

Post Office Mediation Scheme

DRAFT

Second Sight - Case Review Report

Case Reference: M097

Applicant: Janet SKINNER

Advisor: Graham Cade (Howe & Co)

10 October 2014

This draft report and accompanying documents are confidential and are not to be disclosed to any person other than a person involved in the processing of the Applicant's claims through the Scheme

1. Introduction

1.1. This report has been prepared by Second Sight, which is the trading name of Second Sight Support Services Limited, the company appointed to conduct an independent investigation of a number of matters raised by Subpostmasters, or former Subpostmasters.

1.2. This report should be read in conjunction with the following:

- a) the documents submitted by the Applicant and her Professional Advisor;
- b) Post Office's Investigation Report ('POIR') including attachments;
- c) Second Sight's Briefing Report - Part One; and
- d) Second Sight's Briefing Report - Part Two.

1.3. The Terms of Reference for Second Sight as set by the Mediation Working Group for this work are as follows:

- a) To investigate the specific complaints raised by each Subpostmaster who has been accepted into the Scheme with the aim of providing:
 - i. an assessment of points of common ground between Post Office and that Subpostmaster;
 - ii. an assessment of points of disagreement between Post Office and that Subpostmaster;
 - iii. where there is disagreement, a logical and fully evidenced opinion on the merits of that Subpostmaster's complaint where it is possible to do so;
 - iv. a summary of any points on which it is not possible to offer a fully evidenced opinion due to a lack of evidence/information;
 - v. a view on whether a case is suitable for mediation; and
 - vi. assisting with any reasonable requests made by the Working Group and/or Post Office.

1.4. Second Sight has been provided with the following documents:

- a) the Initial Application to the mediation scheme submitted by the Applicant;
- b) the Case Questionnaire Response ('CQR') submitted by the Applicant's Professional Advisor; and
- c) Post Office's Investigation Report ('POIR'), prepared in response to the above mentioned documents.

1.5. The following are the issues raised by the Applicant:

- a) responsibility for direct losses that total £59,216.43;
- b) adequacy of training and support, including Helpline and Audit;
- c) limitations in the Audit Trail available to Subpostmasters;
- d) Post Office's Investigations and Prosecutions processes; and
- e) other consequential losses, not dealt with in this report, but which may be raised if the case progresses to mediation.

1.6. This report focuses on the net losses of £59,216.43. Other issues, not all of which are dealt with in detail in this report because we could not find a causative link to the financial loss, may however be relevant to the mediation process.

1.7. The Applicant was appointed as temporary Subpostmistress of the North Bransholme branch on 27 May 2004. She was contracted to fulfil the role on a permanent basis from 1 January 2006 until her suspension on 31 May 2006. She had previous experience, dating back to 1994, as a counter clerk working in Post Office branches owned by United News.

1.8. The branch is located within a general store which is owned and operated by a third party, from whom the Applicant leased the space required to run the branch. She inherited four experienced cashiers from the previous Subpostmaster upon taking over the branch.

1.9. The Applicant reports that the first sign of problems came in 2005 when one of the cashiers discovered that they were £1,500 short of cash during a weekly balance. She says that she assumed that the Horizon derived figure was correct and ordered the cashier to make good the shortage. The practice of holding cashiers individually accountable for cash shortfalls had been adopted by the previous Subpostmaster.

1.10. In June 2005 the branch abolished individual stock unit balancing, moving instead to shared stock units. This was implemented because one of the members of staff was on sick leave and this made balancing more convenient in the now short-staffed branch. At this point balances were still carried out weekly.

1.11. When they later implemented monthly balancing, the shortfalls in the branch accounts began to escalate. When balancing in January 2006, a £7,000 shortfall appeared, according to the Applicant. She says that she decided to hide the loss by transferring it to another stock unit. She states that she knew that this was not the correct practice but did so under the impression that the shortfall would correct itself. However, she said that, instead of correcting itself, the shortfall doubled to £14,000 the next month and increased again to £21,000 the month after that.

- 1.12. The losses at the branch continued to grow until, on 30 May 2006, Post Office carried out a cash verification visit triggered by concerns about the volume of cash that the branch had been requesting. A cash shortfall of approximately £54,000 was identified during the visit and the Applicant was suspended immediately. An Audit, carried out the following day, revealed that there was a cash and stock shortfall of £59,216.43 at the branch.
- 1.13. Post Office's investigation team interviewed the Applicant and she admitted covering up losses by manipulating the branch's figures and permitting one of her staff members to do the same. She was charged with one count of theft and one count of false accounting.
- 1.14. At Hull Crown Court, the Applicant pleaded not guilty to theft but guilty to false accounting. The prosecution accepted the not guilty plea and dropped the theft charge. The Applicant received a nine month custodial sentence for false accounting of which she served around five and a half weeks in prison and the remainder under curfew enforced by an electronic tag. The court also imposed a Confiscation Order in the sum of £59,216.43.

2. Points of common ground between the Applicant and Post Office

- 2.1. It is common ground that the Applicant failed to follow proper security procedures in relation to the handling of cash in the branch and that daily cash declarations were not made at the branch as they should have been.
- 2.2. It is also undisputed that monthly balancing was introduced in January 2006.
- 2.3. It is also agreed that the Applicant manipulated the cash on hand figure to match the Horizon-derived figure in order to cover up the branch's losses and that these losses totalled £59,216.43, as identified by the Audit carried out on 31 May 2006.

3. Points of disagreement between Post Office and the Subpostmaster

- 3.1. The Applicant asserts that the losses were caused by a fault in Horizon that occurred with the introduction of monthly balancing. Post Office notes that no faults related to Horizon were mentioned during her tenure or at the investigative interview and that, instead, the Applicant stated that she suspected a member of staff of stealing the money.
- 3.2. There is disagreement on whether the training and support provided by Post Office to the Applicant in this case was adequate.
- 3.3. The Applicant claims that Post Office failed to properly investigate the cause of the shortfalls. Post Office reports that the investigations would have been unable to identify when and where the shortfalls arose due to the fact that the Applicant had manipulated the accounts.

4. Where there is disagreement, a logical and fully evidenced opinion on the merits of that Subpostmaster's complaint where it is possible to do so

- 4.1. In regard to training and support, the Applicant reports that she received what she considered to be inadequate support from Post Office, stating that *"we were left very much to our own devices"*. She complains that the visits that she received from her Regional Managers focused on making sure the branch was clean and tidy and that correct literature was displayed rather than giving further training on the technical aspects of running the branch.
- 4.2. Post Office asserts that the purpose of visits from Retail Line Managers or Rural Support Managers is to check on the *"day to day operation"* of the branch and that Horizon related technical issues are not within their remit. It reports that there is no record of the Applicant requesting further training or assistance in relation to balancing. Post Office states that the NBSC call logs show that the Applicant made 116 calls between January 2004 and May 2006 requesting transactional or procedural guidance and that appropriate advice was given in these circumstances.
- 4.3. The Applicant argues that the cause of the losses was not investigated and that the Horizon system was never considered as a potential culprit. In her CQR, she states that *"I think the Post Office investigators automatically assumed guilt"* and goes on to say that *"I strongly feel during the interviews that the investigators were aware of my divorce settlement and assumed that I had taken the money from the Post Office to pay off my husband, which is simply not the case"*.
- 4.4. Post Office refutes this, reporting that *"there is no mention in any of the three summaries of the tape recorded interview that suggests the investigators were even aware of the Applicant's personal circumstances"*. It argues that the taped interview focuses on the circumstances surrounding the losses. They note that an investigation would have involved analysis of the branch accounts and accounting processes, but investigators would have been unable to identify when and how shortfalls arose due to the fact that the accounts had been falsified.
- 4.5. From our own analysis of the interview notes (Post Office Documents 003 and 010), we have found no mention of the Applicant's personal circumstances regarding her divorce. An accusation of theft was put to her directly, to which she answered *"no"*. Long periods of the interview were spent on questions surrounding a member of the Applicant's staff, who she said she suspected had stolen the money. Despite this, the interviewers do not appear to accept this as a possibility, stating that *"you have offered no explanation as to where that money's gone"*. It is unclear whether or not the investigators made any further enquiries regarding the staff member in question. During the course of the interview, neither the Applicant nor the interviewers raised Horizon as a potential cause of the losses.
- 4.6. It appears that Post Office's investigators concluded that the Applicant had stolen the money and it then pursued a prosecution for theft against her. It is unclear what evidence this conclusion and theft charge was based on. The Applicant mentions that her bank records were checked but says that nothing untoward was found. The evidence against her was never fully tested in court as the theft charge was dropped when she remained adamant that she had not

stolen any money and maintained her not guilty plea, though she did plead guilty to false accounting.

5. A summary of any points on which it is not possible to offer a fully evidenced opinion due to a lack of evidence/information

- 5.1. In her CQR, the Applicant states that *"the losses showed up as a result of faults in the Horizon system rather than as a result of any action that I might have taken"*. She suggests that there is a causative link between the switch from weekly to monthly balancing and the losses, saying *"the problems I encountered with the Horizon system happened after the change of the weekly to the monthly Audit"*.
- 5.2. Post Office does not offer its own explanation of how the losses were caused due to the lack of accurate accounting records, which, had they not been manipulated by the Applicant and her employee, might have enabled both parties to form a view on how the shortages arose. It notes that the figures stated by the Applicant in her CQR (the £7,000 shortfall in January 2006, £14,000 in February and so forth) do not correlate with the figures she mentioned during the interview with its investigators. It also notes that, during this interview, the Applicant made clear that she suspected that one of her members of staff might have stolen the money.
- 5.3. Post Office reports that the Applicant made a number of calls to the National Business Support Centre (NBSC) Helpline during January 2006 and that six of these were transferred to the Horizon Support Desk (HSD), where Horizon-related queries are dealt with. As the HSD records are no longer available for this branch, it is unclear what problems were reported and whether they were resolved. One call could be identified, from the NBSC logs, as being related to a printer issue.
- 5.4. In the absence of any better evidence of specific transactions that might have generated the losses, we are unable to reach a firm opinion on what the real underlying root cause(s) of the losses in the branch were. The onset of the losses does appear to correlate with the introduction of monthly balancing procedures, but this is not indicative of any specific fault in Horizon and may be a coincidence.
- 5.5. We cannot rule out the possibility of theft by a member of the Applicant's staff as the switch from individual stock units to shared stock units, the change to monthly balancing and the fact that daily cash declarations were not being carried out presented the ideal opportunity for theft to take place without individual culpability. Security processes at the branch had become lax due to the fact that they were short-staffed and members of staff had unsupervised access to the safe. The staff member that the Applicant suspected of theft had keys to the branch. The staff member in question returned from sick leave in December 2005 and the losses started appearing the next month. The Applicant mentions, during the investigative interview, that there were several instances where customers had complained about being short-changed by the staff member for £100 each time. We are unable to verify this as it was not documented at the time.

- 5.6. The Applicant complains that the training she was given, when Horizon was implemented, was, in her opinion, inadequate, stating that *"I do not think that the training was detailed, it was far more to do with how to process transactions rather than what to do if you thought there was an error or problem in the system"*.
- 5.7. Post Office states that the appropriate level of training required would have been agreed with the Applicant during the appointment process. It reports that training records are, however, no longer available for this branch, therefore it is unable to verify what level of training was delivered. It notes that the Applicant had a number of years experience using the Horizon system prior to her appointment as Subpostmistress and that, in an interview with Post Office's security team, she described herself as *"an expert on the use of Horizon"*.
- 5.8. Due to the lack of records, we are unable to arrive at a fully evidenced conclusion as to the adequacy of the Applicant's Horizon training. From what the Applicant has described, it appears that the only training she received was in reference to processing transactions, which would have been adequate at the time given she was working as a counter clerk and she may well have considered herself to be an expert at that type of work. However, she had no experience in managing the accounts for an entire branch or being responsible for the investigation of discrepancies and accounting for losses. Therefore, she may well have needed training in balancing procedures and in identifying the cause of shortfalls prior to being promoted to the level of Subpostmistress. We suspect, though there is no evidence to substantiate this, that she received no such further training. We have, however, reached the conclusion that it is unlikely that training inadequacies are the key issue in this case.
- 5.9. What we have concluded as being the key issue, and the root cause of the losses arising in this branch, is that the Applicant had allowed her staff member full and unsupervised access to the branch and to the safe in order to ensure that the branch was opened on time, and every day, since she was unable to always arrive on time and anyway only worked there part-time. This opportunity to access all of the cash, coupled with the move to monthly balancing and shared stock units presented that employee with a perfect opportunity to commit theft.
- 5.10. It is extremely disappointing that the possibility that one of the branch's employees might have stolen substantial funds, perhaps all of the missing £59,216.43, does not appear to have been thoroughly investigated at the time. The inference, given that Post Office instigated a theft charge against the Applicant, which it dropped before the trial when the Applicant pleaded not guilty to that theft charge but guilty to the false accounting one, is that its investigators had obtained sufficient evidence of the Applicant's guilt (of theft) but we have not yet seen that evidence. This is because, as a matter of policy, Post Office will not allow us access to the relevant legal files.
- 5.11. In attempting to establish the real cause of the loss, we were unable to dismiss the possibility that the money was stolen, not by the Applicant, but by her employee. Given that the Applicant received a custodial sentence, and was ordered to repay the £59,216.43, it is clear that the court determined that she had not only committed false accounting (which she had done) but also that she was responsible for repaying the missing funds.

6. Is this case suitable for mediation?

6.1. In our opinion this case is suitable for mediation, not least because it will offer both parties the opportunity to reach closure on the matter of how the losses arose. The following issues should also be considered:

- a) whether Post Office, the Applicant or another party is responsible in part or in whole for causing the losses of £59,216.43; and
- b) whether the investigation carried out by Post Office was sufficiently objective in attempting to find the cause of the losses and whether the possibility that the Applicant's employee had stolen the money was adequately investigated prior to the Applicant being charged with theft.