc and the evidence she has with snapshots and declared cash. (Copies of all this information is provided with a list of all the results of the balance)

CO Asked LC to clarify if he made the error notices good but he could not remember. She clarified when the shortages were first put in the c/a. CO stated that not all the information such as snapshots were provided and LC said they were probably in the box.

CO refers LC to some of the cash declarations which have been manually altered or written on, specifically to week 47 and the declaration on 12 Feb 04 which had a figure of aprox £7000 written on the bottom of the cash declaration. Both LC and CT looked but although LC said he thought it was CT writing she was not certain. CO said this was very important as although the c/a for week 46 showed a loss of £8243.10 the following snapshots and declared cash did not evidence this. She explains:-

Snapshot at 17.27 on Fri 13 Feb shows you need £92095.36, cash declaration shows you have £99128.40, a gain of £7033.44.

Sat 14 Feb shows you need £95896.59, cash declaration shows you have £102706.10, a gain of £6809.51.

Mon 16 Feb snapshot shows you need £77958.28, cash declarations show you have £84909.54, a gain of £6951.26

Tuesday 17 Feb snapshot shows you need £68163.08, cash declaration shows you have £84909.54, a gain of £6776.77

HOWEVER The c/a on wed shows the cash is an exact match for the cash required on the balance-Where has this surplus gone?

LC Has no explanation and says it must be something to do with Horizon.
CO Goes on to give other examples where shortages in subsequent weeks do not then match the snapshot and declaration. (Evidence provided)
CO and LC then have a long discussion about the discrepancies shown on the snapshot and CO says she will clarify after interview.
CO asks again where the gains which are evident and which are hand written on the cash declaration could have gone.

LC says he does not know but he has not taken the money.

CO Says that the Horizon system works as a double entry system and everything she has looked at works through. Originally LC had said that the system was doing something when the rem's were put through but the evidence does not show this. She had asked LC to run a snapshot after close of business, input the rem and then run another snapshot to see if figures were altered and asks LC if he had done this.

LC Says that he did not have time to do this, it had been a nightmare, he feels it is a computer problem and no-one has helped him. 5 months is a long time to try and remember what happened and what went on. He mentions other offices that have told him about problems with cheque listings and P&A dockets. He said that no-one had visited from Horizon to look at his problems and balances.

CO Explained that Horizon would not attend his office due to poor balances, they would need evidence of a problem which he was unable to provide, she also mentioned that she had given him advice and spent hours and hours on this case and his cash accounts. She asked LC if he could show her a figure that the Horizon system had changed which did not make sense or could prove his allegations.

LC Said no but he did know an office where it had changed a figure on Girobank although the office did receive corresponding error notices.

CO asked LC to confirm he had not taken the money

LC No. He asks to see the c/a's for weeks 1,2,3,4 which CO provides to him and says he can have copies.

CO asks if there is anything else he wants to add.

LC says he would like the explanation on the discrepancies, which CO agrees to provide.

CO told LC that she was still waiting for a response from Horizon regarding the checks on the software. As soon as they were available she would let him know the outcome.

CO Ends the interview by thanking those in attendance.

Personal – In Strictest Confidence

Mr Lee Castleton

GRO

9th July 2004

Dear Mr Castleton

I am writing to advise you of my decision following your appeal hearing on Thursday 1st July 2004.

I have carefully considered of all the facts relevant to the case and the representations made by yourself and those on your behalf before arriving at my decision.

Decision: Appeal dismissed.

Yours sincerely

John Jones
Appeals Manager

GRO



Post Office Ltd
Registered in England Number: 2154540
Registered Office 80-86 Old Street
London EC1V 9NN

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Registered trade marks of Post Office Ltd in the
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The Subpostmaster's Contract



"an essential part of everyday life" www.postoffice.co.uk

Acknowledgement of Appointment

I accept The Appointment as Subpostmaster at:

MARINE DRIVE POST OFFICE

and agree to be bound by the terms of my contract,
and by the rules contained in the book of rules and
the instructions contained in those postal
instructions issued to me.

Date

18-07-03

Signature of Subpostmaster

GRO

Date

18/07/03

Signature of Witness

GRO

Post Office Ltd
Registered in England and Wales number: 2154540
Registered Office: 80-86 Old Street
London EC1V 9NN

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registered trade marks of Post Office Ltd in the
UK and other countries.

FORMER SUBPOSTMASTERS STATEMENT OF ERRORS

OFFICE NAME : SOUTH MARINE DRIVE.OFFICE CODE : 213337DATE OF ERROR : 17/03/2004WK/YR No : 51/03£ 1,256.88 chCASH ACCOUNT LINE No : 1103LINE DESCRIPTION : Automated Products

CASH ACCOUNT ENTRY : £

SUPP. DOC. TOTAL : £

1,256.88

Details of Error: (PLEASE PROVIDE FULL WRITTEN HISTORY OF THE ERROR)

AS PER TELEPHONE CONVERSATION.EASA ACCOUNT FOR 633625011400881587400002 FOR £1256.88WAS NOT PUT THROUGH THE AUTOMATED PAYMENTS SYSTEM ON 17/03/2004.THEREFORE £1256.88 CHARGE OUTSTANDING.REFAMB/EASAUP89/POCASE141TEL GROAP CLIENT ENQUIRIES.

Please note that the previous and following weeks transactions have been checked before issue of this error and no compensating errors were found.

NB. Attach all supporting documentation in support of the supporting document value.

FOR INTERNAL USE ONLY

Tick if manual JV required

☐

NB A manual JV is needed when an error is forced after the CLASS data has been archived.

Duty Holders Name : W SMITH

Duty Holders Signature :

GROExt : 2452

Authorised/Checked by (POA) :

GROExt : 2180Error for REGION 85 2Date of authorisation : 28.5.04.

FORMER SUBPOSTMASTERS STATEMENT OF ERRORS

OFFICE NAME : MARINE DRIVE SPSOOFFICE CODE : 213/337DATE OF ERROR : 24/03/2004WK/YR No : 52/03£ 176.00 CHCASH ACCOUNT LINE No : 0030LINE DESCRIPTION : National Lottery On-Line SalesCASH ACCOUNT ENTRY : £ 2,218.50SUPP. DOC. TOTAL : £ 2,394.50

Details of Error: (PLEASE PROVIDE FULL WRITTEN HISTORY OF THE ERROR)

Camelot Lottery Online Sales are understated in thereceipts section on horizon week 52/03resulting in a £176.00 charge error.Evidence attached.

Please note that the previous and following weeks transactions have been checked before issue of this error and no compensating errors were found.

NB. Attach all supporting documentation in support of the supporting document value.

FOR INTERNAL USE ONLY

Tick if manual JV required

☐

NB A manual JV is needed when an error is forced after the CLASS data has been archived.

Duty Holders Name : Ann ColemanDuty Holders Signature : GROExt : 2691Authorised/Checked by (POA) : GROExt : 2207Error for REGION 85 2Date of authorisation : 11/06/04

2. Daily office totals for a Group

Selection Criteria: FAD Code:213337, CA Week:52, Item Grp:9 Prizes Group					
CA Yr	Acc Date	Volume Adv	Volume Rec'd	Value Adv	Value Rec'd
2003	18/03/2004		15		239.00
2003	19/03/2004		4		22.00
2003	20/03/2004		14		91.80
2003	21/03/2004		11		216.00
2003	22/03/2004		11		5153.80
2003	23/03/2004		14		81.00
2003	24/03/2004		12		65.00
	TOTAL	0	81	0.00	5868.60

FORMER SUBPOSTMASTERS STATEMENT OF ERRORS

OFFICE NAME : MARINE DRIVE SPSOOFFICE CODE : 213/337DATE OF ERROR : 24/03/2004WK/YR No : 52/03£ 75.80 CLCASH ACCOUNT LINE No : 1049LINE DESCRIPTION : Camelot Prize PaymentsCASH ACCOUNT ENTRY : £ 5,792.80SUPP. DOC. TOTAL : £ 5,868.60

Details of Error: (PLEASE PROVIDE FULL WRITTEN HISTORY OF THE ERROR)

Camelot Lottery Prize Payments are understated in thepayments section on horizon week 52/03resulting in a £75.80 claim error.Evidence attached.

Please note that the previous and following weeks transactions have been checked before issue of this error and no compensating errors were found.

NB. Attach all supporting documentation in support of the supporting document value.

FOR INTERNAL USE ONLY

Tick if manual JV required

☐

NB A manual JV is needed when an error is forced after the CLASS data has been archived.

Duty Holders Name : Ann Coleman

Duty Holders Signature :

GROExt : 2691

Authorised/Checked by (POA) :

GROExt : 2207Error for REGION 85 2Date of authorisation : 11/06/04

2. Daily office totals for a Group

Selection Criteria: FAD Code:213337, CA Week:52, Item Grp:8 On-line Tball Dome Group					
CA Yr	Acc Date	Volume Adv	Volume Rec'd	Value Adv	Value Rec'd
2003	18/03/2004		30		73.50
2003	19/03/2004		45		106.50
2003	20/03/2004		471		1485.00
2003	21/03/2004		6		10.00
2003	22/03/2004		29		62.50
2003	23/03/2004		43		176.00
2003	24/03/2004		210		481.00
	TOTAL	0	834	0.00	2394.50

Bond Pearce

**Mr Lee Castleton – Subpostmaster Post Office® Marine
Drive branch**

1	Summary of Events	
2	Audit Report	23 March 2004
3	Letter Confirming Suspension	23 March 2004
4	Formal Charge Letter	26 April 2004
5	Letter from Lee Castleton requesting information	28 April 2004
6	Response to letter from Cath Oglesby	06 May 2004
7	Information sent to Mr Castleton	06 May 2004
8	E-Mails re the office and Horizon	
9	RTU Interview Notes	10 May 2004
10	Letter to Mr Castleton re Final Balance	15 May 2004
11	Decision Paper	10 May 2004
12	Termination Letter	17 May 2004
13	Appeal letter	23 May 2004
14	Letter from Post Office® Assistant's parents	20 May 2004
15	Letter from Lee Castleton to David Mellows-Facer, Head of Area Commercial and response	24 May 2004
		1 June 2004
		2 June 2004
16	Record of balances)	
	Cash Accounts) In separate file	
	Horizon Printouts)	

Mr Lee Castleton

GRO

22.05.03

Dear Mr Castleton

Re: Interview for Appointment at Post Office® Marine Drive branch

In connection with your application for the appointment of Subpostmaster at Post Office®, Marine Drive branch, this is to confirm your interview will take place at 1.00 pm on Wednesday 4 June 2003 at Darlington Area Office, Crown Street, Darlington. A map and directions are enclosed. Please feel free to bring your partner along to the interview if you wish.

During the interview you will be asked for examples and previous instances where you have demonstrated behaviours which relate to particular competency areas. These areas are then probed in depth and where it is not possible to explore real examples, the interviewer(s) may explore relevant attitudes and experiences. You will also be expected to talk through your business plan and finance arrangements and will be given the opportunity to ask any questions relating to the Post Office®.

Please allow for the interview to last approximately 1½ hours.

I also attach a brief summary of the conditions from the Contract for Services should your appointment be successful. These points will be repeated at interview.

Post Office Ltd
Darlington Area Office
Crown Street
Darlington
DL1 1AN

GRO

You should also understand that if you are successful, the brief summary of the Contract for Services that is included with this letter does not represent the complete terms and conditions of the contract. You will receive a full copy of these if you are appointed.

If you are unable to attend the interview, please contact me on the telephone number below. A new appointment will be arranged for you as soon as possible.

Please complete page three of this letter and return to me as soon as possible in the stamped addressed envelope provided.

Please bring this letter along with one of the following identification documents (originals only):

- A birth certificate confirming birth in the UK or Republic of Ireland
- A passport confirming that you are either a British citizen or an EU national which shows that you are entitled to live and work in the UK
- A passport containing a Certificate of Entitlement issued by or on behalf of the Government of the UK, certifying that you have the right of abode in the UK, or a letter from the Home Office confirming that you are allowed to work in the UK
- A certificate of registration or naturalisation as a British citizen

Yours sincerely

Lesley J Joyce
Contracts Manager

If you have difficulty reading this letter, it is available in a different format free of charge, telephone

GRO

(Return this part of the letter)

To: **Lesley Joyce**
 Contracts Manager

From: **Mr Lee Castleton**

**Application for Subpostmaster vacancy at Post Office®, Marine
Drive branch**

I will*/will not* be able to attend for interview on the date allocated. *I will,
however, be available on the following dates:

.....
.....

* Delete as appropriate

Signed.....

Name in block capitals.....

Date.....

Mr Lee Castleton

GRO

BRIEF SUMMARY OF CERTAIN SECTIONS OF THE SUBPOSTMASTERS' CONTRACT FOR SERVICES

(For use as a guide only)

Contract

Subpostmasters are agents of Post Office Ltd (POL) contracted to provide premises and post office services, consequently they are **NOT** employees of POL. The contract is a personal one, held by a single individual, even where for example, several people jointly own the business, or where a business runs a large number of sub offices.

Accommodation standards

Under the terms of their contract subpostmasters are required to provide and maintain accommodation to standards specified by POL. A subpostmaster is not obliged to attend the office personally, but is required, whether there or not, to accept full responsibility for the proper and efficient running of the sub office.

Assistants

A subpostmaster must arrange for, at his own expense, any assistance, which he may need to carry out the work in the sub office. Assistants are employees of the subpostmaster, who will be held liable for any failure on the part of the assistants to provide a proper standard of service to the public or to apply proper Post Office® procedures.

Post Office® Cash and Stock

The subpostmaster, on taking up the appointment, is supplied with suitable Post Office® stock. The subpostmaster is permitted to hold POL cash, which should be sufficient to meet payments at the sub office after due allowance has been made for unexpected receipts and in accordance with official accounting and security instructions.

A subpostmaster is expressly forbidden to make use of the balance due to POL for any purpose other than the requirements of the Post Office® service; and he must on no account apply to his own private use, for however short a period, any portion of POL funds entrusted to him. Misuse of POL cash may lead to termination of the contract to provide Post Office® services.

Losses

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

Standards

POL, through its network of post offices, aims to give customers and clients a high quality service. Subpostmasters must therefore give top priority to serving customers quickly and efficiently, and to fulfilling the documentation requirements of clients with accuracy and professionalism.

Subpostmasters should ensure that the time for which customers wait to be served is kept to a minimum, and make the necessary adjustments to the staffing pattern to achieve this objective.

Cash Account

Subpostmasters are required to produce an office balance every Wednesday after close of business (unless otherwise directed by POL).

Remuneration

Remuneration will normally be made in two parts and paid monthly.

- a) An assigned office payment (this is static)
- b) A product payment (variable every month, paid two months in arrears)

Assigned office payment (AOP)

The assigned office payment amount is set in respect of each individual office. Once established at an annual rate it will be paid in 12 equal instalments over a period of a year. For all offices this payment will remain at this level and will not be subject to traffic fluctuations.

Product payment (PP)

In addition to the assigned office payment each office will receive product payments calculated according to the volume of traffic at the office.

Offices with annual remuneration payments below £14,000 per annum

Each office that falls into this category, has a set annual revision date. To calculate remuneration for these offices for the next twelve months, the last twelve months transactions are multiplied by a value per transaction and totalled.

This becomes the product payment, which is added to the assigned office payment to give total remuneration for the year. This figure will be paid monthly in 12 equal parts until the next annual revision is due. If relevant subpostmasters wish to do so, they may choose to transfer from annual to monthly calculations for payment of remuneration.

Offices with annual remuneration payments above £14,000 per annum

For offices with an annual remuneration above £14,000, the transactions undertaken during a cash account period (there are 12 in a year) are multiplied by the value of such transactions and brought up to an annual equivalent.

The assigned office payment is added to the product payment and both payments are divided by twelve, to give one month's remuneration. The product payment is based on transactions completed two months prior to the month in which the payment is due. For example, if 3000 transactions with a total value of £1500 per annum have been completed and evaluated in the month of January, the pay for this work will be made with the March salary.

Mailwork offices

A subpostmaster at a mailwork office is expected to supervise the sorting office along with the delivery staff, dealing with day to day problems as they arise.

[Note: The above paragraphs summarise certain sections only of the Subpostmaster's Contract. They are by no means a comprehensive description of the Contract, and should not be used in place of a thorough review of that Contract. A subpostmaster may not rely upon the points made in this summary, as they are for reference purposes only.]

PERSONAL AND IN CONFIDENCE

Mr Lee Castleton
Post Office® Marine Drive branch
14 South Marine Drive
Bridlington YO15 3DB

14.05.04

Dear Lee

Re: Entries at top of Final Balance

I am writing to clarify the entries at the top of the final balance. The final balance shows the discrepancies in that balance period. During the week, if snap shots are taken then the NET discrepancy is brought forward from the previous week. If you look back to when the office was balancing you will see that the NET loss or gain flows through into the next week, until a final balance is produced. The final balance shows the discrepancies for that cash account week.

Transferring an amount into table 2a in the suspense account means that the system then puts the loss to one side and you continue with a straight balance.

On the first week that you transferred the loss into the suspense account, the previous weeks Net loss flowed through, as would be seen if snapshots were taken. Then when a final balance is produced the discrepancies are shown for that week. You produced a perfect balance e.g. no loss or gain, therefore the net discrepancy was nil.

On the week that you transferred the second amount into the suspense account, you had a further loss so the net discrepancy was this further loss. That is why the two final balances don't look similar.
Please also find enclosed a copy of the interview notes.

Yours sincerely

Cath Oglesby
Retail Line Manager
Post Office Ltd
Operations
Darlington Area Office
Crown Street
Darlington DL1 1AN

PERSONAL AND IN CONFIDENCE

Mr Lee Castleton
Post Office® Marine Drive branch
14 South Marine Drive
Bridlington
YO15 3DB

06.05.04

Dear Lee

Please find enclosed the following:

- Copy of – Suspension letter – dated 23.03.04
- Copy of - Reasons to urge letter – dated 26.04.04
- Copy of e-mail from Fujitsu and logs of calls to Network Business Support Centre and HSH
- Copy of e-mail from Andrew Price
- Copy of Horizon System User Guide, Office Administration, System failure Subsections 12 and 13
- Copy of Audit report

Yours sincerely

Cath Oglesby
Retail Line Manager

Post Office Ltd
Operations
Darlington Area Office
Crown Street
Darlington DL1 1AN

Page 2 of 2

Re: SUSPENSION OF CONTRACT FOR SERVICES

PERSONAL AND IN CONFIDENCE

Mr Lee Castleton
Post Office® Marine Drive branch
14 South Marine Drive
Bridlington
YO15 3DB

In Strictest Confidence

Mr L Castleton
14 South Marine Drive
Bridlington
YO15 3DB

02.06.04

Dear Lee

I am in receipt of your letter dated 24th May 2004 and the fax you sent yesterday. I was not avoiding talking to you, I just had nothing to add to our previous conversation.

Also, I was attempting to draw together information to reply to your letter.

I am aware that the majority of your points were discussed prior to, or at interview. I will reply to your requests in the order that you put them in.

1. There have been numerous downloads to all branches since January 2004. The details of these are not available from the Horizon helpdesk.
2. You have already been given a copy of the call logs.
3. This information is not available because of Data Protection regulations.
4. This information is not available because of Data Protection regulations.
5. The Retail Line Manager has to protect Post Office Ltd assets. The decision to suspend a Subpostmaster as a precautionary measure is taken after advice on the issue in question has been given.
6. Horizon's remit is primarily as a helpdesk and source of information. They are not there to visit if a branch misbalances. Balances since your suspension have been within acceptable limits.
7. You mentioned 'clear desktop' at interview, but did not elaborate on what you meant. I am unclear on its relevance.
8. Horizon will not provide this information.
9. You will need to get this information yourself from BT.
10. You were given this information at interview.

I am told that you have been sent a copy of the notes of the interview. All information we are able to give you, you now have. You have appealed against the decision to terminate your contract. This appeal will now be arranged as soon as possible.

Yours sincerely

David Mellows-Facer
Head of Area

Post Office Ltd
Darlington Area Office
Crown Street
Darlington
DL1 1AN

Tel:
Fax:

GRO

cc: Cath Oglesby, Retail Line Manager
Lesley Joyce, Contracts Manager

Appeal against Summary Termination of Contract
Mr Lee Castleton Marine Drive

Mr Lee Castleton
14 South Marine Drive
Bridlington
YO15 3DB

Date of suspension: 23rd March 2004.
Date of termination of contract: 17th May 2004.

Details of charge: The branch incurred a twelve week period of large unexplained losses, which were not made good. The Subpostmaster blames the Horizon computer system for these losses, however no evidence has ever been forthcoming to support such claims and the contract for services was terminated on the 17th May 2004 under section 1 paragraphs 5 and 10 and section 12 paragraph 12.

1. Brief Case History

The Subpostmaster Mr Lee Castleton first reported that a large cash shortage of approximately £1100.00 had occurred in week 39, although this loss was made good prior to the cash account being produced. The next large shortage of £4230.97 was reported in cash account week 43 and this was reported to the Retail Line Manager.

Subsequently on each of the next three weeks the shortages in the account are rolled over with each increasing loss being added to the rolling total. At of cash account week 46 there was a total of £8243.10 in counter losses at the branch.

This figure was then transferred to the suspense account for cash account week 47. There were further losses in cash account week 48 of £3509.18 , this figure was added to the suspense account to give a total held in table 2a of £11752.78.

The counter loss of £3512.26 in cash account week 49 was rolled over into cash account week 50.

The final result in cash account week 50 produced another counter loss £7140.85, which when added to the loss rolled over from week 49 gave a total of £10,656.11.

The final rolling loss figure at the audit of the 23rd March 2003 found there to be £11,210.56 short in the accounts with £11,752.78 being held in the suspense account. The final figure posted to the late account duty totalled £25,758.75.

Despite receiving advice from the Retail Line Manager and from the National Business Support Centre Mr Castleton did not implement the advice on introducing tighter managerial controls to identify the source of the ongoing

problems, he repeated states that the problems all the fault of the Horizon computer system.

The balance results that have been recorded by the interim Subpostmasters since the date of suspension on the 23rd March 2004 have in every week replicated the results that would be expected at a branch that transacted the level of business of Marine Drive. There have been no issues identified by the Horizon System Helpdesk, Fujitsu nor have there been any corresponding transactional error notices that could explain the losses that were reported over the period in question.

2. Enquiries Pre Appeal

- a) Enquires were made to Cheryl Woodward at Transaction Processing to check on the volume of error notices recorded prior to the loss period between weeks 42 and 51 as well as checking as the level of error notices that had been received since the suspension on the 23rd March. Only one error notice of note had been received and this was for the sum of £1256.88 to be charged to the late account. Two smaller error notices totally £292.00 were also to be charged to the late account.
- b) An analysis of seventeen weeks cash accounts were undertaken to establish the following: The arithmetical accuracy of those accounts, the average volume and value of the transactions at the branch over this period, the average cash usage, the cash ordering cycle as well as identifying any transactional areas that were outside the mean average value for the branch.
- c) A visit to the Marine Drive branch on the 28th June 2004 to investigate all those transactions that had been identified as being outside the mean average value. The transactions were proved against the Horizon receipts on hand in the branch. A number of further checks were conducted across the receipts on hand to prove the final totals that appear in the end of week accounts. Again these were proved to be correct.
- d) Enquires were conducted with the Retail Line Manager as to why the advice she had imparted had not been followed by the Subpostmaster and any reason as to why such losses were consistently dismissed by the Subpostmaster as being proper to the Horizon System.
- e) A daily transactional analysis could be conducted from balance snapshots in the cash accounts of weeks 46, 47 and 50. The transactional analysis and cash usage that was conducted indicated that there were anomalies between the cash declared on each Tuesday and the final cash declaration on the Wednesday at the final balance.
- f) A further visit to the branch was made on the 30th June 2004 to track the Girobank business deposits that the branch received to establish the flow of cash into the office. The branch holds the account book for a customer account 685 9461 and this customer regularly deposits significant volumes of cash every Wednesday. Analysis of all the customers' deposits that had been made since November 2003 was conducted to confirm the deposits had been brought to account. The

cash account weeks of 46, 47 and 50 where daily transactional analysis was being conducted were doubled checked to establish the levels of cash that had been stated as being received from this customer.

- g) The analysis from the additional cash deposits confirmed as being paid in by the customer 685 9461 demonstrated that false cash declarations were being made as the cash usage that occurred in each week examined (46, 47 and 50) was not reflected in final cash declared upon the completion of the balance. The cash that was received from this customer was not reflected in the cash that was finally declared in each of the weeks examined.
- h) Enquires were made to NBSC and HSH to ascertain and verify checks that had previously been requested and conducted on the Horizon system to confirm the systems integrity.
- i) Analysis of all the telephone records held by NBSC and the HSH to ascertain the detail of the calls, check the instructions issued to Mr Castleton as well as check that the branch did not close due to running out of cash.

3. Appeal Hearing

Notes of Appeal

Mr Lee Castleton

Thursday 1st July 2004 – Darlington Area Office

Present: Mr Lee Castleton (LC)
Mrs Julie Langham, Representative (JL)
Mr John Jones, Appeals Manager (JJ)
Miss Paula Carmichael (note-taker)

JJ made the necessary introductions and outlined the appeals process. He explained that a decision would usually be made within seven days.

JJ began the interview by stating that LC's contract had been terminated and went on to ask him why he was appealing against this decision. LC replied that he felt there had been computer errors at the branch and he wanted more information.

JJ asked LC what cash declaration process he used. LC replied that he used the cash declaration sheet and counted cash from the safe and drawers. JJ asked if his cash declarations were accurate and LC replied that they were, nine times out of ten. JJ asked about his process for ordering cash. LC said that the car auction supplemented their cash requirement (garage which makes a large daily deposit of cash) and he made sure they had enough cash by placing an order before 2pm on a Tuesday. JJ asked LC how he knew how much cash to order and LC replied that he based it on amounts

previously used and Chrissie's experience (assistant). JJ asked what he would do if there was a discrepancy. LC said he would go through the usual places to look such as Girobank cheques, re-check the cash and go through all columns on the final balance.

JJ asked LC what his process was for dealing with error notices. LC replied that he would work back through the paperwork and make it good before the next balance.

JJ asked what action he took following the first discrepancy in Week 39. LC said he made a call to the helpline to say he was short and began to work through all the figures. LC stated he kept asking for help following subsequent shortages, but his Retail Line Manager said it could be in the system and would probably come back.

JJ asked if LC had taken any other action. LC said they had discussed splitting the stock unit or running a manual week. LC said he had been in favour of running a manual week to prove the system was wrong, but this had not actually been done and he was then suspended.

JJ asked LC what system problems he thought were happening. LC said that they constantly had to re-boot the system, the screen was freezing, ONCH was quadrupling and there were so many other things. LC said he thought it might be a software problem and at this point JL asked if it was not possible for the hard disk from the computer to be taken away to be checked. JL went on to say that she thought it appeared that there was no actual cash missing, more that the figures had been misinterpreted on the lines.

JJ explained that the actual cash account adds up and that there was only three things the computer could do:-

- Change balance forward figure
- Increase payments
- Increase receipts

JJ produced a report showing a 17-week cash analysis. He showed this to LC and asked him if it surprised him. LC asked how the report was generated, to which JJ replied that it was taken from the cash accounts. LC then responded 'no then', indicating that the report didn't surprise him.

JJ then produced a report showing a cash analysis for cash ordering which showed rems inbound, average cash in hand, as well as tracking cash in and cash ordered. JJ asked why extra cash had been ordered to which LC replied 'I haven't got a clue'. JJ went on to talk about a figure from the report, which showed that the branch already had £60K, but another £40K had been ordered. JJ said there was a higher trend between weeks 42 and 49 of how much cash had been ordered. The difference between payments and receipts is around £25K-£35K, but the trend in weeks 42 to 49 still was that significantly higher amounts had been ordered. LC said he only ordered what he felt was required. JJ said that for the entire period they actually needed

between £200K-£265K, but had ordered £305K, of which £20K had gone back.

JL said at this point that she felt her branch would be similar and went on to explain that because of pre-planning, she had had to ring up for extra cash in fear of running out, which had happened a couple of times. JL said it was difficult to gauge how much cash you would need.

JJ went on to ask LC what had happened to all the extra cash. LC replied that he didn't know.

John then went on to talk about two snapshots from 10/2/04 and 11/2/04. On 11/2/04 there was £39K in receipts and £23K had been paid out. The cash declaration from 11/2/04 stated £33K, when it should have stated £41K. On that particular day, the auction had paid in £16.5K in cash. JJ asked LC to explain these figures. LC said that it was a problem with Horizon not adding up.

Looking at the cash declaration, JJ asked why this was not declared on Wednesday 11/2/04. LC said that it must be within the paperwork. Declare £68,163 on Tuesday, differential £16K receipts and pay out £12K. Should lock up £72K – declare £81K in office. Declared false figure.

JJ asked why in Week 50 did he declare exactly the same figure of £3,500 each night on the snapshot. LC said it was all generated within the office. JJ said that LC had told him he had declared accurate cash figures. LC said it was generated from the system.

JJ said that £16.5K had physically come into the office in cash, but that the cash declarations did not physically reflect this. LC responded that all figures are generated from the machine that, in his view, is not working. JJ asked LC what evidence he had of this and explained that the same Horizon kit was still in the office. LC asked JJ what happened as part of the audit upon changeover. JJ explained that they would transfer the difference out and that the incoming subpostmaster does not carry any loss. A figure of £25K would be transferred to Chesterfield. JJ stated that since LC had been suspended, there had been no discrepancies over £22.00 at Marine Drive.

JJ said that Fujitsu had looked at the system on two occasions remotely and have constantly said that the cash declared does not match. LC said that checks had only been done going back to 1st March 2004, whilst the problems had started on 13th January 2004. LC asked why had they not checked back to when the errors had first started. JJ said that Fujitsu cannot find any problem with the system.

JJ went on to ask LC about his aversion to the possibility of theft when mentioned by Cath Oglesby on a visit to his branch. LC said that he was there most of the time and Chrissie was there all of the time. LC went on to say that Chrissie had worked there for 17 years and there was no chance that anyone was left unsupervised. JJ asked LC why he was averse to advice

from Cath. LC said that in his opinion it was impossible for someone to steal through that period of time. LC went on to say that he was averse to the suggestion of theft after 8 weeks of reporting misbalances. LC said that all figures are generated within the office and that they had been through all the figures. He said he had tried to find the problem all along, but didn't believe it was due to theft as no one was left unsupervised. He said he had received no support from Cath Oglesby from the start.

JJ said that checks had been done to test the integrity of the system. JJ explained that Clear Desktop is an integrity system function that checks data. LC confirmed he understood this.

LC said he could not understand why after week 1 or 2 someone couldn't have come to support him. JJ explained that the Horizon system has to have a high resolution of integrity.

JJ moved on to talk about snapshots taken on 9/3/04 (week 50) and asked why the net discrepancy is the same throughout the week and different on the final one. LC said it was because the machine is not working and that the discrepancy should have showed on the top of the snapshot. At this point LC handed JC the instructions manual.

Whilst JJ read this, LC said 'John, you are a specialist aren't you?'. 'Are you not paid separately for Horizon?' LC specifically asked for his two comments to be included within these interview notes.

JJ said he would have to take all the information away and look at it thoroughly, as well as taking advice from the Horizon team. JJ said suspense account checks had been done and this was just one issue in a whole set of issues.

JJ asked LC to show him cash declarations for weeks 45 and 46 and asked him why he was doing a cashflow before his cash declaration. LC said he was able to have a look at how it was showing up cash. Again, JJ asked LC why he was doing his cash declaration after producing a cashflow. LC replied 'I haven't got a clue. NBSC said the facility was there'. LC said he didn't know what it was for.

JJ then referred back to why larger amounts of cash had been ordered. LC replied that he must have needed it. JJ asked LC if he had taken the money. LC replied 'no, absolutely not, 100%'. LC said that two tests had been done throughout this period and found nothing wrong, but obviously there was.

JJ asked LC if he wanted to add anything further. At this point LC handed JJ a log of phone calls to the helpline etc. JL said she thought it had took a long time for Cath Oglesby to get involved, especially as they were new to the office. JJ explained that the role of a Retail Line Manager has changed and they are now not the first point of contact for subpostmasters, the helpline is. JL asked JJ if he personally felt that LC had had enough support and JJ

confirmed he felt the support he had been given mirrored the support given to every subpostmaster in Post Office Ltd.

JJ closed the interview.

4. Post Appeal Enquiries

- a) A further check was made to Transaction Processing late account duty to confirm that there were no other outstanding errors notices in the system.
- b) The Horizon final account declarations were handed to Network Development Manager, Anita Turner who has no knowledge of the case to conduct an analysis of the losses and the movements into the suspense account between cash accounts weeks 45 and 50. The results of this analysis were communicated in a letter to Mr Castleton on the 8th July 2004.

5. Factors affecting the decision

- a) The branch incurred unprecedented declared losses over a twelve week period , for which Mr Castleton could only offer the explanation that it was the Horizon System that was causing the errors.
- b) The Subpostmaster has not during any period both prior to his suspension on the 23rd March 2004 and the appeal hearing on the 1st July 2004 provided evidence that could be used to further investigate or corroborate the allegations that he continually makes.
- c) The checks that have been conducted by Fujitsu indicate that the branch makes false cash declarations, this analysis was further corroborated with the daily account analysis that was conducted as part of the pre appeal enquiries. Mr Castleton was unable to offer explanations for this, other than it was a fault on the system.
- d) The weekly analysis that was conducted identified that the branch required approximately £265k to meet its transactional requirements between weeks 42 and 49, however the cash remittances were increased outside the normal previously ordered remittances. This resulted £305k being ordered over the same period, with only £20k being returned. In each case the additional cash is ordered prior to a subsequent cash discrepancy being declared. Mr Castleton could offer no explanations as to why such sums of cash had been ordered that were in excess of what was actually required.
- e) That no error notices are evident through Transaction Processing to provide an explanation to the counter losses that have been declared.
- f) The daily cash transactional analysis that was conducted identified in cash accounts week 46,47 and 50 that there was clear evidence of false cash declarations being made as the cash received from a giro customer was not reflected in the final cash declaration at the branch. Mr Castleton was unable to offer any explanation for such discrepancies, other than it 'was the system'.

- g) That the branch has never incurred such large losses since the suspension of Mr Castleton, despite a number of interim Subpostmaster operating the branch. Mr Castleton could offer no explanation as to why accurate balances are being recorded on the system that he repeatedly alleges is corrupt.
- h) That Mr Castleton when questioned denied ever taking the cash himself.
- i) The account declarations and movements into the suspense account have been extensively examined by both the Retail Line Manager and colleagues as well as an experienced manager in London to confirm that the accounts declared by the Horizon system and the suspense account are functioning correctly.
- j) That the branch never ran out of cash and subsequently closed, if the system was declaring spurious entries in the account there would always be sufficient cash in the branch to meet its requirements. The excess ordering of cash ensured that the branch always remained trading, however Mr Castleton was unable to explain as to why the additional cash was required in the branch if it was a system error as any such system error would not affect the cash on hand as this was a physical entity.
- k) The accounting practices of Mr Castleton indicates that he chooses to declare losses, make good error notices and declare the true position of his accounts as he pleases. The evidence suggests that the continuing practice of rolling losses together without seeking authority to carry them even after the first amalgamated losses are introduced into the suspense account in week 47, this practice continues from week 49 until 51.

6. Conclusion

The case has a number of facets interrelated to the branches accounts apart from the immediate headline issue of the large and unprecedented counter losses declared at the branch.

The extensive analysis that has been conducted through the accounting documentation made available for the appeal case as well as the cross examination of transactional records at the branch indicate that the transactions performed on the whole are done so accurately and in accordance with operational guidelines.

This fact is corroborated by Transaction Processing who do not have outstanding or waiting system adjustment error notices that could otherwise explain such discrepancies. There are only three error notices, and all of these are to charge that have been added to the late account of the branch and in each case they relate to a period immediately prior to the suspension of Mr Lee Castleton.

The cash usage analysis and tracking of transactions that fall outside the mean average value for the branch however indicate another factor to the case. The cash that is ordered for the branch requirements is systematically

increased on four occasions, following the increases in the branch remittance, their occurs a large cash discrepancy. Such trends are not in keeping with a computer system error as Mr Castleton maintains, although he is unable to provide any form of satisfactory answer as to why there is a need to keep ordering extra cash for the branch.

The normal process for ordering cash at the Marine Drive branch is that the branch contacts the Cash Centre prior to 14.00pm on a Wednesday to place an order that will be delivered a day later on a Thursday. At this point of the week the branch should be able to accurately estimate the actual cash the branch requires. However in the weeks 42 through to 50 this appears not to be the case.

The daily cash usage from cash accounts weeks 46, 47 and 50 present another anomaly when the actual cash usage is compared with the actual cash received from a Giro business customer, then the cash declarations made on the Tuesday and Wednesday of each of these weeks has been demonstrated to be false. Mr Castleton was asked on several occasions to explain why such entries have been made and he was unable to offer any reason other the same 'it's the system' fault.

The printouts from the snapshots and final balances have been examined by numerous managers all who have extensive experience in the use of the Horizon accounting system as well as the functionality of the suspense account, all have arrived at the same conclusion independently that the system is functioning and not creating spurious entries.

Mr Castleton was given advice as to effective management of his accounts as well as applying a proven methodology to identify either the losses or in the event of misappropriation the person perpetrating such activity, it is concerning that he chose to ignore such advice and blindly blame everything on the computer system. Such an approach by Mr Castleton gives me cause for concern as he is a relatively new Subpostmaster and is making definitive statements about a computer system with out even considering any other case for the account discrepancies.

To summarise, when Mr Castleton was presented with the factual occurrences from the accounts he has produced that indicate that false declarations and practices that do not equate to the normal running of his branch he is unable to offer any explanation other than blaming the Horizon system.

Mr Castleton has however failed to provide any evidence nor show any from of trend within the branches accounts that would indicate that there was a problem with the computer system.

He has spent much time and effort in asking irrelevant and unrelated questions to the case and these I can only conclude are borne out of a wish to distract away from the actual facts of the case and the unexplained counter losses.

It is my opinion that the losses incurred at the branch are genuine and that the decision to initially suspend Mr Castleton as a precautionary measure and ultimately terminate his contract for services were soundly based and warranted in the circumstances.

7. Decision

Appeal Dismissed.

8. Recommendation

The case in respect of the losses was not investigated by Security and Investigation, however I have considerable concerns over the in payment practice operated by the Girobank customer (account GRO).

The customer leaves the in payment book in the branch at all times and apparently entrusts the Subpostmaster to complete the deposit entry and process the transaction following their cash deposit.

No customer receipts are ever handed back to the customer as these are left with the in payment book.

I was able to establish that all the deposits entered into the customers in payment book from November 2003 until June 2004 were processed through the Horizon system.

What I was unable to establish was whether the amounts the customer deposited at the branch were the same amounts that were entered into the customers deposit and processed in the same time window.

I would request Security and Investigation to check this customers actual deposits for the period 42 to 51 as I have already established that the cash declarations made where the daily analysis in week 46, 47 and 50 does not match the cash that should have been declared.

I believe that there may be a case to answer in respect of Giro account suppression.

John Jones
Appeals Manager
Post Office Ltd
Calthorpe House
15-20 Phoenix Place
London
WC1X 0DG

To:	From:	cc:
Cath Oglesby	Helen Hollingworth Inspector	

Date: 25th March 2004

Audit of Post Office ® Marine Drive branch, FAD 213337

An audit took place at Marine Drive Post Office on the 25th March 2004. Helen Hollingworth led the audit and in attendance was Chris Taylor. The audit commenced at 8.00am and on our arrival the sub postmaster was very pleased to see us. He explained problems he had been having at the office regarding balancing. His problems with balancing started in week 43 with a mis-balance of -4230.97. He was adamant that no members of staff could be committing theft and felt that the mis-balances were due to a computer problem. He had been in contact with the Retail Line Manager Cath Oglesby and the Horizon help line regularly since the problems began. The following table gives further weeks balance declarations on the cash account.

48	-3509.18	
46	-8243.10	
45	-6730.01	
44	-6754.09	
43	-4230.97	
48	-3509.18	This amount put into suspense week 49
46	-8243.10	This amount put into suspense week 47
45	-6730.01	Rolled loss
44	-6754.09	
43	-4230.97	

In week 47 £8243.10 was put into suspense. Although horizon had been contacted and the Retail Line was aware of this figure, this was not authorised. In week 49 £3509.68 was added to make the amount carried in the suspense account total £11752.78. This was also not authorised.

week 51 balance	- £11210.56
suspense account	- £11752.78
expected audit result	- £22563.34
difference at audit	- £2795.41 (-£1769.00 lottery -£1026.41 cash)
audit result	- £25758.75

On the completion of the audit the Retail Line Manager Cath Oglesby was contacted, along with the Investigation team and the Audit Line Manager. The sub postmaster was suspended pending enquiries and an interim postmaster was put in charge at the office.

PERSONAL AND IN CONFIDENCE

Mr Lee Castleton
Post Office® Marine Drive branch
14 South Marine Drive
Bridlington
YO15 3DB

26.04.04

Dear Mr Castleton

Re: SUSPENSION OF CONTRACT FOR SERVICES

I wrote to you on 23 March 2004 confirming the suspension of your contract for services as subpostmaster of Post Office® Marine Drive Branch.

I am now considering the summary termination of your contract for services on the grounds that the audit at your office on 23 March 2004 resulted in a total shortage of £25,758.75. You had reported to me large, unexplained losses over the preceding period of 12 weeks. You were unable to make good the losses and therefore the decision was made to suspend you from your contract for services due to the obvious risk to Post Office Ltd funds. There are a number of obligations set out within the Subpostmasters contract for services, one of which being retention of the appointment is dependant on the branch being well managed and the work performed properly to the satisfaction of Post Office Ltd, the Subpostmasters contract section 1, paragraph 5 and section 12, paragraph 12 refers. This is in accordance with Section 1, paragraph 10, of your Contract For Services, which provides that the Agreement may be determined at any time in case of breach of conditions by you, or non-performance of your obligations or non-provision of Post Office services.

I would now like to give you the opportunity to put forward any reasons why I should not pursue this course of action. You can do this by requesting a personal interview or submitting a response to the charge(s). In either case you should inform me of your intentions, in writing by 5 May 2004.

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Re: SUSPENSION OF CONTRACT FOR SERVICES

I have provisionally set aside the morning of Monday 10 May 2004, at the Area Managers Office in Darlington, should you choose a personal interview. If this date is inconvenient we will of course re-arrange.

Should you choose a personal interview, you may be accompanied at the interview by a friend, who must be a fellow subpostmaster, or a registered Sub Office Assistant or a Consignia employee or an official/ representative of the National Federation of Subpostmasters. You also have the right to request and receive all information relating to the aforementioned charge.

Yours sincerely

Cath Oglesby
Retail Line Manager

Post Office Ltd
Operations
Darlington Area Office
Crown Street
Darlington DL1 1AN

To: Cath Oglesby
Retail Line Manager

*I wish to attend for interview

*I wish to submit written representation

*** Delete as appropriate**

Signed: _____

Date: _____

Page 3 of 3

Re: SUSPENSION OF CONTRACT FOR SERVICES

MARINE DRIVE DECISION PAPER

10.5.2004

Interview with Lee Castleton on Monday 10th May 2004.

Please see interview notes.

My thoughts after the interview with Lee are that he could not provide any evidence of a computer problem. All the entries on his cash accounts have been double-checked. The only entry that is incorrect, is that the figure for cash on the system is not the amount he has in his office. This to me is a loss and not a computer problem.

He repeatedly said that he had not taken the cash. He did not take my advice to go to individual balancing. Or to produce a balance snapshot each day to check how he was balancing. He only started to do this several weeks into the large losses. He and his assistant, Chrissie have said that they spent hours checking transaction logs, but found nothing to back up the claims of computer error.

Lee would not even listen to the suggestion that a member of his staff may be taking the money. In my opinion, if you know yourself that you haven't taken anything, it must be someone else. So you would be open to suggestions and not discount anything. Lee has always maintained that it must be a software problem.

Chesterfield and Girobank have no outstanding error notices to issue.

Horizon have checked the software and cannot find any problems.

The day that Lee and his staff were removed from the office, the balances were fine. The computer equipment Lee and his staff were working with was the exact same kit that the temps have used. The balances have continued to be fine to this day.

Lee has asked for a lot of information, some of which cannot be provided. I have endeavoured to help him and provide as much information as possible. There has been nothing to suggest any problem with the computer system.

Lee asked me to explain the discrepancies at the top of the final balance. I have asked for assistance from colleagues for this. Copies have been sent to Liz Morgan and Davlynn Cumberland, they have helped me explain the figures on his balance. They did not feel anything was wrong with Horizon.

I am also waiting for a reply from the problem management team regarding the software for the suspense account. Fujitsu may take several weeks to get back with this information.

My decision.

To summary terminate Lee Castletons contract for services. Due to the large unexplained losses at his office. There is no evidence to support his theory of software problems. The office has had no balancing problems since Lee and his staff were taken out of the office. The computer equipment hasn t been changed , just the people. There is no evidence to suggest any computer problems.

MARINE DRIVE INTERVIEW 10 MAY 04

**Attendees: Mr Lee Castleton Subpostmaster
Mrs Chrissie Train Post Office assistant
Cath Oglesby RLM
Lesley J Joyce CM**

Cath opened the interview by introducing everyone, explained the reasons for the interview, the roles of those in attendance, read out the charge and said it was LC's opportunity to give any explanations or reasons as to why his contract for services should not be terminated. (LC asked to tape the interview but was informed he could not but could take notes and be copied these notes)

CO then went on to give a summary of events which led to the suspension of LC on 23 March 04 due to an unexplained shortage of £25,758.75.

During the 12 weeks prior to audit LC had several large unexplained losses. LC was suspended as a precautionary measure to try and investigate where the losses were occurring. CO asked LC if he would allow his premises to be used to conduct PO services and he agreed.

LC's thoughts have always been that the Horizon system was to blame for the shortages so the only thing that was changed in the office was the 'people'. All the current staff came out of the office and a temporary Postmaster, Ruth Simpson, was allowed to run the branch, during the 4 weeks that RS was in place the cash accounts showed no large losses.

The system did crash on her and was re-booted but this did not affect the balance. She had problems with the AP card reader but was not allowed to change the kit under the circumstances. No problems occurred while remming in or with Lottery.

When RS finished Greg was appointed as temp Postmaster, again no problems with balances or with any of the above.

CO Went on to discuss actions she had taken:-

Horizon-Asked for a system check twice

1-During the time of large losses-----everything okay

2-During RS time

3-Asked what upgrades had there been since week 39, the HSH said upgrades happened all the time, to different offices and they were unable look at individual offices.

4-All the events on the software system checked back to 1 March 04, no abnormalities.

Chesterfield

1-Contacted them on a number of occasions regarding any outstanding error notices

APS-None up to week 3

Lottery small error on prizes

Girobank

Checked all the weeks up to week 02-no issues

LC Agreed with all of the above. He asked CO what she considered was an acceptable amount for cash account losses.

CO Said it varied for different office's but £20 per week was reasonable. CO opened the discussion to LC to give reasons for the losses.

LC Said that he had not taken any money and that he trusted his staff 100% not to have taken anything. He said that he had asked for 10 bits of information in the letter he sent but only received 1 item. He had asked Fujitsu for help and the NBSC and no one had got back to him, they were not prepared to help. He had spent hours each night with CT looking at the balances. He said that a remote test would not turn up on a software check, he understood there were a lot of problems with Horizon and the system, he had a lot of problems at the office with re-boots etc, so why did this happen if nothing was wrong with the system. No one would tell him what tests were done, I don't know what 'clear desk top' means. I have had a lot of e-mails from Postmasters who have problems with Horizon.

CO Replied that she had only received his letter on the night of wed 5th May which was only 2 working days prior to the interview and she was working on getting him the information he requested. She had suggested several things for him to do in the office such as individual balances and the idea that staff could be responsible but he would not take any measures or listen to this point of view. CO then said it would be helpful to go through the individual balances, week by week methodically and look at the suspense accounts. CO clarified LC understanding of how the cash account worked with regards to balances and losses and gains. LC Confirmed he understood.

CO Then goes into detail with balances, error notices, losses etc and the evidence she has with snapshots and declared cash. (Copies of all this information is provided with a list of all the results of the balance)

CO Asked LC to clarify if he made the error notices good but he could not remember. She clarified when the shortages were first put in the c/a. CO stated that not all the information such as snapshots were provided and LC said they were probably in the box.

CO refers LC to some of the cash declarations which have been manually altered or written on, specifically to week 47 and the declaration on 12 Feb 04 which had a figure of aprox £7000 written on the bottom of the cash declaration. Both LC and CT looked but although LC said he thought it was CT writing she was not certain. CO said this was very important as although the c/a for week 46 showed a loss of £8243.10 the following snapshots and declared cash did not evidence this. She explains:-

Snapshot at 17.27 on Fri 13 Feb shows you need £92095.36, cash declaration shows you have £99128.40, a gain of £7033.44.

Sat 14 Feb shows you need £95896.59, cash declaration shows you have £102706.10, a gain of £6809.51.

Mon 16 Feb snapshot shows you need £77958.28, cash declarations show you have £84909.54, a gain of £6951.26

Tuesday 17 Feb snapshot shows you need £68163.08, cash declaration shows you have £84909.54, a gain of £6776.77

HOWEVER The c/a on wed shows the cash is an exact match for the cash required on the balance-Where has this surplus gone?

LC Has no explanation and says it must be something to do with Horizon.

CO Goes on to give other examples where shortages in subsequent weeks do not then match the snapshot and declaration. (Evidence provided)

CO and LC then have a long discussion about the discrepancies shown on the snapshot and CO says she will clarify after interview.

CO asks again where the gains which are evident and which are hand written on the cash declaration could have gone.

LC says he does not know but he has not taken the money.

CO Says that the Horizon system works as a double entry system and everything she has looked at works through. Originally LC had said that the system was doing something when the rem's were put through but the evidence does not shows this. She had asked LC to run a snapshot after close of business, input the rem and then run another snapshot to see if figures were altered and asks LC if he had done this.

LC Says that he did not have time to do this, it had been a nightmare, he feels it is a computer problem and no-one has helped him. 5 months is a long time to try and remember what happened and what went on. He mentions other offices that have told him about problems with cheque listings and P&A dockets. He said that no-one had visited from Horizon to look at his problems and balances.

CO Explained that Horizon would not attend his office due to poor balances, they would need evidence of a problem which he was unable to provide, she also mentioned that she had given him advice and spent hours and hours on this case and his cash accounts. She asked LC if he could show her a figure that the Horizon system had changed which did not make sense or could prove his allegations.

LC Said no but he did know an office where it had changed a figure on Girobank although the office did receive corresponding error notices.

CO asked LC to confirm he had not taken the money

LC No. He asks to see the c/a's for weeks 1,2,3,4 which CO provides to him and says he can have copies.

CO asks if there is anything else he wants to add.

LC says he would like the explanation on the discrepancies, which CO agrees to provide.

CO told LC that she was still waiting for a response from Horizon regarding the checks on the software. As soon as they were available she would let him know the out come.

CO Ends the interview by thanking those in attendance.

Marine Drive Post Office Summary of events.

Between Christmas and New Year 2003 approx. I was contacted by the Postmaster Mr Lee Castleton. He told me that on week 39 he had been £1,100.00 short in his cash account. We discussed all the usual explanations i.e. Girobank errors, cheque deposits going through as cash. I told him to contact Girobank and National savings to see if there were any problems. I also asked him if he was able to make the amount good, as a Girobank error notice may take up to eight weeks to arrive. He said that he could make the amount good, and we left things at that. This had been the first time since taking over the office in the previous July that he had any major problems balancing.

I visited the office on Friday 16th January 2004, in my normal visiting plan. Nothing had yet come to light for the loss. The previous three weeks balances seemed fine.

Mr Castleton then contacted me after his next balance he was over £4k short. I said to him to repeat the process as before and contact Savings bank and Girobank. I asked if the cash was kept secure and who has access to it, Mr Castleton would not hear of any of his staff taking the money. On this occasion he said that he was unable to make the amount good. I told him to contact the helpline in order to get a hardship form. We discussed at length ways to double check all the work leaving the office and to perform a snap shot each evening and check the cash.

I contacted him after the next balance he said he was a further £2500 short. Again we had a long discussion on the telephone as to how to check all the daily work. Again I brought up in conversation the possibility of someone taking the cash. Lee discounted that in rather strong terms. I suggested individual stock unit balancing, and if he needed help setting this up I could help him. He didn't want to do this as he felt the office didn't lend itself to doing this.

The next week he was only £25 short so things seemed to have settled down. Until he balanced the week after and was £1500 short. By now after just four weeks he was £ 8243.10 short, not counting the £1,100 he had made good to start with.

I asked him if he had got a hardship form yet. He said no, so I said he must ring and get one.

He did, and the amount of £8243.10 was put into the suspense account.

At this point I was very concerned and contacted the Investigation team. They told me that as he had kept me fully informed of the loss then they would not be able to prove dishonesty.

I completed an audit request.

The week after he was £3509.18 short.

Lee told me that himself and Chrissie his assistant had spent hours and hours checking and double-checking transaction logs and work to try and prove that it was the computer equipment that was changing the figures. I asked him if he had found

anything. He hadn't. He is convinced that since he had a processor changed around about the time that the losses started it is that that is causing the losses.

I asked him to contact Horizon and get a system check. This was done and came back fine.

I asked him to contact the helpline, which he did and he sent off some cash accounts to look at.

I asked him to contact TP to see if there were any error notices pending.

I visited the office on Friday 27th February 2004. We went over everything again Lee was very distressed and angry, Chrissie his assistant was very worked up, upset and angry. They felt that they hadn't received any help and had been left to try and prove that the computer was changing the cash figures. At times they looked close to tears and said that they weren't sleeping. On top of all this Lees GRO needed an operation and was going into hospital. The stress levels in the office were high.....

I asked them what else I could do to help. We had covered all the usual possibilities. Lee and Chrissie kept on that they had not taken the money and that it must be the Horizon kit. Lee said that the Horizon system helpline had said that the checks had been ok, but what had they checked?

I told him to ring them back and ask. He said that they just told him everything was ok.

Lee said that he thought that the two processors were not communicating with each other and when he remmed in stock the system through the figures way out. I said why not do your end of day snap shot , then rem in , then call a second snap shot, this would then prove whether or not the system had changed anything. I said if the two processors were not communicating then work done on the second machine would not show up on the summary sheets. But all the P&A sheets and Girobank work was agreeing.

The next week , Lee transferred the previous balance into the suspense account. That figure was now at £11,752.78. He then showed a further shortage of £3512.26 on his balance of 4.3.2004. This amount was not made good and the week after this rolled amount escalated to £10,653.11. That would have been a true figure for the week of £7140.85 short.

The following Wednesday the amount (rolled again) was £11,210.56, a true figure of £557.45 short.

He was now showing £11,752.78 shortage in the suspense account and £ 11,210.56 on the account for week 51 (18.3.2004).

The audit was planned for the following Tuesday 23.3.2004. After the audit the total to late account was £25,758.75. He had lost a further £ 2795.41 in that week.

I took Lee into the back office to speak to him. I told him that I couldn't let him go on any more and as a precautionary measure was suspending him. I talked to him about what I would like to do with his permission. That was remove him and his staff from the Post office and operate the office with a temp Pmr , to see how it would balance .I

wanted to keep all the Horizon kit that they had been working with to try to keep everything else the same.

Although Lee was distressed and Chrissie was very angry, they both wanted to be proved that it was the computer. Lee even said he couldn't wait until the person was thousands short next week. He said then "heads will roll" for the distress that they have suffered.

I asked a very experienced Postmaster if she would run the office on a temp. basis. This was Mrs Ruth Simpson from First lane Post Office in Hull. Ruth agreed, but was only able to run the branch for a few weeks as she had commitments of her own. I explained the situation and she came and took over at the audit. She opened for business on the Wednesday morning and balanced £2.14 short on the night. She brought with her a part time member of staff to help out on a Monday. At close of business that first Monday she was £100 short. Her explanation was that the part timer had left something in the stack and paid out this amount twice. Ruth did say that the girl had done that in the past at her office.

I telephoned Lee to get any reaction from him. He said that there were queues out of the door, customers were unhappy. He said that Ruth was only using one computer not two as they had done, so it was not a true reflection of how they ran the office. He said that she had mis-balanced as well.

I said I would speak to Ruth regarding his concerns. I contacted Ruth. I asked her to use both machines and we discussed the queues. She said that on a Monday she had two people working all day, so two machines were used. For the rest of the week she was on her own, but logged on to the system with two user names and had two machines running. She was serving from both machines, remming in on both, putting the lottery cash through on both.

The next Wednesday she was £19.38 over. We talked every other day. She would text me and let me know she was ok.

The next balance she was £10.76 short.

I visited the office on Friday 16th April 2004. I spoke to Lee away from the counter. I asked him how things were going. He was again distressed. He wanted to know what was happening. We discussed Ruths balancing results. Chrissie came into the room, Lee was happy for her to stay. She wanted to know where the £100 shortage had gone on Ruths first full week. I explained what Ruth had thought. Chrissie made a comment, like Ruth couldn't balance either. Her manner was very aggressive and threatening. I said that I felt the balancing reflected any normal office. Again Lee and Chrissie went on about the computer and that it was making the losses.

After about 30 mins of going round in circles I told Lee that Ruth would be finishing on Wednesday 21st April due to her own commitments. I said that I was not going to let him back in there as I wanted more time and more balance results. Lee said that he didn't want to go in there as things were anyway. We discussed another temp.

I spoke to Paul Whitaker from the investigations team again .He said that they didn't wish to take on the case or interview the Pmr as he had kept me fully informed of the situation on a weekly basis. Again he said that they needed to prove dishonesty and being able to prove this looked unlikely.

Mr Greg Booth took over as temp on Wednesday 21st April.

His first complete week ended on Wednesday 28th April , he declared a gain of £14.00.

I contacted Chesterfield again on the 29th April to see if there were any outstanding error notices. There was an error for lottery that had yet to be investigated for £125.00. An error for cheques that later cleared and did not generate an error notice. There was also an error for an Easy access account that had been processed incorrectly.

I contacted Girobank to see if there were any errors outstanding. I asked them to look back to week 43. He looked back to week 43 and came forward to week 02. There was a small error of £1.43 , but that would not be reported. Everything else was fine.

Mr **GRO** (Lees **GRO**) contacted me on Friday 23rd April , to discuss the way in which Lee and his **GRO** had been treated. I explained the situation and what I was trying to do. I told him that the suspension was a precaution and I was hoping that by having a temp Pmr in the office any problems with the computer equipment would come to light . Mr Franks demanded that Lee be reinstated immediately, he was very irate and wanted to take this higher. I gave him the HOA name , David Mellows-Facer, and told him that I would not be reinstating Lee at that time.

Mr Franks spoke with David Mellows-Facer and asked for a speedy conclusion to this situation.

David spoke to me and asked if Lee could be brought to interview ASAP. I explained to David that I would like to get a few more weeks of clear balancing at the office and to ensure that there were no errors yet to come out of the system. David's thoughts were that we had had five good balances and to get him in.

I sent out an RTU letter to Lee inviting him to an interview on Monday 10th May 04.

He sent me a letter asking for information from Horizon and NBSC. I have made every attempt to get this for him. I have used the staff in the area office and the contracts manager to help me. The case was taken on by Richard Benton, problem manager.

Lee then contacted me via the helpline on Tuesday 4th May 2004, to say that he had found £15k of the losses . I phoned him at the office to see where he had found the cash. He said that the suspense account had doubled the figures. When he had put the amounts into the suspense account , although the amount was showing in the suspense account it was also still showing as a loss again the next week. Lee asked for the

suspense account software to be checked. I again contacted the NBSC to request this. The request was forwarded to Richard in the problem management section.

To see if the suspense account was having any effect on the balance I contacted my temp, Greg Booth. I asked him how he was balancing that week on his snap shots. He told me that he was a few pounds over. It was now Wednesday 5th May, balance day. I told Greg what Lee had said about the suspense account. I asked Greg to put £100 into the shortages line on the suspense account. First he ran a snap shot, then he placed the £100 into the account, then he ran a second snap shot and a suspense account report. During this time the second Horizon kit was still being used by the assistant. The £100 was in the correct place and the cash figure on the snap shot had changed by £100. All was ok. I asked Greg to balance with those amounts still in the account. He should balance £100 over. I would then call on Friday and we would take the amount out, to see if the opposite occurred.

Greg left me a message on my phone later that evening to say that he had balanced over as we had expected.

Thursday 6th May. Contacted Chesterfield again to check any outstanding errors. Only the easy access error still showing.

Lee was sent a letter from the area office giving him the call log from NBSC, the e-mail between Richard and Julie, the audit report.

I contacted him by phone on 6th May, to let him know that I had received his letter and I was doing all I could to get him the information that he had requested. But I did tell him that I probably would not be able to get all that he was asking for.

The NBSC contacted me to say that the request to look into the suspense account software had been sent to the problem management team. I contacted Richard Benton, he said that the requests had been sent to Fujitsu, but that it could take several weeks before they would come back with an answer.

Monday 10th May 2004. RTU interview (see notes).

At the interview Lee could only give one explanation for the losses at his office and that was computer software problems. He did not provide any instances where the figures on his cash accounts were incorrect, it was always the cash figure that didn't match. He asked me to explain the discrepancies at the top of his final balances.

I sent copies to Liz Morgan and Davlynn Cumberland in Leeds, two very experienced suspense account people. They helped me with the wording for my explanation. I sent a letter to Lee on Friday 14th May, plus the interview notes.

Both Liz and Davlynn could not see anything wrong with the way the computers were working.

I discussed the whole case with my HOA throughout.

My decision is to summary terminate Lee Castletons contract for services.

PERSONAL AND IN CONFIDENCE

Mr Lee Castleton
Post Office® Marine Drive branch
14 South Marine Drive
Bridlington YO15 3DB

17.05.04

Dear Lee

I am writing following our meeting on Monday 10 May 2004, in which you put forward reasons why your contract for services should not be summarily terminated.

I have reviewed the papers relating to this case very carefully and have taken into account the points you have put forward.

After consideration I have decided to summarily terminate your contract for services as Subpostmaster of Post Office® Marine Drive branch from the date of your suspension, 23 March 2004, on the grounds that you have had several large unexplained losses at your office totalling £25,758.75. You were unable to make the losses good, which is in breach of your Contract For Services. There are a number of obligations set out within the Subpostmasters contract for services, one of which is that the branch is well managed and the work performed to the satisfaction of Post Office Ltd. I do not feel that you have achieved your obligations.

Please refer to your contract for services section 1, paragraphs 5 and 10 and section 12, paragraph 12.

You may, if you wish, appeal against my decision. If it is your intention to appeal, you should notify me, in writing by 31 May 2004. The format of the appeal can either be a personal interview or written submission. Should you wish to progress this avenue, I will arrange for the appeal to be heard by a member of Post Office Ltd Appeals Authority.

Post Office Ltd
Darlington Area Office
Crown Street
Darlington
DL1 1AN

GRO

Please sign and return one copy of this letter immediately in the envelope provided. A second copy is enclosed for your retention.

Yours sincerely

Cath Oglesby
Retail Line Manager



To: Cath Oglesby
Retail Line Manager

I have noted the content of this letter.

If I decide to appeal against your decision, I will let you know separately.

Signed: _____

Date: _____

PERSONAL AND IN CONFIDENCE
Mr Lee Castleton
Post Office® Marine Drive branch
14 South Marine Drive
Bridlington
YO15 3DB

Mr L Castleton

GRO

23.03.04

Dear Mr Castleton
Re: SUSPENSION

This is to confirm that your contract for services as Subpostmaster at Post Office® Marine Drive branch has been suspended with effect from 23 March 2004.

The suspension is precautionary pending further investigations and your remuneration will cease from this date. Any outstanding remuneration will also be withheld for the period of the suspension and the question of payment of remuneration to you for this period will be determined in accordance with Section 19 paragraph 6 of your Contract For Services on the termination of the period of suspension.

I will contact you again about this matter as soon as possible.

Yours sincerely

Lesley J Joyce
Contract Manager

Post Office Ltd
Darlington Area Office
Crown Street
Darlington
DL1 1AN

GRO

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Re: SUSPENSION