

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

Initial Complaint Review and Mediation Scheme

Post Office Investigation Report

Branch Name:	Gaerwen	Branch Code:	160604	Case Number:	M029
Applicant Name:	Mr Hughie Noel Thomas	Status of Case:	Mediation	Date of Appointment:	June 1994 – October 2005

Executive summary

The Applicant claims that the losses in his branch that led to the shortfall revealed at the audit in October 2005 were caused by errors in Horizon; he asserts that he experienced a number of technical issues (including on-going hardware issues, power cuts, transfer failures, screen freezes, critical event notices, etc) and transaction anomalies (including issues relating to Card Account withdrawals, stamps and postage labels, etc). The Applicant also claims that Post Office failed to adequately train him on Horizon and that this was the root cause of the errors.

The Applicant was the subpostmaster of Gaerwen Post Office from June 1994 until he was suspended following an audit on 13 October 2005. The audit revealed a cash and stock shortage of £48,454.87 and a cheque discrepancy of £1,803.02 resulting in a final shortage figure of £50,257.89.

Post Office prosecuted the Applicant who pleaded guilty to false accounting and was sentenced to 9 months imprisonment and ordered to pay £750 costs. The Applicant subsequently made himself bankrupt and the sum of £44,250.91 has not been repaid to Post Office.

The witness statement produced by Andy Dunks of Fujitsu (for the Applicant's prosecution) states that he reviewed 13 calls made to the Horizon Service Desk between 1 November 2004 and 30 November 2005 (averaging one per month rather than one per week as claimed by the Applicant) and in his professional opinion *"none of these calls related to faults which would have an effect on the integrity of the information held on the system"*.

The Applicant also claims that the Horizon training provided to him was short and inadequate. Due to the age of this case, records relating to the Applicant's training are no longer available. However, records of calls from the branch to the Network Business Support Centre do not include any request from the Applicant for additional training which indicates that the Applicant was competently trained on how to operate the Horizon system.

It should be noted that an incident involving the Applicant's daughter – Sian Thomas ("Sian") - resulted in the Applicant repaying Post Office the sum of £11,000. The terms of settlement with Applicant included a commitment that Sian would no longer work in or have access to the branch. However, at the audit of the branch in October 2005, Sian was still listed as a user on Horizon. It is not possible to ascertain whether Sian continued to serve in the branch, however if she had continued to have access to the branch she could have contributed to the shortfalls in the branch.

Conclusion

Post Office maintains that Horizon and the design of its trading and accounting practices allow for transactions to be accurately recorded and do not cause errors in a branch's accounts. This case presents no evidence that either changes that position or demonstrates a failure by Post Office properly applying those processes.

Based on the evidence examined as part of the Mediation Scheme investigation and in the absence of any evidence of a failure in any other area, Post Office's conclusion is that the cause of the £48k shortfall in this case is likely to be the cumulative product of operational errors in the branch by the Applicant or his staff over an extended period of time. When asked during the interview with Post Office Security

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Investigation on 13 Oct 2005 what he thought was causing the losses in his branch, the Applicant replied that it was due to basic mistakes on Horizon and not understanding it. The Applicant also stated that he was concerned over the number of zero entries on his Card Account withdrawals summary and although the report shows nil entries on some of the transactions, he had handed the money over the counter to the customer.

At the time of the investigation in 2005, Post Office had analysed three periods of Horizon data covering a 12 month period. In the first period examined, there were 70 nil value banking transactions; in the second period there were 45 and in the third there were 82. Whilst all of these nil value transactions examined had valid reasons for the nil value, had the Applicant given the customer monies against these transactions then there would have been a shortfall in the branch.

Alternatively, the possibility of theft or fraud by the Applicant, his staff or a third party cannot be ruled out, especially when despite the Applicant's statement that only he and his wife worked in the branch at the time of the audit, there were a further two users listed on Horizon.

The Applicant has admitted to making false entries on Horizon. Due to this false accounting, any small operational losses would not have shown in the branch's accounts and would only have revealed themselves as a single large loss following the audit in October 2005.

The false accounting also meant that it would not have been possible at the time of these events to precisely identify all the erroneous transactions which caused the £48k shortfall. Post Office primarily relies on reviewing the branch accounts to help subpostmasters identify errors but because the accounts in this case had been falsified, it would not have been possible to distinguish between genuine errors and intentionally false entries.

Nevertheless, the fact that the errors, whether inadvertent or deliberate, have arisen in branch means that they, and any consequential shortfalls, are the responsibility of the Applicant. This conclusion applies even if the Applicant had not stolen the missing cash and stock. The Applicant was responsible for the safekeeping of the cash and stock in the branch and it is Post Office's firm view that he did not comply with his duties in this regard.

The Applicant's complaint

The Applicant has raised issues and complaints in 13 key areas (listed below).

- **Inadequate training provided**
- **Technical issues with Horizon**
- **Horizon transaction anomalies – nil value balance following cash withdrawals**
- **Horizon transaction anomaly – relating to an issue regarding Giro deposits “cut off”**
- **New Horizon system installation**
- **Helpline assistance**
- **Removal of items from Gaerwen branch during the October 2005 audit**
- **Subpostmaster Contract**
- **Accounting difference of approximately £3k in 2003/04 which was settled on a 50/50 basis**

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- **Criminal Proceedings**
- **Pressure placed on Applicant to plead guilty to false accounting and the theft charge be dropped**
- **Bankruptcy**
- **Data Protection Request**

Each subject is dealt with more extensively in the 'responses' section of this document.

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Case Review Actions			
<i>Summary of the information collated by Post Office</i>			
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
Transactional Data		X	
Horizon Helpdesk		X	
Electronic Casework File	X		
NBSC Call log Oct 2000 – Oct 2005	X		
Horizon Service Desk		X	
Background information provided in emails	X		
Data Protection Act request from Applicant		X	
Training Records		X	
Prosecution File		X	
Response to issues raised by Applicant			
	Issue raised	Investigation findings	
1.	Inadequate training provided	The Horizon system went live at the branch on 18/10/2000. However, the Applicant's training records are no longer available. Background information has been obtained from Post Office training managers indicating the type of training which would have been cascaded during this period. The training would have been as follows: 1. Pre- Horizon: The standard induction course lasted between 4-6 weeks (Doc 001 refers) with onsite support lasting up to a further 2 weeks. 2. Training given to supplement the introduction of Horizon was delivered by an external training company and consisted of 1 day for Assistants and 2 days for Subpostmasters (followed by 2 days on site with Horizon Field Support Officers when the branch went live). These events generally took place at an external venue and the participants had to pass a competency test to receive a certificate enabling them to use the	

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		system in a live environment. There is nothing to suggest that this training was not provided to the Applicant. There are no calls recorded on the NBSC helpdesk call logs (Doc 003 refers) from the Applicant requesting any additional Horizon training.
2.	Technical issues with Horizon	The Horizon Service Desk (HSD) call logs are no longer available (Doc 004 refers). However, the NBSC call logs from October 2000 – Oct 2005 are available (Doc 003 refers). The NBSC call data for the 5 year period shows that 36 calls out of a total of 138 logged were Horizon related (highlighted in yellow on Doc 003). However, as stated above, details of the calls made to the HSD are no longer available so interrogation of this data is not possible. It should be noted that a witness statement provided by Andy Dunks of Fujitsu dated 6th April 2006 for the purposes of the criminal proceedings (Doc 005), states that during the period 1st November 2004 – 30th November 2005, he reviewed 13 calls made to the HSD from Gaerwen Post Office. His professional opinion was that <i>“none of these calls related to faults which would have had an effect on the integrity of the information held on the system”</i>.
3.	Horizon transaction anomalies – nil value balance following cash withdrawals	The Applicant references numerous Post Office Card Account withdrawal (and personal banking) transactions where Horizon showed a nil value for that transaction but he subsequently continued to pay out the cash to the customer. Nil value transactions on card withdrawals are part of the customer process depending on requirements. They can occur as follows:- - When only requesting a balance enquiry - Incorrect PIN number entered - Insufficient funds in the account - Card blocked after 3 unsuccessful attempts to enter correct PIN - Withdrawal limit exceeded - Online authorisation not received from card provider Analysis was undertaken prior to the court proceedings by the Investigation Manager on nil value transactions

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		for three separate periods at the branch to test the integrity of the system. The results categorically showed Horizon was operating correctly and all nil value transactions appeared with valid reasons with no failures being due to system integrity or data. If cash had been paid out on nil value transactions this would suggest operator error, rather than Horizon failure and would result in a shortfall in branch.
4.	Horizon transaction anomaly – relating to an issue regarding Giro deposits “cut off”	“Cut off” refers to the process whereby a number of reports for specific products / types of stock are produced on a daily basis at the counter. Once the transactions contained within each report have been checked by a Subpostmaster and confirmed to be correct, they are “cut off”, which allows the totals to be saved to that day's accounts and a new period commenced with a nil value. Due to the time elapsed, the transactional data for this branch is no longer available and cannot therefore be interrogated. Failing to “cut off” is a common oversight throughout the Post Office network and in itself does not cause any errors or balancing anomalies. If a day's Giro deposits are not “cut off”, the total will accumulate into the following day and at “cut off” 2 days' worth of Giro deposits will be displayed. This doesn't impact on the office balance. The only mitigation needed is to manually amend the Giro slip being dispatched at the end of the day to correspond with the slips taken only on that day. There are several instances on the NBSC call logs of the Applicant requesting guidance on the procedure when “cut off” hadn't been performed (Doc 003 lines 6, 13, 46, 61, 62, 114 refer). This suggests the Applicant was struggling to understand this element of the Horizon process over an extended period of time despite help being provided by NBSC.
5.	New Horizon system installation	A new Horizon kit was installed at the re-located branch prior to its opening in January 2006. It is believed that the equipment already on site was tested as the Applicant had questioned its integrity. Diane Matthews (Investigation Manager), referred to Fujitsu tests being carried out on the equipment and a response being awaited from Fujitsu. No further correspondence can be found relating to such a response. However, the assumption would be that no issues were found with the equipment as the criminal case against the Applicant proceeded.

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		RoMEC (Royal Mail Engineering & Construction), (the facilities management services provider for Post Office), were initially due to remove the kit from the branch. However, it appears that the kit was taken by Fujitsu to allow the equipment testing to be undertaken. No documentation is available in relation to this. Likewise, no documentation is available in relation to any conversations the Applicant may have had with RoMEC engineers regarding the removal of the Horizon equipment.
6.	Helpline assistance	The HSD call logs are no longer available but the NBSC call logs from Oct 2000 – Oct 2005 are available (Doc 003). The Applicant states that he made approximately one call per week to the HSD from when Horizon was installed in 2000. The statement from Andy Dunks of Fujitsu (Doc 005) states that from 1st November 2004 – 30th November 2005 there were only 13 calls (average 1 per month) made by the Applicant and in his opinion none of these related to faults which would have affected the integrity of Horizon. Within the NBSC call logs (Doc 003), there are 3 calls (highlighted in green on lines 44, 115, 121) in relation to attempts to contact the RLM (Retail Line Manager) although no mention is made of the subject matter. On one of these occasions (01/03/02), a call was escalated as the Applicant hadn't received a response. Other than the aforementioned escalation, there is no evidence of calls or requests being refused or ignored from the available data. In addition, 3 calls to the NBSC were transferred to the HSD (Doc 003, lines 10, 11 and 68 refer). Due to the absence of HSD call logs in this case, it is not possible to form an opinion on the service the Applicant received specifically in terms of issues relating to the Horizon equipment. NBSC call logs show a high volume of calls from the office on a variety of subjects. There is nothing in the available data to indicate that the Applicant received anything other than a professional service with satisfactory outcomes to the issues raised in the calls.
7.	Removal of items from Gaerwen branch during the October 2005	There is no documentation available relating to items taken by Post Office personnel during the branch audit and subsequent investigation. It is Post Office policy to

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	audit.	remove items that are believed to be pertinent to any investigation. The physical case file for this investigation is no longer available. The Area Intervention Manager Visit Log (Doc 006) states that the Applicant was allowed into the secure area at the branch on the 14th October 2005 to remove personal belongings.
8.	Subpostmaster Contract	Contractual documentation relating to the Applicant is no longer available. However, the contractual process in place at the time of the Applicant's appointment ensured that: - On the day of transfer, the incoming Subpostmaster would be required to sign an Acknowledgment of Appointment (P931); a 1 page document that stated they been given, and accepted the terms of the standard Subpostmaster's Contract. - Also, on the day of transfer, the new Subpostmaster would sign the P13 Official Secrets Act form, in duplicate, with one copy being associated with the branch file and the other left with the Subpostmaster. - In the event that there wasn't a copy of the Subpostmaster's Contract in the branch, the trainer/auditor should have contacted the Agency Recruitment Team so that they could have arranged for a duplicate to be provided to the Subpostmaster. Further information about this process is available in Doc 007.
9.	Accounting difference of approximately £3k in 2003/04 which was settled on a 50/50 basis	No documentary evidence of such an agreement has been found in the materials available. It should be noted that a previous incident, involving the Applicant's daughter, Sian Thomas, resulted in the Applicant repaying POL £11,000. This incident involved the suppression of some giro deposits, and following customer complaints and a business investigation, the Applicant retained his position on the understanding he repaid the amount, and also that his daughter was not allowed to transact Post Office business in the future. It is stated that the Applicant signed a declaration to this effect, although all associated documentation was lost in a subsequent fire at the area office in Bangor. At the audit in October 2005, Sian was still listed as a

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		user on Horizon, despite the Applicant stating that only himself and his wife had user ID's. Terms of re-instatement agreed between the Applicant and the Retail Line Manager were that Sian would be removed from Horizon.
10.	Criminal Proceedings	The Applicant was subject to criminal proceedings, in line with Post Office business investigation policy, following the outcome of the audit on 13th October 2005 and the subsequent interview undertaken with members of the Investigation. The Applicant was charged with 'False Accounting' after failing to satisfactorily explain the circumstances of the loss during the interview, and largely responding "no comment" to questions put to him . The sentencing report (Doc 008) states that the Applicant appeared at Caernarfon Crown Court on 6th November 2006 and was sentenced on the charge of 'False Accounting', to which he had pleaded guilty at an earlier hearing on September 29th. The Applicant was sentenced to 9 months in custody and ordered to pay £750 costs.
11.	Pressure placed on Applicant to plead guilty to false accounting and the theft charge be dropped.	There is no reference in any available documentation as to when or why an initial charge of theft was dropped, with only the false accounting charge being pursued.
12.	Bankruptcy	No claim was made by Post Office in the Applicant's bankruptcy proceedings, with the outstanding amount of £44,250.91 being written off on the 15/11/2008 (Doc 009 refers).
13.	Data Protection Request	No records are available of a DPA request being received from the Applicant. Contact has been made with the Royal Mail Information Rights Team, who would have been responsible for such requests at that time. They have requested information going back to 2009 but the Applicant doesn't appear on this list. (Doc 002 refers).

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Documents being provided to Second Sight	
<i>List documents (if any)</i>	
Reference	Description
M029_POL_001_Horizon Email_JO	Training background information pre-Horizon
M029_POL_002_Data Protection Email_JO	Data protection information
M029_POL_003_NBSC Call Log Oct 2000 -13 Oct 2005_JO	NBSC call log
M029_POL_004_ARQs out with retention 221113_JO	Fujitsu HSD call logs out with retention period
M029_POL_005_CQR_Tab_3_JO	Fujitsu witness statement
M029_POL_006_Area Intervention Manager Visit Log – Gaerwen_JO	Area Intervention Manager Visit Log
M029_POL_007_Contract Information Email_JO	Contract background information
M029_POL_008_Sentencing Report_JO	Court Sentencing Report
M029_POL_009_Agent Accounting Email_JO	Former Agents accounting information