LCAS0000945

Date: 30 September 2005
Your ref: DEG1/NJM1/348035.134
Our ref: MDT.113969
Please ask for: Mark Turner
Direct dial: GRO
Direct fax :
E-mail: m.turner GRO

RECEIVED
03 SEP 2005
BOND PEARCE LLP
PLYMOUTH

ROWE COHEN
SOLICITORS

Bond Pearce
Solicitors
DX 8251
PLYMOUTH

Without Prejudice

Dear Sirs

Our client: Mr L Castleton – Marine Drive Post Office, Bridlington
Your client: Post Office Limited

We refer to our recent without prejudice telephone discussions (Mark Turner/Denise Gammack).

As we mentioned when we spoke, we have instructed an expert accounting witness, Chris Hine of Bentley Jennison, to review the documentation that your client has made available to date. His brief was to consider certain of those documents in light of our client's pleaded defence to the effect that the alleged shortfall is (at least in part – and we cannot be any more specific than that given the incomplete disclosure which has been given) attributable to problems with the Horizon system.

In order to assist you and your client in understanding our client's position, we are prepared to disclose to you on a without prejudice basis the report which Mr Hine has prepared. Since the report refers to a report prepared by Andrew Richardson of White & Hoggard, a copy of his report together with supporting documentation is also enclosed.

By way of explanation, Mr Richardson acts as auditor to the business owned by our client's father in law. His report was obtained directly by our client as a "second opinion" on the methodology that our client had used in reviewing the available documentation. To avoid any question of partiality, we commissioned Bentley Jennison to consider the same documentation as had been available to Mr Richardson, as well as his report, and to comment on whether they agreed with its findings.

For the complete avoidance of doubt, both documents are made available to you and your client on an entirely without prejudice basis. Whilst the substance of the Bentley Jennison report is likely to form the core of any formal report prepared for use in court, we reserve the right to rely on a report which may differ in form to that which we have presently disclosed.

As you will see, both Mr Richardson and Mr Hine concur with our client's position that there, at the very least, discrepancies in the way in which the Horizon system appears to treat weekly balances. This simply serves to reinforce what both we and our client have said from the outset, namely that the daily balance snapshots which have not yet been disclosed will be of fundamental importance is analysing whether there is a problem caused by the way in which the Horizon system operated during our client's tenure as sub-postmaster as Marine Drive Post Office.

Quay House • Quay Street • Manchester M3 3JE • GRO
DX 14352 MCR-1 • Email law GRO • Website www.rowecohen.com

G:\MARKT\ABBEY\CASTLETON\300905 LETTER TO BOND PEARCE

LCAS0000945

We look forward to hearing from you once you and your client have had an opportunity to review the enclosures to this letter.

Yours faithfully

GRO

ROWE COHEN

Enc

LCAS0000945

Bentley Jennison

Litigation Support
26 Pall Mall
Manchester
M2 1JR
DX 14418 Manchester 2
Telephone GRO
Facsimile
E-mail manchester GRO
www.bentley-jennison.co.uk

Our ref: CH/PIB/C1024
Your ref: MDT.113969

Rowe Cohen
Quay House
Quay Street
Manchester
M3 3JE

23 September 2005

Dear Sirs

The Post Office -v- Lee Castleton

Further to your letter of instruction dated 6 September 2005 in the above matter, I set out below my thoughts on the papers provided for my review.

I have reviewed the following documentation:

- Various correspondence between Rowe Cohen and Bond Pearce, between 8 February and 3 August 2005
- Daily 'snapshots' for the Marine Drive Post Office, from Thursday 26 February 2004 to Wednesday 3 March 2004, representing week 49 of the accounting year
- Letter dated 18 August 2005 from Andrew Richardson, principal at accountants White & Hoggard, to Mr Lee Castleton
- Copy of final audit, dated 25 March 2004, as carried out by Miss Helen Hollingworth (and as attached to the letter dated 25 May 2005, from Bond Pearce to Rowe Cohen)
- Horizon Cash Account (Final) for Week 49
- Statement of Claim, dated 9 June 2005
- Defence and Counterclaim, dated 15 August 2005

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Daily snapshots for week 49

At **Document 1** is a copy of the daily snapshot printed at the end of Thursday 26 February 2004, being Day One of the week. This shows a discrepancy of £3,509.18.

I note that this an identical amount to that recorded by the Horizon system as having been deficient in week 48, as identified in the audit undertaken by Helen Hollingworth, the schedule for which is set out at **Document 2**.

This schedule also shows that cumulative deficiencies of £8,243.10 were put into a suspense account relating to weeks 43-46, although I note that no figure appears to be disclosed specifically for the following week, week 47.

The identical amounts of £3,509.18 point to two possible scenarios, either that (a) there has been a deficiency suffered on day one of week 49 that **exactly** matches the sum of the deficiency for the whole of week 48, or (b) the figure is the brought forward deficiency from week 48. I consider it reasonable to assume that option (b) is the most likely scenario.

On Day Two of Week 49, being Friday 27 February 2004, an entry for £3,509.68 is shown as "Loss a 2a in", per **Document 3**.

I am unable to explain the difference of 50 pence between the suspense account figure and the daily snapshot deficiency, although I note that in White & Hoggard's report they explain that Mr Castleton informed them this was a manual entry following instructions from Horizon technical support.

The £3,509.68 appears to represent the entry on the suspense account (**Document 4**) for the same amount, processed on 27 February 2004, which I would expect given the daily snapshot entry.

Suspense account

A suspense account is generally used by accountants to 'park' transactions that have either been erroneously posted and are pending correction, or which, as is the case here, are transactions that are either unreconciled or unexplainable.

From my experience, the impact of a suspense posting would allow a line to be drawn under the cumulative deficiencies on the daily prints, effectively resetting the figure to zero, which should be reflected as such on the end of day print.

However, it is evident that on the end of day print (**Document 5**) there is still a deficiency of £3,509.18, notwithstanding the suspense account entry.

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This again leads to two possible scenarios, either that (a) following the suspense account entry an identical shortage of £3,509.18 was again borne by the branch during the course of the day, or (b) the Horizon system, despite the suspense account entry, has failed to recognise the entry on the daily snapshot, leaving the figure of £3,509.18 unchanged.

Again, after considered reflection, it is more probable that scenario (b) has occurred.

For Days 3, 4, 5 and 6 (Saturday 28 February 2004 - Tuesday 2 March 2004), identical entries occur in relation to the figure of £3,509.68, with a cumulative deficiency of £3,509.18 being shown at the end of each day.

For the final day of week 49, Wednesday 3 March 2004, the entry of £3,509.68 again is recorded, however the total deficiency now shows £3,512.26 (**Document 6**), an increase of £3.08, and supported by the final Horizon Cash Account print (**Document 7**).

I note that in week 49 the cost of a first class stamp was 28 pence. The increase of £3.08 could, therefore, represent (and in line with Andrew Richardson's opinion) a scenario whereby a book of 12 first class stamps was sold, but only money for one single stamp was taken (ie (12 x 0.28) – 0.28).

Having already concluded that the system should have no longer been recognising the £3,509.18 (posted to suspense) on a daily basis, the only discrepancy for the week should, in my opinion, have been the £3.08 deficiency apparently borne on Wednesday 3 March 2004.

The system has, therefore, appeared to overstate the deficiency for the week by the amount of the deficiency in week 48, being £3,509.18.

The report of White & Hoggard essentially appears to reach the same conclusion, in that this sum has been erroneously double counted.

Cumulative deficiencies

I would note that the Horizon system, from the documentation I have reviewed, appears to record deficiencies on a cumulative basis, hence the running total of £8,243.10 up to the end of week 46 being rolled into week 47's suspense account and carried forward to week 49 (Document 4).

Based on this approach, the integrity of the system is heavily dependent upon weekly figures being both accurate, and carried forward correctly.

In the isolated case of week 49 this appears not to have taken place, with the implication that errors could, theoretically, have been double counted over a number of weeks.

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As such, Mr Castleton's defence, that the root of the problem lies with the inaccurate figures produced by Horizon, appears to hold potential merit based on the limited documentation I have so far reviewed.

Clearly, however, I have only had sight of the daily snapshots for week 49, which although appearing to indicate an error within the Horizon system for that short period, does not necessarily mean that it has been replicated for other weeks. This can only be checked through an analysis of the daily snapshots for all relevant periods.

Andrew Richardson's conclusion that *"the balance of probabilities would suggest that it is quite likely that this has also happened in earlier periods"* is, I suspect, a little premature and can only be proven following a more detailed review.

Equally, other issues aside from the discrete problems evident in Week 49 may be uncovered, upon a more detailed inspection of relevant Horizon documentation.

Disclosure

The documentation I would ideally need sight of (further to that listed in your letter dated 11 April 2005, and presuming such papers were used in the normal course of business at the branch) to gain a clearer picture of how Horizon worked, and whether it was working as intended, is as follows:

- Daily snapshots for the period preceding, during, and following the alleged deficiencies borne under the management of Mr Castleton, which as suggested in copy correspondence might be from weeks 39-52 inclusive, although for completeness (and if considered cost effective) it may be appropriate to analyse the period from when Horizon was first used in the branch to gauge the effectiveness of the system from Day One

- Copy of the full audit report following the inspection made by Helen Hollingworth and Chris Taylor, on 25 March 2004, to include a breakdown of the week 51 balance of £11,210.56 (Document 2)

- P&A reports produced for weeks 39-52, summarising sums paid to customers in allowances through vouchers, and any vouchers supporting the reports

- Cash and stock count at the points in time when Mr Castleton began/left his post as subpostmaster

- Events log produced by the Post Office centrally, summarising which individuals are working on the Horizon system, and when the various reports were produced within the branch - for weeks 39-52 inclusive

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- Transaction log produced by the Post Office, which should summarise all financial transactions undertaken by the branch - weeks 39-52 inclusive

- Any contemporaneous notes made by Mr Castleton in relation to the Horizon system, or by any other employees, or by anyone who may have been assisting Mr Castleton in the initial period following his appointment as subpostmaster

I trust the contents of this letter are self-explanatory, but if you should require clarification on any of the matters raised herein, please do not hesitate to contact me.

Yours faithfully

GRO

Chris Hine
National Litigation Support Partner
Enc.

GRO

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LC0585.0008

Document 1

Marine Drive FAD: 2133377
17:30 26/02/2004 CAP:49 BP:01 SU: AA
Balance Snapshot - Office Copy

*****Discrepancies in this Account******
*Discrepancy OVER 0.00 *
*Discrepancy SHORT 3509.18 *
* ------------*
*Nett discrepancy 3509.18- *
* ------------*
****

VALUE STOCK & MOP	VOLUME	VALUE
Cash		83966.93
Cash		83966.93
MOP		83966.93
TV stmp £2	347	694.00
BBC TV LICENCE STAMP		694.00
Stamp Card	27	8.10
First Day Env	44	11.00
Pres Pack		105.10
Mini Sheets		29.31
PHILATELIC ITEMS		153.51
1st class stmp	3631	1016.68
First Class Stamps		1016.68
2nd class stmp	3508	701.60
Second Class Stamps		701.60
Postage stmp		1096.45
Airletter Pack	3	6.90
Airletter Single	15	6.30
Int rep coupon	7	4.20
SplDel SD1	7	28.35
SplDel SD2	5	20.25
Other Postage Items		1162.45
S/a 2ndx100	20	400.00
Second Class S/A Stmps		400.00
S/a 1stx100	20	560.00
First Class S/A Stmps		560.00
Special 1st	950	266.00
Special 2nd	1000	200.00
Special Europe	100	38.00
Special 47p	100	47.00
Special 68p	100	68.00
Special 42p	100	42.00
Special Stamps		661.00
SAS bk 1st x 12	38	127.68
SAS bk 2nd x 12	43	103.20
SAS bk 1st x 6	46	77.28
Stp bk euro x 6	41	93.48
Stamp Books - Misc		401.64
POSTAGE		4903.37
PO phonecrd £5	4	20.00
PO phonecrd £10	10	100.00
PO phonecrd £20	8	160.00
PO Holidycrd £10	20	200.00
PO Branded Call Cards		480.00
PHONE CARDS		480.00
PO 50p	17	8.50
PO £1	10	10.00
PO £2	16	32.00
PO £4	3	12.00
PO £6	9	54.00
PO £7	12	84.00
PO £8	9	72.00
PO £9	9	81.00
PO £15	21	315.00
Gift PO £5	14	70.00
Gift PO £10	9	90.00
Gift PO £20	13	260.00
Face Value		1088.50
PO fee 50p	17	4.25
PO fee £1	10	2.50
PO fee £2	16	8.00
PO fee £4	3	1.50
PO fee £6	3	7.20
PO fee £7	12	9.60
PO fee £8	9	9.00
PO fee £9	9	9.00
PO fee £15	21	23.10
Gift PO fee £5	14	11.20
Gift PO fee £10	9	9.00
Gift PO fee £20	13	15.60
Fees		109.95
POSTAL ORDERS		1198.45
Instants £1	1367	1367.00
Instants £2	455	910.00
Instants £3	128	384.00
Instants £5	37	185.00
NAT LOT INSTANT WIN GAM		2846.00
Lwood lotto	22	22.00
LITTLEWOOD SCRATCHIES		22.00
NVL Stmp	67	335.00
NVL SAVINGS STAMP		335.00
TOTAL STOCK & MOP		94599.26

Stock
10,632.33

83966-93
13377-11
-82

LCAS0000945

Document 2

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.

LCAS0000945

Document 3

PAYMENTS	VOLUME	VALUE
[illegible]	[illegible]	[illegible]
GIRO WITHDRAWALS		[illegible]
[illegible]	[illegible]	[illegible]
[illegible]		[illegible]
INLAND REVENUE		307.15
Res a/c wdrwl	1	200.00
Ord a/c wdrwl	3	162.49
NS & I WITHDRAWALS/PAYMENTS		362.49
P&A 7 disability	7	1369.60
Allowances		1369.60
P&A 10 com ben	39	4610.18
P&A 11 inc spt	12	835.53
P&A 12 inf inj	6	240.97
P&A 13 ret pens	85	7389.20
P&A 14 inv ben	29	2899.36
Pensions		16035.24
P & A milk tkn	3	0.00
Milk Tokens P & A		0.00
PENSIONS&ALLOWANCES		17404.84
TV stmp rdm	2	114.00
BBC TV Licence Stamp Rdm		114.00
SAVING STAMPS REDEEMED		114.00
Oth vchr to tp	1	0.28
Miscellaneous		0.28
OTHER PAYMENTS		0.28
Loss a 2a in	1	3509.68 * Loss to 2a.
UNCLAIMED PAYMENTS		3509.68
Nat lot cash pze	1	2.00
NATIONAL LOTTERY PRIZES		2.00
Green giro	16	2125.24
Green GiroCheques		2125.24
Green giro milk	4	0.00
Milk Tokens - Green		0.00
GREEN/VIOLET GIROCHEQUES		2125.24
Co-op chq encsh	1	100.00
Co-op		100.00
PERSONAL BANKING CHQ ENCASH		100.00
A&L CASH WDL	2	170.00
Alliance & Leic. Withdrawals		170.00
BARCLAYS WDRWL	2	80.00
Barclays Withdrawals		80.00
CA CASH WDL	4	375.00
CA WD LIMIT	3	313.07
Card account Withdrawals		688.07
LTSB Cash wdrl	2	150.00
Lloyds TSB Withdrawals		150.00
ND CASH WITHDRAWAL WITH PIN		1088.07
Visa Debit	2	277.98
Switch	3	42.67
DEBIT CARD ONLINE PAYMENTS		320.65
Transfers Out		0.00
Rem Out Data Com		1152.20
Rem Out Client		0.00
Rem Out Auto Dist		0.00
REMITTANCES OUT		1152.20
Reval Ouwn		0.00
Total Stock & MoP		102345.35
Natt discrepancies		3503.18
TOTAL PAYMENTS		132702.17
Balance C/Fwd		105854.53

*** END OF REPORT ***

26847.64

LCAS0000945

Document 4

Marine Drive
17:38:00 03/03/2004

FAD 2133377

Page 1
CAP 49

Suspense Account - Office Copy

WARNING - Check the C/Fwd column for negative values. If present refer to the Horizon User Guide for instructions on how to proceed

SU	Date	Product	Volume	Value	B/Fwd	C/Fwd
RD Cheques A						
TOTAL			0	0.00	0.00	0.00
RD Cheques B						
TOTAL			0	0.00	0.00	0.00
RD Cheques C						
TOTAL			0	0.00	0.00	0.00
Vouchers						
TOTAL			0	0.00	0.00	0.00
Shortages in Rems etc						
TOTAL			0	0.00	0.00	0.00
Burglary etc losses						
TOTAL			0	0.00	0.00	0.00
POL Cheques						
TOTAL			0	0.00	0.00	0.00
Migration UP						
TOTAL			0	0.00	0.00	0.00
Cash Shortages A						
AA	27/02/04	Loss A to Table 2a	1	3,509.68		
TOTAL			1	3,509.68	8,243.10	11,752.78
Cash Shortages B						
TOTAL			0	0.00	0.00	0.00
Cash Shortages C						
TOTAL			0	0.00	0.00	0.00
Cash Shortages D						
TOTAL			0	0.00	0.00	0.00
Prepurchases						
TOTAL			0	0.00	0.00	0.00
Cash Surpluses not yet adjusted A						
TOTAL			0	0.00	0.00	0.00
Cash Surpluses not yet adjusted B						

LCAS0000945

Document 5

Marine Drive FAD: 2133377
17:31 27/02/2004 CAP:49 BP:01 SU: AA
Balance Snapshot - Office Copy

*****Discrepancies in this Account*****
*Discrepancy OVER 0.00 *
*Discrepancy SHORT 3509.18 *
*Nett discrepancy 3509.18- *
****

VALUE STOCK & MOP	VOLUME	VALUE
Cash		92017.00
Cash		92017.00
MOP		92017.00
TV stmp £2	344	688.00
BBC TV LICENCE STAMP		688.00
Stamp Card	27	8.10
First Day Env	44	11.00
Pres Pack		105.10
Mini Sheets		29.31
PHILATELIC ITEMS		153.51
1st class stmp	3589	1004.92
First Class Stamps		1004.92
2nd class stmp	3393	678.60
Second Class Stamps		678.60
Postage stmp		1090.03
Airletter Pack	3	6.90
Airletter Single	15	6.30
Int rep coupon	7	4.20
SplDel SD1	6	24.30
SplDel SD2	5	20.25
Other Postage Items		1151.98
S/a 2ndx100	18	360.00
Second Class S/A Stmps		360.00
S/a 1stx100	18	504.00
First Class S/A Stmps		504.00
Special 1st	950	266.00
Special 2nd	1000	200.00
Special Europe	100	38.00
Special 47p	100	47.00
Special 68p	100	68.00
Special 42p	100	42.00
Special Stamps		661.00
SAS bk 1st x 12	34	114.24
SAS bk 2nd x 12	39	93.60
SAS bk 1st x 6	40	67.20
Stp bk euro x 6	40	91.20
Stamp Books - Misc		366.24
POSTAGE		4726.74
PO phonecrd £5	2	10.00
PO phonecrd £10	10	100.00
PO phonecrd £20	8	160.00
PO Holidycrd £10	20	200.00
PO Branded Call Cards		470.00
PHONE CARDS		470.00
PO 50p	17	8.50
PO £1	9	9.00
PO £2	16	32.00
PO £4	3	12.00
PO £6	9	54.00
PO £7	12	84.00
PO £8	9	72.00
PO £9	9	81.00
PO £15	20	300.00
Gift PO £5	12	60.00
Gift PO £10	6	60.00
Gift PO £20	11	220.00
Face Value		992.50
PO fee 50p	17	4.25
PO fee £1	9	2.25
PO fee £2	16	8.00
PO fee £4	3	1.50
PO fee £6	9	7.20
PO fee £7	12	9.60
PO fee £8	9	9.00
PO fee £9	9	9.00
PO fee £15	20	22.00
Gift PO fee £5	12	9.60
Gift PO fee £10	6	6.00
Gift PO fee £20	11	13.20
Fees		101.60
POSTAL ORDERS		1094.10
Instants £1	1360	1360.00
Instants £2	455	910.00
Instants £3	128	384.00
Instants £5	37	185.00
NAT LOT INSTANT WIN GAM		2839.00
Lwood lotto	22	22.00
LITTLEWOOD SCRATCHIES		22.00
NVL stmp	67	335.00
NVL SAVINGS STAMP		335.00
TOTAL STOCK & MOP		102345.35

Stock 10,328-35.

Document 6

Marine Drive FAD: 2133377
07:37 04/03/2004 CAP:49 BP:01 SU: AA
Final Balance - Office Copy

******Discrepancies in this Account******
*Discrepancy OVER 0.00 *
*Discrepancy SHORT 3512.26 *
*
*Nett discrepancy 3512.26- *
*
****

VALUE STOCK & MOP	VOLUME	VALUE
Cash		72712.62
Cash		72712.62
MOP		72712.62
TV stmp £2	285	570.00
BBC TV LICENCE STAMP		570.00
Stamp Card	27	8.10
First Day Env	44	11.00
Pres Pack		90.00
Mini Sheets		29.31
PHILATELIC ITEMS		138.41
1st class stmp	3082	862.96
First Class Stamps		862.96
2nd class stmp	3117	623.40
Second Class Stamps		623.40
Postage stmp		1037.05
Airletter Pack	3	6.90
Airletter Single	13	5.46
Int rep coupon	7	4.20
SplDel SD1	6	24.30
SplDel SD2	5	20.25
Other Postage Items		1098.16
S/a 2ndx100	15	300.00
Second Class S/A Stmps		300.00
S/a 1stx100	15	420.00
First Class S/A Stmps		420.00
Special 1st	950	266.00
Special 2nd	1000	200.00
Special Europe	100	38.00
Special 47p	100	47.00
Special 68p	100	68.00
Special 42p	100	42.00
Special Stamps		661.00
SAS bk 1st x 12	11	36.96
SAS bk 2nd x 12	22	52.80
SAS bk 1st x 6	25	42.00
Stp bk euro x 6	39	88.92
Stamp Books - Misc		220.68
POSTAGE		4186.80
PO phonecrd £5	2	10.00
PO phonecrd £10	10	100.00
PO phonecrd £20	8	160.00
PO Holidycrd £10	20	200.00
PO Branded Call Cards		470.00
PHONE CARDS		470.00
PO 50p	16	8.00
PO £1	2	2.00
PO £2	14	[illegible]
PO £4	[illegible]	[illegible]
PO £6	[illegible]	[illegible]
PO £7	[illegible]	[illegible]
PO £8	[illegible]	[illegible]
PO £9	[illegible]	[illegible]
PO £10	[illegible]	[illegible]
PO £15	[illegible]	[illegible]
Gift PO £5	[illegible]	[illegible]
Gift PO £20	[illegible]	[illegible]
Face Value		[illegible]
PO fee 50p	16	[illegible]
PO fee £1	[illegible]	[illegible]
PO fee £2	[illegible]	[illegible]
PO fee £4	[illegible]	[illegible]
PO fee £6	[illegible]	[illegible]
PO fee £7	[illegible]	[illegible]
PO fee £8	[illegible]	[illegible]
PO fee £9	[illegible]	[illegible]
PO fee £10	[illegible]	[illegible]
PO fee £15	[illegible]	[illegible]
Gift PO fee £5	[illegible]	[illegible]
Gift PO fee £20	[illegible]	[illegible]
Fees		[illegible]
POSTAL ORDERS		[illegible]
Instants £1	[illegible]	[illegible]
Instants £2	[illegible]	[illegible]
Instants £3	[illegible]	[illegible]
Instants £5	[illegible]	[illegible]
NAT LOT INSTANT WIN GAM		[illegible]
Lwood lotto	[illegible]	[illegible]
LITTLEWOOD SCRATCHIES		[illegible]
NVC stmp	[illegible]	[illegible]
NVC SAVINGS STAMP		[illegible]
TOTAL STOCK & MOP		81749.03

Over 3509.18
Short 7018.36
3509.18

4566.42

76424.8[illegible]
72912.62

Stock 9036.41

4258.15

Stock Sold 3089.27

Reciepts
16557.97

Payments
16557.97
[illegible] .26

Page 1 Office code: 2133377 Week No: 49 Week Ending: 03/03/2004 Date: 04/03/2004 Time: 07:46

Document 7

OFFICE NAME: Marine Drive

ADDRESS: GRO GRO

TELEPHONE: GRO GRO

OFFICE CODE: 213 337 7 30

2003/2004 HORIZON Cash Account (Final)

Week No 49

Week Ended: 03/03/2004

DATE STAMP: MARINE DRIVE BRIDLINGTON 4 MR 04

TO BE SIGNED BEFORE DESPATCH OF CASH ACCOUNT

SUBPOSTMASTER/FRANCHISEE/BRANCH MANAGER: GRO

EXAMINED IN TP:

TABLE 2 UNCLAIMED PAYMENTS

50 £ p Date

26		Unpaid Cheques A
27		Unpaid Cheques B
28		Unpaid Cheques C
29		
30		Vouchers
31		Shortages in REMS etc
32		Burglary etc Losses
33		POL Chq pension homes
34		
35		Migration
36		
37		
38		

TABLE 2(a) AUTHORISED CASH SHORTAGES

28 50l wrong?

50

46	11,752.78	Cash Shortages A
47		Cash Shortages B
48		Cash Shortages C
49		Cash Shortages D

TABLE 3 UNCHARGED RECEIPTS

50

60		
61		
62		
63		Pre-purchase
64		Cash Surplus A
65		Cash Surplus B
66		Surpluses in Rems etc
67		
68		Migration
71		
72		

DISCREPANCIES TABLE

07

01		Surplus
02	3,512.26	Shortage

TABLE 10(g) NUMBER OF TRANSACTIONS

91

72	2	E111 Certificates
79		OB Chqs
78		NS ISA Cash Cross Warr
82		Citibank M Order
81		
73		Parcelforce by 9 & 10
65		Parcelforce 24/48
66		Internat Datapost
71		Low Cover
83		Medium Cover
75		High Cover
80		Contract Parcels Inland
67		Contract Parcels Internat
76	11	Special Delivery Items
88		UKPA Contingency
74	1	Airsure
87	1	International signed for
85		Swiftair
89		
94		
90		Parcelforce by noon
84		
77		Disc Whlse Packs
91	9	Postmans Pouches
68		SORN
69		BGas Recon/Discon
92		Camelot Vouchers
93		TVL U75 Pre-Application
70		
63		Pre-order Buy Back
64		
57	22	Home Shop Returns
58		
59		Standard Life SHP Apps
60		POL Smartcard Applications
61		MVL Postal Applications
62		
86		
95		
10		
15		SWEB/LEB
20		
25		
30	1	LINK Balance Enquiries
35	17	Card Account balance enquiries
40	3	A & L Balance Enquiries
45		Special Delivery by 9.00am
50		
55		
26		
27		
28		
29		

Cont...

LCAS0000945

White & Hoggard

Chartered Certified Accountants

Registered to carry on audit work and regulated for a range of Investment Business activities by the Association of Chartered Certified Accountants

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PRIVATE & CONFIDENTIAL

Mr Lee Castleton
Marine Drive Post Office
GRO

Our Ref: AWR/GL/1/F031
Your Ref:
Date: 18th August 2005

Dear Lee

You have asked me to produce a report on my findings following my examination of the documents presented to me for Marine Drive Post Office in respect of the week ended 3rd March 2004 and the apparent discrepancy claimed by the Post Office which I understand at 4th March 2004 amounted to £15,265.04.

I have therefore examined the daily balance printouts that you produced covering the period 26th February 2004 to 4th March 2004 and also the report marked "Horizon Cash Account (Final)" dated 4th March 2004 in relation to the week ended 3rd March 2004.

My conclusions are as follows:-

a) The Horizon Cash Account (Final) Report for week 49 (week ended 3rd March 2004) produced on 4th March 2004 (time 07:46) indicates the following:

Table 2 (a) authorised cash shortages (A)	11,752.78
Discrepancies Table	3,512.26
Total	**£ 15,265.04**

b) The Suspense Account summary attached to the report – office copy dated 3rd March 2004 (time 17:38) produces the following under the heading "Cash Shortages A"

AA 27th February 2004 Loss A to Table 2a	3,509.68
Brought forward	8,243.10
Total	**£ 11,752.78**

ACCA

PRINCIPAL: Andrew W. Richardson F.C.C.A.
MANAGERS: Keith A. Rhodes F.C.C.A.
Mrs Lesley R. Richardson

W&H

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c) The difference between the above two reports is £3,512.26 (I will refer to this figure later in my observations).

d) The Horizon Cash Account (Final) Report for week no.49 (week ended 3rd March 2004) dated 4th March 2004 (time 07:46) indicates the following:

Balance Due to Post Office	97,014.07
Less Stock (Table A)	(9,036.41)
Less Cash (Table 5)	(72,712.62)
Shortfall	**£ 15,265.04**

e) The above entry at (d) above appears to me to comprise the following:

1. Discrepancies Table	3,512.26
2. AA 21st February 2004 Loss A to Table 2a	3,509.68
3. Brought forward from earlier periods	8,243.10
Total	**£ 15,265.04**

f) It follows, therefore, that we need to ascertain how each of the above apparent discrepancies at paragraph (e) have arisen.

g) In order to attempt to explain the apparent discrepancies I have prepared a detailed analysis of the daily balance printouts covering the period 26th February 2004 (time 17:30) to 4th March 2004 (time 07:46). I have used the Horizon Cash Account (Final) Report for the analysis of the movements on 4th March 2004. My conclusions are as follows:

1. Discrepancies Table - £3,512.26
This figure is not on the Suspense Account Summary dated 3rd March 2004 but appears to comprise part of the overall shortfall (see a and c above). This figure appears to include the "discrepancies in this account" summary on the "final balance" sheet dated 26th February 2004 but is recorded as £3,509.18 increasing by £3.08 (which I believe is a book of stamps) to £3,512.26 on 3rd March 2004. It is understood that the sum of £3,509.18 is a discrepancy from an earlier period. **I have seen no evidence to reveal how this discrepancy from the earlier period has been arrived at.**

2. AA 27th February 2004 Loss A to Table 2 a - £3,509.68
On the "final balance" sheet dated 26th February 2004 (time 17:30) there is an entry for "net discrepancies" of £3,509.18 which equates to the "discrepancies in this account" entry – see g 1 above.

On the "balance snapshot – office copy" sheet dated 27th February 2004 (time 17:31) there is an entry "OTHER PAYMENTS" loss a – 2a amounting to £3,509.68. This entry is then repeated daily.

I understand from my telephone conversation with you that this amount was input manually under instructions from Horizon technical support which probably explains the difference of 50p from the previously mentioned sum of £3,509.18.

If the sum of £3,509.68 is indeed the same entry as the sum of £3,509.18 recorded in g 1 above, and it seems highly likely that this is the case, there is a duplication in the apparent shortfall.

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It follows that a rational explanation is needed for this apparent double counting in the Post Office records.

3. **Brought forward from Earlier Period - £8,243.10**

In addition to having no documentary evidence to support the discrepancy of £3,509.18, which appears to be duplicated by the further entry of £3,509.68, there is no documentation to support the discrepancies from earlier periods amounting to £8,243.10. **It is therefore absolutely essential to obtain documentary evidence supporting the discrepancies that are claimed to have arisen in the earlier periods of £3,509.18 and £8,243.10.**

h) **Conclusion**

From the limited available evidence of one weeks transactions referred to above my conclusion is that it is highly likely that the sum of £3,509.18 has been recorded twice increasing the apparent discrepancy during the week ended 3rd March 2004. On the assumption that I am correct in this conclusion, and there seems to be no rational explanation for this amount appearing twice other than my conclusion, then there has to be doubt as to whether or not the discrepancies brought forward from earlier periods of £3,509.18 and £8,243.10 can be substantiated. It is therefore absolutely imperative that the Post Office produce documentation to justify their claim for the earlier periods in order to produce evidence that the system is operating correctly. At the present time it would appear to me that during the week ended 4th March 2004 an incomplete instruction to input a manual entry of £3,509.18 (incorrectly entered as £3,509.68) has created a double counting of this amount in the calculations produced by the Post Office of shortfall. If this has happened for the one week where we have documentary evidence then the balance of probabilities would suggest that it is quite likely that this has also happened in earlier periods and has to cast doubt on the credibility of the claim made by the Post office which therefore needs to be examined in some further detail with the benefit of supporting documentation.

I hope that the above report is of some assistance.

Kind regards

Yours sincerely

GRO

Andrew W Richardson