

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

Initial Complaint Review and Mediation Scheme

Post Office Investigation Report

Branch Name:	South Warnborough	Branch Code:	0929042	Case Number:	M035
Applicant Name:	Josephine Hamilton	Status of Case:	Mediation Application	Date of Appointment:	Oct 2003

Executive summary

South Warnborough Sub Post Office was in a semi-rural location, the Post Office formed part of a general store and coffee shop and operated Monday-Saturday 9am-1pm.

The Applicant worked in the branch from December 2001 as an employee of the former agent Alwyn Stacy, until Ms Stacy's death in 2003. The Applicant became the Sub Postmaster in October 2003. Following an audit in March 2006, a loss of around £36,000 was discovered. After investigation, the Applicant's position as Sub Postmaster was terminated; she was prosecuted and ultimately pleaded guilty to false accounting.

In her CQR, the Applicant has principally put forward two "unexplained" issues that she alleges evidence that there are flaws in Horizon that would explain the losses in her branch.

Issue 1: report discrepancy

The Applicant has submitted evidence in her case questionnaire that relates to an error in December 2003. This is outside Post Office period of retention (Doc 007 refers) so we are unable to examine the transaction in any further detail. However the Applicant claims the error arose on the 23rd December 2003 and the evidence she has submitted relates to the following week the 30th December. It is also worth noting that the evidence she has submitted, claiming to prove that there is a fault in the system, are two separate reports. The first report is a Balance Snapshot and the second is a trial balance. The Balance Snapshot is a report generated by the Horizon system that shows what should be on hand in the branch as a result of the transactions processed in the branch. The trial balance is a report produced after the operator has entered on Horizon the amount of Cash, Stock and Stamps they actually have on hand in the branch. Thus, there could be a balance difference in the two reports if the amounts declared by the Subpostmaster do not match the amounts that Horizon requires to be on hand in order for the branch account to balance.

Due to retention periods, Post Office does not hold training records for this time (Doc 008 refers); however, the Network Business Support Centre (NBSC) call logs indicate that Colin Woodbridge, Rural Support Manager from the Post Office, visited the branch on the 21st January 2004 to help locate the shortage.

Issue 2: TV licence

The Applicant has submitted evidence in her case questionnaire that related to an error with a Television Licence transaction that occurred on the 23 May 2005. Again this is outside of Post Office retention period. The Applicant has suggested Horizon did not properly record the transaction as the cheque was recorded on the system but not the TV licence transaction.

At the time there were two types of TV Licence application, the manual process for first time applicants and the barcode renewal. Both transactions required the user to enter the transaction on Horizon (Doc 009 refers). On the 25th May 2005 the branch called the NBSC because they had given a TV licence form back to the customer when it should have been retained by the branch (Doc 010 refers). There is nothing to suggest

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this error on 25 May was connected with the transaction complained about on 23 May. However, it is possible that what has happened is that during the transaction on the 23rd May 2005, the clerk has given the whole documentation back to the customer without entering or scanning the Licence onto Horizon. This would be a reasonable explanation as to why the cheque was on the system and the TV Licence was not.

Audit and prosecution

The Applicant claims in her case questionnaire she eventually called for an audit, but there is no evidence in the NBSC call logs of the Applicant requesting an audit. There is an email (Doc 011 refers) from Rebecca Porch, Retail Cash Management Support, sent on the 6th March 2006 to the area intervention office highlighting problems at the Post Office. There is a security report (Doc 012 refers) that the Applicant allegedly told Mrs Kan Matharu, who represented National Federation of Sub Postmasters, that there were some problems at the Post Office. Mrs Matharu informed Colin Woodridge, Rural Support Manager for Post Office, who in turn informed Mr Adrian Skinner, Area Performance Manager, and this is confirmed by Mr Skinner's response (Doc 011 refers).

On the 9th March 2006 an Audit of the branch was conducted by Mr Alan Stuart from Post Office (Doc 015 refers) revealing a total shortage of £36,644.89. The Applicant was precautionary suspended from her role and a security investigation was undertaken (Doc 012,013,014 refers).

On the 19th November 2007 the Applicant pleaded guilty to false accounting charges at Winchester Crown court.

The single theft charge was removed after an undertaking was given by defence counsel that all monies owed to Post Office would be repaid prior to sentencing. A cheque for £37,644.89 was received by the criminal law team on the 18th Feb 2008 which included £1000 costs awarded to Post Office (Doc 016 refers).

In the Applicant's prepared statement to the Post Office Security Team, she stated that all staff used the same Horizon user name. Without any evidence of system error, this appears to be a case where the losses were generated by user error or potential theft as there was a lack of management and Horizon access controls in the branch.

Applicant's Issues and Post Office Headline Response**- The lack of training that was provided by Post Office:**

Post Office does not hold training records for this time. Operations Manuals were available in branch and a weekly "Counter News" was sent to every branch in the network. These publications provided details on how to process all transactions in branch and also included a detailed balancing guide. The NBSC helpline was also available.

-The lack of support provided by the helpline

Due to timescales, evidence is not available to carry out investigations in some of the areas. However, the available evidence suggests that calls were transferred correctly and proper advice given (Doc 005 refers).

-The inability to "park" issues and investigate further

The Applicant claims that there was an inability to "park issues" and investigate differences. Due to the age of this case (2003-2006), there is limited information now available to investigate the specific issues raised by the Applicant; the Applicant could have raised an enquiry with the issuer of any error notice directly. Transaction data was at the time available in branch for 42 days, which was considered sufficient to enable the branch to

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identify any discrepancies in weekly and/or monthly balancing, and paper records of transactions should (and in fact were required by Post Office procedures to) have been retained in branch for much longer periods.

-The unexplained issues that arose in the first place

The unexplained errors that arose regarding the TV Licence and the difference in amounts from the Balance Snapshot and the Trial Balance that the Applicant has provided show little evidence that suggests the errors arose from any fault with the Horizon system. The time in question is outside of Post Office retention period, so Post Office is unable to examine the transactions that occurred any further but the Post Office's best assessment of the most likely explanation is set out above in both cases.

-Conclusion

In conclusion the evidence examined provides no support for the Applicant's claim that the Horizon System caused the shortfall in the branch. Given that no systemic error has been identified in Horizon, the more likely reason for the shortfall is user error or fraud which could be due to the lack of poor controls in place e.g. sharing of user names and passwords.

The Applicant was aware of the helpline facility and could have reported the loss to them at any time so to seek further support – but the available records do not show that she did this. This meant that Post Office was unable to provide further support to the Applicant at the time the losses were occurring as it was not even aware that the losses existed. This situation was further compounded by the Applicant submitting false accounts which hid the extent of the losses from Post Office.

The Applicant's complaint

The Applicant's complaint covers four areas:

Issue 1: The perceived lack of training that was provided by Post Office

The Applicant claims in her case questionnaire that she received a minimal amount of formal training between Christmas and New Year in 2001.

Specifically the Applicant complains that she was not trained on how to handle transaction corrections.

Issue 2: The perceived lack of support provided via the helpdesk

The Applicant claims that there was a lack of support from the NBSC from Dec 2003 to March 2006.

Issue 3: The perceived inability to “park” issues and investigate further

The Applicant claims that there was inability to “park issues” and investigate differences.

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Issue 4: The perceived unexplained issues that arose in the first place

The Applicant submits 2 "unexplained" errors that arose regarding a TV Licence and the difference in amounts from the Balance Snapshot and the Trial Balance – as described above. The Applicant suggests that these errors show that there are flaws in the Horizon system.

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Case Review Actions			
Summary of the information collated by Post Office			
Information available from Post Office records:			
Information area	Information provided with this response	Information not available as beyond retention period	Information not available for other reason
Electronic Filing Cabinet	X		
Horizon Service Desk		X	
Transaction Corrections		X	
Financial Dispute Resolution		X	
POL Investigations	X		
System Connectivity		X	
Branch Training Records		X	
Contractual Files/records		X	
Branch Audit Reports	X		
NBSC Call logs	X		

NBSC call logs

Network Business Support Centre answered 203 calls from the branch during the period under review.

2003- 16 calls to the helpline, all in the month of December: seven calls from 1/12/03-30/12/03 relate to the misbalance call on the 3/12/03 £2082 shortage reported; a further call on the 30/12/03 about another £2000 loss.

2004- 99 Calls to the helpline: two calls in relation to previous month misbalance on the 2nd and 6th January.

Call on the 2nd Jan 2004 relates to £4,188.53 loss, it is most likely that this is the previous two losses added together.

Call on the 3rd February 2004 regarding £3,191.00 loss; again it is most likely that this is part of the previous loss.

Six calls about faults with Horizon System; all other calls were general enquires.

2005- 69 calls to the helpline, 30 of which relate to issues processing and despatching cheques and other accounting problems.

24/2/05 Call in relation to £750 loss

25/5/05 Call in relation to TV Licence transaction

2006- 19 calls between Jan-March: 15 calls in January in relation to cheques, system crashing, and branch

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trading.

Call on 5/1/06 in relation to £1000 loss after system crashed when processing postage label.

There are no calls suggesting any shortage in the region of £36,000

There is no evidence in the call logs that the Applicant could not contact the helpline. There is evidence that on one occasion she had to chase a call in relation to cheques despatch in January 2006 (Doc 006 refers).

Response to issues raised by Applicant

	Issue raised	Investigation findings
1.	The lack of training that was provided by Post Office	The Applicant worked in the branch from December 2001 as an employee of the former agent Alwyn Stacy until Ms Stacy's death in 2003. At this time, as an employee of the former agent Alwyn Stacy, it would have been Stacy's responsibility to train the Applicant, not Post Office. After Stacy's death, the Applicant took over the role as Sub Postmaster of the branch in October 2003; it was only from this time she would have entered into a contract with Post Office and become the agent. Post Office does not hold any training records for this time (Doc 001 refers). In 2003 transaction corrections were processed in the form of an error notice. The notice would have been posted to the branch with details of the error and, if applicable, supporting evidence. There would also have been contact details for the issuing department should the agent need to discuss. Accounting instructions were available in the operations manual provided at the branch, an extract of the section relating to error notices is submitted (Doc 002 refers) and (Doc 003 refers). A weekly newsletter, the "Counter News", was also available at the time and sent to every branch in the network. This detailed any operational updates and guidance. The NBSC helpline was also available, should the Applicant have issues with accounting for the error notice.

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		Call logs to the NBSC are available from 1st December 2003 -24th February 2004; calls in relation to error notices and the issues that arose during December 2003 are submitted (Doc 004 refers: specifics highlighted in yellow). The Applicant states in her questionnaire that somebody came from the Post Office to train her between Christmas and New Year in 2001. It could be assumed this was a local arrangement as at the time Alwyn Stacy was still the Sub Postmaster and would have been responsible for training staff.
2.	The lack of support provided by the helpline	There is no evidence to suggest that the Applicant could not contact the helpline. The evidence shows that she did so, on average twice a week over the 25 month period when she was Sub Postmaster.
3.	The inability to “park” issues and investigate further	The Applicant claims that there was inability to “park issues” and investigates differences. The Applicant could however have raised an enquiry with the issuer of the error notice directly. Call logs made to the NBSC suggest that this may have been the case (Doc 004 refers). On the 1st December 2003 the Applicant contacted the NBSC regarding a problem with the despatch of cheques, the Applicant called back again on the 2nd December and asked to speak with someone else as she was not happy with the help she had received the previous day. It appears from the comments section on the call logs that the NBSC contacted the team at Chesterfield who dealt with error notices at the time and confirmed that the cheques had not been despatched from the branch correctly and arranged for an error notice to be issued to the branch to clear the loss. The Applicant was therefore clearly aware of how to seek support in order to investigate losses.
4.	The unexplained issues that arose in the first place	The Applicant has provided no evidence to support these “unexplained Issues”. Both the difference from the Balance Snapshot and Trial

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		Balance reports and the TV Licence transaction can be explained – see executive summary above.
Documents being provided to Second Sight		
<i>List documents (if any)</i>		
Reference	Description	
M035_POL_Training Email_PT_001	Email confirming no training records available	
M035_POL_Error Notice_PT_002	Extract from Operational Manual in relation to error notices process	
M035_POL_Horizon Error Notice_PT_003	Extract from Operational Manual in relation error notices process	
M035_POL_Call logs Dec03-Feb04_PT_004	NBSC calls in relation to error in December 2003	
M035_POL_All NBSC Calls_PT_005	All NBSC call logs from Dec 03 – March 06	
M035_POL_Call Logs Jan 06_PT_006	Chaser Call to NBSC	
M035_POL_ARQ Request_PT_007	Email confirming transactional records& Horizon Service Desk calls outside of retention period	
M035_POL_branch visit_PT_008	NBSC call log from Jan 04 relating to branch visit from Colin Woodbridge	
M035_POL_Tv Licence process_PT_009	Extract from Operational Manual in relation to TV Licence process	
M035_POL_Call to NBSC re TV Licence_PT_010	NBSC call log from May 05 in relation to TV Licence error	
M035_POL_Audit Email_PT_011	Email from Cash Management team raising concerns	
M035_POL_Security Report_PT_012	Copy of security team report	
M035_POL_Security Interview_PT_013	Copy of security team interview	
M035_POL_Security Interview_PT_014	Copy of security team interview	
M035_POL_Audit Report_PT_015	Copy Of Audit Report	
M035_POL_Court Case_PT_016	Details of court findings	