

Post Office Mediation Scheme

DRAFT

Second Sight - Case Review Report

Case Reference: M087

Applicant: Rubbina SHAHEEN

Advisor: Maheeb Chatur

18 November 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 £43,269.10;
- b) transaction anomalies associated with:
 - I. Transactions seemingly altered by persons other than the Subpostmistress or her staff
 - II. Cash or Stock Remittances (REMs)
- c) adequacy of training and support, including Helpline and Audit;
- d) limitations in the Audit Trail available to Subpostmasters;
- e) the contract between Post Office and its Subpostmasters;
- f) Post Office's Investigations and Prosecutions processes; and
- g) other consequential losses, not dealt with in this report, but which may be raised if the case progresses to mediation.

1.6. Given that the main issue here is financial loss, this report focuses primarily on the overall direct loss of £43,269.10. 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 main drivers of the losses are alleged by the Applicant to relate to cash remittances and inadequate training and support.

1.8. The Applicant was in post as Subpostmistress of the Greenfield branch from 24 August 2006 until her suspension on 3 September 2009, following an Audit that identified a discrepancy of £43,269.10, predominantly made up of a shortage in the cash on hand. The branch was audited following complaints that it had run out of cash on several occasions.

1.9. A criminal prosecution ensued, and following a plea of guilty to false accounting, the Applicant was sentenced to 12 months' imprisonment.

1.10. Post Office says that the outstanding debt amounts to £47,097.22, which includes a £3,520.12 loss settled centrally on 6 August 2009, and three further errors totalling £308.00, identified after the Applicant's contract had been terminated.

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

- 2.1. It is common ground that an Audit of the Applicant's branch revealed a shortfall of £43,269.10, and that the Applicant pleaded guilty to false accounting, receiving a sentence of 12 months' imprisonment.
- 2.2. It is also common ground that the Applicant had experienced discrepancies in her branch accounts in late 2007, which resulted in her making good a shortfall of £8,371.94 through her monthly remuneration.

3. Points of disagreement between Post Office and the Subpostmistress

- 3.1. The Applicant believes that a fault in the Horizon system meant that the computer generated remmed-in figures, in relation to cash remittances, *"were different and higher than the amount of physical cash received"*.
- 3.2. The Applicant asserts that she thinks that it must have been possible for third parties to access the Horizon system and alter the remittance data.
- 3.3. There is disagreement as to whether the training and support provided by Post Office to the Applicant was adequate.
- 3.4. The Applicant says that she was not provided with detailed transaction audit trails to show her how the differences leading to the shortfalls in 2007 and 2009 had arisen.
- 3.5. Instead of receiving the help she requested to find the differences, the Applicant says that she was suspended, her Contract was terminated, and the branch was closed.
- 3.6. She says that there was no investigation into her complaints that the Horizon system was at fault, and that the police should have been asked to investigate independently.
- 3.7. Post Office says that its criminal investigation found no evidence to support the Applicant's explanation for the shortfall discovered by the Audit, and concludes it is *"likely that the shortfalls incurred by the Applicant were caused by human error"*.
- 3.8. Whilst the Applicant admits that she falsified the figures, she denies misappropriating Post Office funds and says that she is *"convinced that the differences and the money missing have been, and are still within the Post Office systems"*.

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. The Applicant says that when the auditor arrived on 3 September 2009, she told him that she had informed Post Office in July 2009 that she was holding less cash than that which Post Office

expected her to have. She says she showed the auditor the cash remmed-in figures, which she believed to be the cause of the difference in the cash on hand figures.

- 4.2. In her written submission appealing against the termination of her contract, the Applicant cited nine examples of occasions when she says that the value of cash remittances she received matched the amount of cash actually received on the day of the deliveries, but the figure on the trial balance sheet was different to the remmed in sheet and the cash received.
- 4.3. In answer to this, Post Office says that cash pouches contain an advice note, which can be checked against the report which is automatically generated by scanning the pouch, and that if there was a discrepancy between the two, the Applicant should have contacted the Network Business Support Centre (NBSC). It adds that there were no Transaction Corrections (TCs) issued as a result of the Finance Service Centre (FSC) having detected cash remittance errors made by the branch.
- 4.4. Post Office also says that its criminal investigation showed that the Applicant had not included some stock and foreign currency remittances in the list of figures she used to challenge the shortfall at the time. It says that, during a security interview on 13 October 2009, the Applicant was shown evidence that she had signed for remittances, with an approximate value of £28,000, that did not appear on a table produced by her at the first interview.
- 4.5. Post Office adds that it is clear from the interview that the Applicant was unaware that the figure on the trial balance included other remittances received by the branch over a four or five week period, such as bags of coins and the sterling value of foreign currency.
- 4.6. Other than the conclusion that the Applicant had not included those other remittances, Post Office does not appear to offer an opinion as to the cause of the shortfall. We have been unable to ascertain the cause of the shortfall, not least because we have been unable to verify the Applicant's complaints that she had received less cash than she had remmed into Horizon. We cannot therefore support her claim that those incoming Rems were the principal cause of her branch's shortfalls.
- 4.7. Post Office says that the losses reported by the Applicant were, in all probability, caused by the Applicant's operational errors. Post Office refers to an intervention visit on 11 October 2007 during which the trainer found a difference of £24,216.32, which after he had detected and corrected errors made by branch staff, was reduced to £8,371.94. This was then centrally settled by the Applicant and repaid through her monthly remuneration. Post Office says that this discrepancy was the cumulative result of a series of discrepancies, and that in excess of £14,000 of the amount was "*caused by stock figures that the Applicant had incorrectly entered onto Horizon*".
- 4.8. Post Office says that the Applicant "*experienced significant discrepancies throughout the first year of her tenure, with large losses and gains being settled centrally almost every month*", and that the Applicant was prone to making errors in the way she operated Horizon. The Post Office employee who undertook the intervention visit noted that the Applicant was "*very careless*

when entering things onto the Horizon system and that some of the errors were so obvious that they should have easily been spotted by the Applicant”.

- 4.9. The Applicant asserts that the training provided to her by Post Office was not sufficient. The POIR concludes that the Applicant received the standard training package plus additional balancing support. We have seen no evidence that the Applicant was offered or provided with further training, despite the necessity of the intervention in 2007. However, it would appear, from the number of errors that the Applicant was making from the beginning of her appointment and which continued until the time of her suspension, that whatever training she received would not have prevented her from making careless mistakes. Indeed, the POIR notes that *“the Applicant continued to create the same issues in accounting for stock, despite the intervention visit and earlier problems”.*
- 4.10. The Applicant says that Post Office was aware that she needed assistance and support, and that she was expecting the ‘Post Office Management Team’ to go to the branch to assist her to explain and find the differences in the cash. She appears to have been expecting this because of the very helpful October 2007 intervention visit, when £16,000 worth of errors were found, thus reducing the amount she was liable to make good.
- 4.11. The Applicant telephoned the Network Business Support Centre (NBSC) on 3 August 2009 to report a discrepancy and request further assistance. As a result of the call, Post Office says that the Network Support Area (NSA) were informed, but that there is no record of what, if any, action was taken. It adds however that the Contracts Advisor and Post Office Security Team were informed, which suggests that the matter had progressed to an investigation into the Applicant’s contract and potential criminal responsibility, as opposed to being a response to the Applicant’s calls for assistance in tracing the causes of anomalies.
- 4.12. Post Office says it is not able to now investigate the Applicant’s claims that she reported the cash shortfall and asked for assistance sometime in July 2009 (before the Audit) because *“requests for cash are made to the Cash Management Team and [those] calls were not recorded in 2009”.*
- 4.13. Post Office concludes that the available evidence shows that the Applicant raised an issue regarding remittances in August 2009, which it suggests is five months after she began to falsify her accounts, and that there is no record that she informed Post Office that she was incurring losses during this time. Post Office adds that the Applicant’s plea of guilty to false accounting *“contradicts the Applicant’s claim that she made Post Office aware of shortfalls and requested help”.* On this point the Applicant says *“Since I could not find any reason for the missing monies, except what I discovered in the remmed-in figures, I put the whole amount as a balancing figure. I expected [Post Office] to send in somebody to immediately help and investigate the differences”.* In relation to her plea of guilty, she says she did that in an attempt to receive a reduced, or suspended, sentence.
- 4.14. The Applicant says that the differences she experienced, and made good in 2007, and the result of the 2009 Audit, were never explained to her, nor was she provided with a breakdown

or transactional audit trail. She says that Post Office assumed that the shortage was attributable to missing cash, and that she had misappropriated the funds, whereas it was, in her view, just a 'reconciliation difference'.

- 4.15. Post Office responds that the Applicant was provided with a report in a letter dated 10 September 2009 (Post Office Document 015 refers). That report, which breaks down the total amount of the shortfall, does not explain how the losses occurred for the simple reason that Post Office had not established how they had arisen, though the Applicant seems to have expected Post Office to have done so.
- 4.16. In regard to the Applicant's expectations of answers from the Helpline, and of practical on-site help from Post Office's Investigations team, to help her find out how discrepancies had arisen, it is clear to us that, as in other cases that we have reviewed, this Applicant had an expectation that the Helpline would be able to tell her how discrepancies had arisen and perhaps also that she could call for experienced investigators to come to her branch and help her to isolate and correct them. It is also clear that the Applicant felt, at the time, that she had a right to call for on-site investigative support from Post Office. However, the Standard Contract denies Subpostmasters such support.
- 4.17. Post Office says that shortfalls incurred by the Applicant were caused by human error, and in relation to the Applicant's requests for assistance in tracing the cause, say that *"It would be extremely difficult for Post Office to identify transactions which contributed to the shortfall because the nature of certain operational errors is such that they involve incorrect data being entered onto Horizon and as such errors can only usually be identified by the Horizon user or the customer. Further, cash handling errors and acts of theft cannot be identified on a review of transaction records"*.
- 4.18. It would appear that the Applicant also experienced extreme difficulty in tracing the cause of the branch's shortfalls, which were probably caused by human error, and exacerbated by her apparent lack of understanding of Horizon accounting (and end of Trading Period) procedures. We have been told by other Applicants that their initial training was not sufficient to enable them to trace and deal with discrepancies, and that it was their understanding that, in order to be able to enter transactions the next day, they had to 'roll over' into the next Trading Period.
- 4.19. Whilst it is true that a branch could only roll over into the next Trading Period when the prior one had been closed out (with the books in balance), it was a commonly-held misunderstanding that the Trading Period had to be rolled over on the allotted day. In reality, it was and still is possible to extend a Trading Period, without rolling over into the next one and, by doing that, the branch could continue entering transactions into the Trading Period that should have just ended. Not realising that this option was open to them, some Subpostmasters, including this one, seem to have felt compelled to alter their figures (i.e. potentially committing the criminal offence of false accounting) in order to open up their branch the following day.

- 4.20. The Applicant says that her Contract was terminated, with no real investigation into the cause of the shortfall, and that Post Office *"assumed wrongly that their system accounting differences were in fact money which was missing or stolen by me"*. She says Post Office *"should never have initiated any proceedings let alone criminal proceedings, without a detailed and a thorough investigation"*.
- 4.21. Post Office responds by saying that criminal proceedings were initiated following an investigation, which found no evidence to support the Applicant's explanations for the shortfall. It adds that the Applicant admitted to having inflated the cash figures to cover up shortfalls in the accounts.
- 4.22. The Applicant inflated the branch's cash on hand figures in order to conceal discrepancies. Our understanding of Post Office's position is that false accounting can exacerbate losses, by delaying their detection, investigation, mitigation and correction. Whilst we concur with that position, we observe that false accounting cannot itself be the initial cause of any loss.
- 4.23. It is clear from Post Office's Document 011, that the Applicant was making errors, and that they were very difficult to trace, the more so because of the Applicant's false accounting. The 2007 intervention visit referred to in that document found more than £16,000 worth of errors that the Applicant had made, reducing the figure she was responsible for making good from £24,000 to £8,000. The intervention officer said: *"The huge list of misbalances meant I could only look at a small part of the work done. As a result I focussed on the largest loss £18,000. As can be seen above I have hopefully found the causes of this one. To do the job properly it will need someone who has the time to wade back through twelve months worth of work..."* It is clear that the Applicant holds the view that Post Office could, if it had persevered, found other errors that would have further reduced the £43,000 figure that she was expected to make good. It is however clear that, contractually, the Applicant had no right to call for such on-site investigative support.

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. The Applicant raises the question as to whether it is possible for third parties to access and change Horizon data in relation to the cash pouches. Post Office says that: *"While accessing branch data is an important part of Post Office's ability to monitor activity in a branch and is critical to it spotting errors that need to be rectified, Post Office issues Transaction Corrections to do this and a branch has the opportunity to accept or challenge Transaction Corrections"*. Post Office does not, in its POIR, deny that it has the ability to change branch data as suggested by this Applicant, although it has done so in its responses to other CQRs.
- 5.2. Post Office has rejected the Applicant's assertion that the system itself somehow caused the losses, concluding that the losses reported were due to human error. While we find this argument reasonably compelling, we have been unable, as has Post Office, to identify those specific *"human errors"* that generated the branch's remaining losses. It follows that we have been unable to reach a firm opinion as to the real underlying root cause(s) of the losses that

this branch suffered, so we can only refer here to the possibility that errors made at the counter or in the branch's balancing processes, such as those outlined in our Briefing Report - Part Two, could have generated some of those losses.

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 achieve resolution on the matter of the Applicant's perception that Post Office provided inadequate training, support and assistance and inadequately investigated the root causes of the shortfall that led to her prosecution and the termination of her contract. The following issue should also be considered:

- a) whether Post Office or the Applicant is responsible in part or in whole for the losses made good by the Applicant of £43,269.10.