

From: Emanuel, Catherine [GRO]
Sent: Wed 18/09/2019 5:06:44 PM (UTC)
To: ben.foat [GRO]
Subject: Confidential Matter (Project Sydney)

Strictly privileged and confidential

Ben,

Summary of emails below, as requested. I do not think this necessarily concludes the investigation, but very happy to look more closely into it.

Kind regards
Kate

Branch: Little Milton

Background

- From a Google search it appears that the branch is operated as part of a community shop operated by both paid staff and volunteers (link).
- The SPM appears to be Kevin Hunt - the chairman of the community shop. Branch assistants include Alison Shelton and Julie Passmore.

Summary

- Kim Abbotts (Post Office's Head of Branch and Customer Support Centre) observed in an email to Al Cameron that the branch seemed to be "in a bit of a mess re balancing and stock accounting".
- Over time the branch has had both gains and losses. Most recently, in July 2019, a £4,071.27 shortfall appears to have been paid (this being £1,860.20 by cheque and £2,211.07 by DFR instalments (we note, however, this is detailed in the financial account details as an amount still owing as at 5 July)). We assume that this is the £3-4k referred to in Al's original email. The overall net effect on the balance at the branch is unclear. As at 25 July 2019 the branch was £800 up.
- There appear to be three key events:
 1. 9 January 2019: an audit showed a £3,388.61 shortage at the branch;
 2. 18 April 2019: a £3,000 cash pouch was delivered to the branch but not scanned and remmed into Horizon. Post Office issued a debit transaction correction of £3,000 on 5 June 2019 to correct the branch's failure to rem the amount into Horizon; and
 3. 25 July 2019: an audit showed a £833.52 gain at the branch. This was paid to the branch by Post Office.
- The emails do not attach copies of Post Office's audit reports which we expect would set out Post Office's thinking on how these discrepancies might have arisen. It would be helpful to get these (we know Al requested and was given at least 1). Based on HSF's review of the emails alone, this would seem to be a poorly run Branch which has struggled with processes - specifically those relating to stock and cash - with the result that transactions/stock are not being correctly recorded on Horizon. Various errors recording stock have been detected and corrected over time. Extra training has been provided and Post Office is "keeping an eye" on the branch.
- The emails do not reach any formal overall conclusions as a result of this investigation, set out a recommended way forward or describe how the results of the investigation were communicated to the branch. There is also no mention of any decision-making around suspension (a matter which Al raised, albeit more generically, in his original email). It may be that these are in other papers or the investigator is awaiting feedback from you before reaching any final views. Either way, some bullet point recommendations for consideration would be helpful.

Issues identified

Cash pouch

- On 18 April 2019 a cash pouch (£3,000) delivered to branch but not remmed into Horizon.
- The branch made two cash declarations at 15:13 and 15:14 of £4,068.51 which produced a variance +£5,228.67.

- The branch made a further two cash declarations at 15:16 and 15:19 of £1,068.51 which produced a variance of +£2,288.67 (i.e. exactly £3,000 less than at 15:14).
- It is unclear why the further declarations were made as no recorded transactions were completed of/around £3,000 in this period.
- The final cash declaration on 18 April 2019 showed a variance +£2,535.12. The previous day's final cash declaration showed a loss a variance of -£611.33. The difference between the two days is £3,146.45.
- On 9 May 2019, Post Office's Cash Team wrote to the branch requesting that they enter the cash received on 18 April 2019 onto Horizon.
- The branch did not comply with the 9 May 2019 request and a debit transaction correction of £3,000 was issued on 5 June 2019.
- Al Cameron suggested that, as a result of the transaction correction, PO should find an extra £3,000 in the till (i.e. unless the cash had been mislaid or stolen). As it happened, the audit showed the branch to be up overall (with a £36.36 cash shortage and a £869.88 gain in stock).
- The emails do not offer an explanation for what happened but, reading between the lines, it could be that on 18 April attempts had been made to rem in the cash incorrectly (with stock issues account for the remaining discrepancies).

Audits

- The branch has been audited three times since September 2018:
 - o 14 September 2018: showed a £168.88 gain;
 - o 9 January 2019: showed a £3,388.61 shortage; and
 - o 25 July 2019: showed a £833.52 gain (this being a £36.36 cash shortage and a £869.88 gain in stock).
- We have not received the audit reports. Kim Abbotts in her email to Al Cameron of 12 July 2019, refers to sending the January 2019 audit report to Al Cameron.

Calls to NBSC (Network Business Support Centre)

- Since August 2018, 62 calls have been made to the NBSC "concerning a variety of matters".
- The emails do not include the underlying call records so we do not know what particular issues were raised.

Branch Trading Statements

- Branch Trading Statements are seldom completed on time:
 - o This point was raised as an issue during the January 2019 Audit and the branch has received subsequent telephone calls relating to this issue.
 - o The Branch Trading Statements falling due in February, March, April and May were not completed until 5 June 2019.
 - o Further, Branch Trading Statements falling due in June and July remained outstanding as at 12 July 2019.
 - o Only Branch Trading Statements for the last six months have been reviewed. Further logs for the period prior to this period would need to be requested from Fujitsu.

Cash declaration performance

- The rate of cash declarations dipped to 60% in November 2018 and did not recover until February 2019. Subsequently the cash declaration performance rate has been 100%.

Stock

- There appear to have been numerous issues with stock at the branch:
 - o During the January 2019 audit "stock issues" were corrected.
 - o Kim Abbotts (Head of Branch and Customer Support Centre) noted that stock is not remmed in correctly.

Instead, they seem to adjust the stamps in or do sales reversals (which should give them a gain for the corresponding value each time they do this). Kim Abbotts suggested that this has been going on to some extent since Summer 2018.

- o During the July 2019 Audit, the stock team confirmed that some stock had been remmed in twice. These figures were remmed out by the auditor creating the £869.88 gain on the stock (there was also a £36.36 cash shortage - see above).

Timeline

<u>Date</u>	<u>Event</u>	<u>Source</u>
14 September 2018	Branch audit showed a £168.88 gain.	2 nd Email
11 October 2018	FSC (Financial Services Centre) account showed a £1,008.66 gain.	2 nd Email
9 January 2019	Branch audit showed a £3,388.61 shortage. Auditor corrected "stock issues" in branch.	2 nd Email
6 February 2019	Branch trading statement due but not completed until 5 June 2019.	2 nd Email
3 March 2019	Branch trading statement due but not completed until 5 June 2019.	2 nd Email
10 April 2019	Branch trading statement due but not completed until 5 June 2019.	2 nd Email
18 April 2019	£3,000 cash delivered to branch (8:30). Signed for by Alison Shelton (the manager of the Little Milton shop) but amount unclear from receipt. The pouch was not remmed into Horizon. First cash declaration of £4,068.51 entered at both 15:13 & 15:14 (note email records wrong time of 14:13) – variance of +£5228.67 Second cash declaration of £1,068.51 entered at both 15:16 & 15:19 (note email records wrong time of 14:15) – variance of +£2,288.67. It is unclear why the second cash declaration reduced by £3,000 as no transactions completed of/around £3,000 in this period. Final cash declaration showed a gain of £2,535.12 (previous day's final cash declaration showed a loss of £611.33) – a difference of £3,146.45. The gain seems to whittle away until 5 June when branch is rolled over.	1 st Email 4 th Email 5 th Email
29 April 2019	FSC (Financial Services Centre) account showed a gain of £1,139.80 settled centrally when the stock unit was rolled (note branch trading statement was not completed until 5 June 2019)	4 th Email
9 May 2019	Cash Team sent letter sent to branch requesting that the funds received on 18 April 2019 (£3,000) be entered onto Horizon. A transaction correction was not issued at this point.	4 th Email

15 May 2019	Branch trading statement due but not completed until 5 June 2019.	2 nd Email
5 June 2019	A debit transaction correction of £3,000 was issued as figure was not entered onto Horizon as <i>per</i> the 9 May 2019 request (above). Branch trading statement completed (first one since April 2019). Showed a net shortage of £283.52.	1 st Email 2 nd Email 4 th Email
12 June 2019	Branch trading statement due but not completed as of 12 July 2019.	2 nd Email
4 July 2019	£1,860.20 (cheque) paid by branch to Post Office. An additional £2,211.07 appears to have been paid by branch to Post Office by DFR instalments (we note, however, this is detailed in the financial account details as an amount still owing).	2 nd Email
10 July 2019	Branch trading statement due but not completed as of 12 July 2019.	2 nd Email
25 July 2019	Branch audit Showed a £833.52 gain (this being a £36.36 cash shortage and a £869.88 gain in stock). The gain seems to be due to the branch incorrectly remming in their stock. The surplus amount was paid to branch by Post Office. Training Junaid [trainer?] reportedly "spotted issues" with rem pouches. Training provided to all the staff present focussing on the "problem areas": Branch Trading, Stock Management Processes and Cash pouch processes. Specifically, one of the issues related to an error with the labels for Rem pouches. Training resources also left at branch. Alison in Branch Analysis Team requested to "keep an eye" on the branch particularly around stock processes and completing monthly Branch Trading Statement to timescales.	1 st Email 5 th Email

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