

**Initial Complaint Review and Mediation Scheme
Post Office Preliminary Investigation Report**

Branch Name:	Ibstock	Branch Code:	223217	Case Number:	M051
Applicant Name:	Mr Michael Rudkin	Status of Case:	Mediation Application	Date of Appointment:	25 October 2000

Executive summary

The Applicant was Subpostmaster of Ibstock Post Office from 25 October 2000 until his precautionary suspension on 20 August 2008 following an audit which revealed a discrepancy of £43,894.15. The Applicant was subsequently reinstated on 12 November 2008 but was then precautionary suspended for a second time following another audit which was conducted on 29 January 2010 which revealed a discrepancy of £6,582.17. The Applicant's contract for services was terminated by Post Office on 24 March 2010 with an effective date of 29 January 2010.

Complaint

The Applicant asserts that:

- (1) He received no training whatsoever;
- (2) Horizon could be accessed remotely by Post Office without his knowledge or consent;
- (3) Horizon became "*defective which caused errors*";
- (4) The Network Business Support Centre (NBSC) failed to address issues raised;
- (5) There were limitations in the transaction audit trail available to sub-postmasters; and
- (6) Audits were not conducted correctly.

Summary of key matters

The history of the audits at the Applicant's branch gives clear insight into this case.

An audit of the branch was conducted on 7 December 2006 and found only a minor shortage of £94.34.

On 20 August 2008, another audit at the branch revealed a shortage of £43,894.15. Subsequently, the Applicant's wife, who in her own words was "*totally in charge*" of the branch (along with the retail business which operated from the same premises and the sorting office), admitted during an interview conducted on 20 August 2008 that she removed Post Office cash and paid it into her Lloyds TSB Business Account to "*pay for Shop bills, wage bills and household bills*". The Applicant's wife stated in a taped interview under caution that her removing Post Office cash started as a result of her being unable to make discrepancies good and when she did make good some of the discrepancies, she would be short for bills and would then take Post Office cash in the hope of paying it back from her retail takings. In her interview the Applicant's wife stated that "*the business as a whole and the staff, the overheads and the business have not been really doing what it should be doing*". The Applicant also stated that "*she alone was responsible and no-one else had any knowledge of the theft*" (Doc 001 refers).

The Applicant's wife subsequently pleaded guilty to theft and was convicted. A plea of guilty to a charge entails a complete admission of the offence to which the plea is entered.

The Applicant was involved in GRO. He was frequently absent on business and was unaware that his wife had been encountering balancing discrepancies at the branch which were revealed at the audit of 20 August 2008. In a letter from the

Applicant to Post Office in January 2009 (Doc 008), the Applicant stated:

"I have thrust upon my wife the burden of trying to keep the business running and a home together. With the benefit of hindsight I may have neglected her, Furthermore little did I know that since the robbery of 2006 she has [REDACTED] all of which I was oblivious to until a member of POL audits pointed it out by which time the damage had been done".

A subsequent audit on 7 July 2009, carried out when the Applicant's wife was no longer working at the branch, revealed a minor shortage of £43.63.

Six months later, on 29 January 2010, a further audit at the branch revealed an initial shortage of £6,582.17, which was later reduced to £232.17 following late production of monies by the Applicant in breach of Post Office procedures. This serious procedural breach led to the Applicant's second suspension and ultimately the termination of his contract following an appeal. (Doc 002)

Conclusion

In respect of the issues raised by the Applicant, it is Post Office's view that:

1. The Applicant had extensive experience of Horizon and Post Office procedures acquired in his own and other branches over a number of years. The balancing data for the period following the Applicant's reinstatement (Doc 015) and the nearly perfect audit result in 2009, when the Applicant was personally running his branch, demonstrate that the Applicant knew how to successfully operate a Post Office branch and must therefore have been adequately trained and supported.
2. The concern that Horizon was being accessed remotely is based on the Applicant's misunderstanding of information he received during a visit to a Post Office data centre. The Post Office employee who conducted this visit has unequivocally confirmed that he did not, and could not, remotely access branch records from the workstations shown to the Applicant which were only a test environment and not connected to the live Horizon system.
3. Even though there were minor equipment issues, these were resolved by either a simple reboot or an engineer visit and did not cause any losses.
4. There is no evidence to suggest that the NBSC failed to address the issues the Applicant raised.
5. At the time of the Applicant's appointment as subpostmaster of Ibstock, subpostmasters could access Horizon reports for 42 days and a transaction log could be produced within this period to identify individual transactions. In addition, the Applicant was required to print off and keep several daily reports and receipts which would have allowed him to investigate specific transactions.
6. Audits by Post Office were conducted in line with standard procedures.

In light of the investigation carried out by Post Office it is clear that the discrepancy revealed by the audit of 20 August 2008 was caused, either entirely or to a significant degree, by theft carried out by the Applicant's wife. The other minor losses are likely to have been caused by simple human error on the part of the Applicant or his assistants. There is no evidence to support the Applicant's assertions that there were failings with Horizon which contributed to the losses at the branch.

The Applicant's complaint

The Applicant's complaint was received by Post Office via Second Sight (application signed and dated 3 September 2013). A letter confirming acceptance to the scheme was sent to the Applicant on 18 October 2013. A further more detailed Case Questionnaire (CQR) was prepared in December 2013 and forwarded to Post Office.

The Applicant has raised many issues including problems with Horizon, concerns over the way Fujitsu operate Horizon from their headquarters in Bracknell as well as accounting issues and concerns over the way audits and subsequent investigations have been carried out.

One issue regarding Fujitsu and the ability to remotely access data at branches has been subject to a Spot Review by Second Sight (Doc 014 refers).

The Applicant claims the following factors are responsible for the branch's discrepancies:

1. He received no training whatsoever;
2. Horizon could be accessed remotely by Post Office without his knowledge or consent;
3. Horizon became "*defective which caused errors*";
4. The Network Business Support Centre (NBSC) failed to address issues raised;
5. There were limitations in the transaction audit trail available to sub-postmasters; and
6. Audits were not conducted correctly.

Further issues raised by the Applicant include Post Office's Audit and Investigation processes (including integrity of audits and invasion of privacy), the Applicant's resignation as a NFSP representative and Magistrate, the introduction of a confiscation order and the fact that he did not sign a contract with Post Office.

Monetary value of claim:

PO Remuneration (17 years)	£ 2,052,239.83
Loss of sale of branch/shop	£ 217,650.00
Loss on sale of coach house	£ 231,000.00*
Funds settled for Post Office Losses	£ 44,089.06
Re-financing due to Confiscation Order	£ 240,000.00
Loss of policy due to premium lapse	£ 83,925.00
Compensation for personal impact	£ 500,000.00

Total claim £3,618,903.89

*In the Applicant's Application Form, he states that he suffered a "*Loss of property £275k*" (page 3). However, in the Applicant's CQR (see page 21), he sets out a loss figure of £231,000 in respect of the financial impact he allegedly suffered in respect of his property (referred to as the "Coach-house"):

<i>"Loss on Sale of Coach-house</i>	
<i>Fire Sale Price</i>	<i>£44,000.00</i>
<i>Market Valuation</i>	<i>£275,000.00</i>
<i>Loss</i>	<i>£231,000"</i>

Although the Applicant claims in his CQR that the "*Fire Sale Price*" of the Coach-House was £44,000.00, documents filed with the Land Registry shows that the Coach House was actually purchased for a price of £100,000 by [REDACTED] GRO – on 11 July 2011 from the Applicant and his wife (Doc 016). It is noted that the Applicant's wife stated during an

interview which was conducted on 1 February 2006 (Doc 004) that she lived in the living area next to the shop (i.e. the [GRO] with her husband [GRO] [GRO] [GRO] [GRO] and [GRO] [GRO] [Emphasis added].

The Applicant also wishes Post Office to:

7. issue an apology to the Applicant and his family;
8. assist Mrs Rudkin in assessing the basis for an appeal against her conviction; and
9. provide assistance to Mr Rudkin to be reinstated as a Justice of the Peace.

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
Record of Audits	X	
Network Business Support Centre Logs (NBSC)	X	
Fujitsu Call Logs	X	
Event/Transaction logs	X	
Transaction Corrections (TC's)	X	
Current Debt Position	X	
Balancing Records	X	
Spot Review Report	X	

The Applicant's main branch was at Ibstock.

The Applicant was also the subpostmaster of the Stairfoot Post Office from 1 June 1995 up until his resignation on 7 July 2004.

The Applicant was also appointed Temporary Subpostmaster at New Lodge Estate Post Office on 8 December 1998. Due to the passage of time there are no records to indicate when the Applicant's period of tenure ceased at this branch. The activities at Ibstock are the focus of the Applicant's complaints and so references to the "branch" throughout this document are to the Ibstock branch unless stated otherwise.

Record of Audits:

6 audits undertaken:

- 22 September 2004 – Audit result £1,528.87(-) (Doc 041 refers) (**£1,200(-) see page 10 regarding £1,200 in the Suspense Account**)
- 5 January 2006 – Robbery Audit Loss (Cash & Stock) - £58,251.80 – Applicant not held responsible for losses (Doc 005 refers).
- 7 December 2006 - Audit result £94.34(-) broken down as £58.24 cash and £36.10(-) stock (Doc 044 refers).
- 20 August 2008 – Suspension Audit - £43,894.15(-) Applicant later reinstated on 12 November 2008

(Docs 019 & 020 refer).

- 7 July 2009 – Audit result £43.63 (-) (Doc 043 refers).
- 29 January 2010 – Audit result £6,582.17(-). Over two hours after the arrival of the auditors to the branch, the Applicant attempted to introduce £3,860 from a paper bag and also introduced funds from the retail side of the branch premises in respect of Lottery takings. Allowing for Lottery, the discrepancy in branch was reduced to £232.17(-) (Doc 011 refers).

The Applicant was suspended after this audit because he had failed to manage the office well, ensure work was performed properly to the satisfaction of Post Office and failed to keep the branch account in the prescribed manner.

Record of NBSC logs: (Doc 007 refers)

1,036 calls made to the NBSC – Between 2000 – 2010

- General Counter enquiries: 606
- Telephone number of requests: 148
- Office Processes: 74
- Horizon Balancing: 66
- Branch Trading: 51
- Performance/compliance query: 30
- Horizon faults: 21
- Complaints: 12
- Logistics: 11
- Stores: 9
- Utilities: 3
- ISDN upgrade: 1
- Local schemes: 4

Fujitsu Call logs: (Doc 022 and 023 refer) (3 Horizon terminals on site)

74 calls received between 2 April 2007 – 1 August 2010 (data held from 2007)

- 4 Keyboard issues
- 6 Base Unit issues
- 11 Pin Pad issues
- 7 Counter printer issues
- 4 Back Office printer issues

- 3 Monitor issues
- 3 Barcode reader issues
- 1 ADSL issues
- 14 System/screen freezes
- 1 Postmaster memory card (PMMC) lost
- 1 One shot password
- 1 Scheduled security update
- 1 No on-line services
- 17 Calls not appropriate to Horizon Service Desk (HSD) – referred to NBSC as not proper to HSD

Horizon Service Desk Calls

As broken down above, 74 calls were made to the Horizon Service Helpdesk over a 3 year period (between 2 April 2007 to 1 August 2010) (in a branch which had 3 Horizon terminals and associated equipment).

Of these calls, 6 directly related to the base units and 14 related to system/screen freeze. On 2 occasions, the base units were replaced and all other issues were resolved by rebooting.

1 call refers to an ADSL telephone line fault as a result of which no on-line services were available. This was resolved by rebooting.

It is Post Office's view that Horizon equipment issues were resolved either by telephone or an engineer visit.

Event logs/Transaction Logs examined (Docs 024-040 refer)

April – May 2007
July - August 2007
October 2007
November 2007
April – May 2008
July –August 2008
October - December 2008
February 2009
April – June 2009

Transaction Corrections (TC): 79 issued between 2 November 2005 – 29 January 2010 (Doc 009 refers).

Explanation of a Transaction Correction (TC)

TCs are issued to branches via Horizon to rectify accounting errors made. They are sent overnight and received in the branch when the user logs on the next morning. The user has the option to accept at that time or postpone until later. Evidence is supplied to support the correction issued, either at the time of issue on Horizon or posted subsequently to the branch. TCs can be disputed if the branch fails to understand the error made or considers they are not proper to them. All TCs have to be accepted before the trading statement can be completed (once every 4 or 5 weeks). The TC generally results in a surplus or shortage in the branch, but can be used to clear amounts held in the suspense account. Depending on the amount involved, the surplus or shortage should be withdrawn or made good but if a large amount is in question the option to settle centrally is given. If an amount is settled centrally, it is transferred to the Financial Service Centre to be resolved at a later date.

Total value Charge TC's - £ 5,412.25
Total value Credit TC's - £ 6,109.01

Current Discrepancy Position

There are no amounts outstanding to Post Office.

Spot Review

The Applicant considers that it was possible to access the branch data remotely.

The Applicant states that "it is his opinion from what he saw [whilst visiting the Fujitsu offices in Bracknell on 19 August 2008 and accompanied by Mr Rolfe] that it was possible for the Post Office to access individual branches Horizon systems and make amendments to the data in relation to that office, thereby possibly affecting the balance at the end of the period" (page 7 of his CQR).

As set out in the Full Spot Review which was conducted in response to the Applicant's concerns (Doc 014), the "basement" that the Applicant refers to "contained a Horizon test environment" which "was not physically connected to the live Horizon environment". The findings of the Full Spot Review are also repeated in the Statement of Martin Rolfe Doc 010).

The Applicant's Financial Position

Following Post Office's audit of the branch on 20 August 2008 which revealed a £43,856.89 loss, enquiries were made into the financial position of the Applicant and his wife. Those enquiries revealed that:

- The Applicant's property (located at 118-120 High Street, Ibstock, LE67 6LJ) had been purchased by the Applicant and his wife for £150,000 in January 2001. The value of the property as at September 2008 was £321,119 according to the Nationwide House Price calculator and there was a £250,000 mortgage outstanding on the property as at September 2008;
- The Applicant had known credit card debts which stood at just over £10,000 as at September 2008; and
- The Applicant's wife had known credit cards debts and a personal loan which stood at just over £27,000 as at September 2008 (Doc 003).

Furthermore, a member of staff at the Ibstock branch reported to Post Office in January 2010 that they were concerned that the Applicant was in financial difficulties as they had seen a letter from a finance company in the branch (Doc 017).

Robbery

A robbery occurred at the Ibstock branch at 5.45pm on 5 January 2006 during which £58,251.80 was stolen. During the course of the investigations into the robbery at the branch it transpired that:

1. The Applicant's wife had opened the locked door of the Post Office whilst the Post Office was closed to the burglars (contrary to the provisions of the Counter Security Manual which states "*Balancing and counting cash at the close of business 'Beware of phone calls or anyone calling at the door on the pretext they have left something behind'*" (Doc 018); and
2. The wires to the security cameras at the branch had been cut.

On 9 March 2006, Post Office wrote to the Applicant and advised him that he was being held responsible for the £58,251.80 loss as he had failed to take sufficient precautions to prevent a robbery (Doc 018). The Applicant subsequently attended an interview on 25 May 2006 wherein he put forward reasons as to why he should not have been held responsible for the £58,251.80 loss. On 25 May 2006, the Applicant was notified

by Post Office that following his interview of 25 May 2006, Post Office had decided that he was liable for the sum of £19,745.00 (Doc 021). A decision was subsequently made by Post Office to reduce the Applicant's responsibility for the robbery loss to zero.(Doc 042)

Response to issues raised by Applicant

The Applicant claims that when he began managing his father's branch at Stairfoot, Barnsley in 1995, he received no training whatsoever and that both he and his wife had to rely on self-study.

Findings

Due to the length of time that has elapsed since the Applicant commenced working at the Stairfoot branch, there are no training records available.

However, the Applicant accepted a temporary position at the New Lodge Estate branch on 8 December 1998 prior to him assisting his father in the Stairfoot branch in 1995 and ultimately being appointed as subpostmaster of Stairfoot in 1995 ahead of being appointed as subpostmaster of Ibstock in 2000.

It is Post Office's view that had the Applicant not been trained to a competent level, his performance and knowledge would have been poor and it would be unlikely that he would have been offered another branch.

The Applicant states that when a new product was launched, the only assistance subpostmasters received was either a booklet or information in a newsletter. The Applicant claims that the booklets or newsletters often contained flowcharts which could not be followed but if a problem did occur it was not covered by the booklet and often the Helpline was unable to assist,

Findings

Whenever a new product or service is launched by Post Office, all branches (circa 11,500) would be sent sufficient training materials with the NBSC as back up.

Calls to the NBSC regarding training issues are noted as follows:

1. 2 November 2000 - Franking Machine training required

(Response – referred to Retail Line Manager (RLM) at 17:20. There is no record available of any action taken by RLM and contact cannot be made with the RLM as he has now left the business)

2. 25 July 2001 - PO Local Collect – where are the instructions?

(Response given – "please see Work Aid 15")

3. 19 November 2002 and 9 January 2003 - PO Card Account query - requested whereabouts of Training materials

(Response given – "package still under development").

As the Applicant has failed to provide specific product information (i.e. details of the flowcharts he could not follow or the processes which were allegedly not covered by Post Office manuals), Post Office is unable to comment fully on his assertions.

Three calls to NBSC over a 10 year period during which products and procedures continued to change indicates that the Applicant was conversant with training materials.

The Applicant claims that responses from the Helpline were frequently unhelpful, especially as he was generally being dealt with by the Tier 1 Employees, rather than the more experienced Tier 2 and Tier 3. The Applicant also claims that on a number of occasions, he had to contact the Helpline if they had not called back as promised and found that on many occasions, the information which was fed back to him bore no resemblance to the information given initially.

Findings

1,036 calls were made to the NBSC between 2000 and 2010. This level of NBSC calls may appear significant. However, when compared to the period of tenure of the Applicant, the calls average at two per week.

The branch had three counter serving positions. The staff who were employed would have had varying levels of experience and expertise meaning that this level of calls is not considered to be high. However, the level of calls received by the NBSC would suggest that the Applicant and his staff were confident with the functions of and using the NBSC (Doc 007 refers).

Evidence shows that all call logs have an entry in the resolution box and from this Post Office determines that there was no failure to provide a response by NBSC. Furthermore, there is no evidence on the records examined that the Applicant or his staff had to repeatedly chase the NBSC as they had failed to respond.

The Applicant has cited as an example of the conflicting advice allegedly provided by the Helpdesk a situation which arose in September 2004 when £600 was due to be transferred from one account to another and was incorrectly put into the wrong account. The Applicant claims that he was advised by the helpdesk to put £1,200 in suspense and the £1,200 then replicated itself without any intervention and created a £1,200 error.

Findings

Two deposits in the sum of £600 were entered on Horizon in error on 28 May 2004 instead of one deposit of £600 and one withdrawal of £600. This was not reported to the NBSC until 1 June 2004. Post Office can confirm that the error made by the Applicant or his staff would have created a £1,200.00 shortage in the branch as £600.00 had been paid out to a customer but reported via Horizon as £600.00 being paid in by the customer.

The error occurred on 28 May 2004 yet was not reported to the NBSC until 1 June 2004 when mis-key forms were faxed to Financial Service Centre (FSC) and Alliance and Leicester. The amount was authorised to be held in the Suspense Account to await a transaction correction of £1,200 (see below description of Suspense Account).

Records show that two error notices (now called transaction corrections) for £600.00 each were issued in the week commencing 2 September 2004 (Doc 041 refers). At the audit on 22 September 2004 (rather than on 29 September 2004 as claimed by the Applicant), the amount of £1,200.00 was still held in the Suspense Account. The matter was referred to the RLM. Following a telephone conversation and further correspondence with FSC, the Applicant was deemed liable for this amount due to the failure to follow the correct accounting procedure by not removing the amount from the Suspense Account on receipt of the error notices (i.e. the Applicant had received the benefit of the error notices whilst the £1,200 shortfall sat in the suspense account).

The Applicant claims that the NBSC initially provided incorrect information which "without any intervention" created a £1,200 error. However, the Applicant has failed to provide details of the information which was allegedly incorrect.

In the Applicant's CQR, he makes reference to a letter dated 14 January 2005 which he claims relates to the £1,200 in the Suspense Account. In paragraphs 3.11 and 3.12 of the Applicant's CQR he states as follows:

"Mr Rudkin had to draw this to the attention of the auditors when they visited the branch on 29 September 2004 and steps were taken to remove the difference.

Mr Rudkin also wrote to Paul Hemley of Post Office advising of this duplication, as well as setting out in the letter other issues which he had encountered".

However, the letter dated 14 January 2005 exhibited to the Applicant's CQR relates to a sum of £1,000 (rather than £1,200) in the Applicant's Suspense Account as a result of an "*Alliance and Leicester error*".

Suspense Account

The suspense account is a facility within Horizon. It is a holding account. It is used to hold amounts relating to an incident in the branch awaiting settlement.

The Applicant states that on 19 August 2008 he was taken to a room in the basement of the Fujitsu offices in Bracknell by a Mr Rolfe and was shown Horizon on a terminal. The Applicant claims that it is his "*opinion from what he saw that it is possible for the Post Office to access individual branches Horizon systems and make amendments to the data in relation to that office, thereby possibly affecting the balance at the end of the period*".

Findings

The aforementioned "*opinion*" of the Applicant has been the subject of a spot review, the results of which are set out at Document 014. The spot review concluded that the:

"basement of Fujitsu's building contained a Horizon test environment. This environment was not physically connected to the live Horizon environment. It was therefore impossible for anyone in this room to have adjusted any live transaction records though they may have shown Mr Rudkin some form of adjustment to the test environment".

It is clear that although "*Mr Rudkin considers that what he then saw [on the "Horizon terminal which appeared to be live"] indicated to him that it was possible to access the Branch's data and to make alterations to that data without the Sub-postmaster being aware"* [Emphasis added], this simply could not happen.

In response to the question "*Whether, and if so why you suspect that some transactions were being carried out (impacting your branch) that were not processed by yourselves or your authorised staff*" in the Applicant's CQR (see paragraph 4.7 to 4.14 of the Applicant's CQR), the Applicant has set out details of his opinion on what he saw on the Horizon test environment and then states "*the following day after his visit to Bracknell, Mr Rudkin received an audit and was suspended because of a difference of £43,956.89*".

It appears that the Applicant is suggesting that the £43,856.89 discrepancy revealed during the audit of 20 August 2008 resulted from transactions being carried out which were not processed by the Applicant or his staff. However, it is of note that:

- Upon the arrival of the auditors to the branch on 20 August 2008, the Applicant's wife requested a private word with Paul Field of Post Office and advised him that the safe would be around £40,000 short (Doc 020);
- The Applicant's wife stated during an interview on 20 August 2008 that "*the business as a whole and the staff, the overheads and the business have not been really doing what it should be doing*", that she had removed Post Office cash and paid it into her Lloyds TSB business account and used Post Office cash to "*pay for Shop bills, wage bill household bills*" and that by taking Post Office cash she understood that she had stolen it "*but it wasn't my intention to do so in the first place*" (Doc 001); and
- The Applicant's wife pleaded guilty to theft of Post Office funds and was convicted.

Mr Rudkin states that on 20 August 2008 (the date upon which the £43,856.89 discrepancy was revealed), he was awakened to find a Post Office auditor standing at the bottom of his bed who told him of the discrepancy and that he was suspended.

Findings

As the Applicant was the Subpostmaster of Ibstock Post Office and therefore responsible for its accounts it is important that he was informed of such a large discrepancy as soon as possible.

The Auditor states in his report that:

"As she (the Applicant's wife) was very nervous of telling her husband (of the fact that the Applicant's wife advised that the safe would be approximately £40,000 short) I asked if she would like me to be present when she told him, which she did" (Doc 020).

It is confirmed that this actually took place in the Applicant's bedroom.

The Auditor stated the following in relation to events on the morning of the audit in his report:

"Sue was incredibly nervous....she asked me if I would tell him. As he was still in bed I went and stood outside the bedroom door whilst Sue went into the room and stated that I was here and would like to talk to you".

The Auditor entered the bedroom whilst the Applicant's wife stood by the door and informed the Applicant of the Audit findings.

The Applicant claims that the auditor informed him that he was spending too much time away from his branch on NFSP business and it would be better for the Applicant if he resigned from the NFSP.

Findings

There is no evidence of any Post Office auditor making remarks regarding the amount of time the Applicant spent on NFSP duties or that he should resign from the post he held within the NFSP.

Furthermore, Paul Field (the alleged auditor in question) was contacted as part of the investigation process into the Applicant's complaint and has advised that he did "*absolutely not*" state that the Applicant was spending too much time away from the branch and should resign from the NFSP. In fact, Paul Field pointed out that he in fact advises subpostmasters who are on the verge of being suspended to contact their federation.

The Applicant states that his wife cannot recall whether she was cautioned or if she was offered the opportunity of either a solicitor or another person to accompany her during her interview (following the audit of 20 August 2008).

Findings

On the day of the audit (20 August 2008), an interview was conducted in the private premises of Ibstock Post Office. Present at the interview were two Security Managers, the Applicant's wife and her son.

The Applicant's wife was cautioned and declined legal representation but required a "*friend*" to be present, as demonstrated by the record of the taped interview (Doc 001). In addition, Colin Price (Fraud Advisor of Post Office) had spoken to the Applicant in advance of his wife's interview on 20 August 2008 and the Applicant advised that he would allow an interview to take place on his premises which his wife would co-operate with fully and she would not require a solicitor.

The Applicant claims that GRO GRO was pressurised to attend his mother's interview following the audit of 20 August 2008.

Findings

Records do not indicate who suggested the Applicant wife's GRO act as moral support during the interview.

As part of Post Office's investigation of the audit losses, Paul Field advised as follows:

'In the absence of a Post Office friend I took the exceptional decision to allow GRO GRO to sit in on the interview as moral support'.

There is no evidence that GRO was pressurised to attend.

The Applicant states his wife advised the Post Office investigators during her interview of 20 August 2008 that she quite frequently had to put in funds from the retail premises to cover differences in the branch trading accounts, but that on occasion she had to recover funds from the branch if it was necessary to settle shop accounts that were overdue.

Findings

The below are extracts from the Applicant's wife's interview of 20 August 2008 (Doc 001):

Post Office: *Is part if [sic] this because you haven't been putting the money in to make the losses up?*

Applicant's Wife: *Yes*

Post Office: *Asks if trading statement is short would you just inflate the cash to make that right?*

Applicant's Wife: *What I have been doing is . . . em say borrowed 500 thinking that I can put that back in after the days takings and something has cropped up and I have not been able to do that. . .*

Post Office: *Explains if she borrowed £500 what has she done with it*

Applicant's Wife: *I've paid it into our account.*

Says it started with the shortages and not being able to make them good and when she did pay some back she would be short for bills and then taking money in the hope of paying back from takings.

Post Office: *Asks the largest amount taken at any time.*

Applicant's Wife: *A Thousand pound*

Confirms it was paid into the bank.

Post Office: *Asks if she ever made any shortages good*

Applicant's Wife: *Yes, I tried the best way I could*

Post Office: *What the smaller amounts*

Applicant's Wife: Yes

Confirms larger amounts would be added on to the piece of paper

The Applicant's interview notes show that although the Applicant's wife stated that she attempted to make some of the **smaller** shortages good, she inflated the cash on hand figure in respect of the larger shortages and also removed Post Office cash for "Shop bills, wage bill household bills" as "*the business have not really been doing what it should be doing*" and "*I have let go of the reigns a lot of the time . . . not only with the Post Office but everything . . . and unfortunately I've let things get out of hand*".

The Applicant states that his wife stated during her interview on 20 August 2008 that at no time did she intend to deprive Post Office of any money.

Findings

The Applicant's wife accepted during her interview that by taking Post Office cash she had stolen it from Post Office "*but it wasn't my intention to do so in the first place*" (Doc 001, page 8).

The Applicant states that his wife claims that the way in which questions were put to her was such that the Post Office investigators did not take any cognisance of what she was trying to say, and therefore the report which they then prepared did not correctly reflect Mrs Rudkin's comments and completely ignored the information she had given them.

The Applicant makes reference to an extract of a witness statement of Gerald Harbinson of Post Office and claims that this confirms his above point.

Findings

The Applicant's wife's interview was taped and the record of the taped interview (Doc 001) reflects that interview and all comments made by Mrs Rudkin during her interview.

It is not understood how the Applicant believes that the extract of the witness statement of Gerald Harbinson of Post Office demonstrates that the record of Mrs Rudkin's taped interview does not correctly reflect her comments and completely ignored the information she had given Post Office as Mrs Rudkin admitted during her interview that she had paid Post Office cash into their Lloyds business account and had used the cash to fund general bills.

The Applicant claims that Post Office failed to include the whole of Mrs Rudkin's explanation that she had injected funds into the branch prior to this and was simply taking those funds back out of the branch.

Findings

The record of Mrs Rudkin's taped interview does detail how her removing Post Office cash "*started with the shortages and not being able to make them good and when she did pay some back she would be short for bills and then taking money in the hope of paying back from takings*" [Emphasis added].

The Applicant claims in his CQR that as a result of his bank account being frozen from which his agreed repayments to Post Office were due to be made, he had to "*realise a property on a "fire-sale"*

basis" and had to settle the sum he owed to Post Office by "both cash and by a "fire-sale" of property".

Findings

As set out above, in the Applicant's Application Form, he states that he suffered a "Loss of property £275k" (page 3). However, in the Applicant's CQR (see page 21) , he sets out a loss figure of £231,000 in respect of the financial impact he allegedly suffered in respect of his property (referred to as the "Coach-house"):

<i>"Loss on Sale of Coach-house</i>	
<i>Fire Sale Price</i>	<i>£44,000.00</i>
<i>Market Valuation</i>	<i>£275,000.00</i>
<i>Loss</i>	<i>£231,000"</i>

Although the Applicant claims in his CQR that the "Fire Sale Price" of the Coach-House was £44,000.00, documents filed with the Land Registry show that the Coach House was actually purchased for a price of £100,000 by the Applicant's [GRO] [GRO] – on 11 July 2011 from the Applicant and his wife (Doc 016). It is noted that the Applicant's wife stated during an interview which was conducted on 1 February 2006 (Doc 004) that she lived in the living area next to the shop (i.e. the Coach-House) with her husband "[GRO] , [GRO] [GRO] [GRO] [GRO] [GRO] [GRO]".

The Applicant has made various assertions in respect of an audit which was conducted at the branch on 29 January 2010 including but not limited to the fact that he allegedly advised Paul Humber that the cash denomination in stock unit BB was not accurately stated but that the final total was accurate and would balance, that the auditor wrongly refused to recognise stock units and cash held in the safe and that he disputes the auditors summary of events.

Findings

In his CQR, the Applicant states that once he took over the branch on 12 November 2008, he made each of the units balance individually in order to mitigate the possibility of further differences. However, the audit of 29 January 2010 was prompted by information that Post Office received from a member of the Applicant's staff who raised concerns over a number of irregular practices which they believed were occurring at the branch (namely failure by the Applicant to pay in lottery monies and hiding shortages in the accounts).

The member of staff first contacted Post Office on 11 January 2010 and advised that the Applicant was making false cash declarations. The member of staff advised Post Office on 14 or 15 January 2010 that approximately £1,350 of lottery monies had not been paid into the counter from the retail side and that the Applicant had been transferring sums of money between stock units when no money was actually being transferred. In light of the concerns raised about the Applicant, a special audit was requested on 20 January 2010. The member of staff contacted Post Office again on 27 January 2010 and advised that one of the stock units was £4,000 short and there was approximately £2,000 of lottery monies outstanding. The member of staff advised that they believed that the Applicant was in financial difficulties as they had seen a letter from a financing company and were concerned that the Applicant was trying to secure the necessary finance to make good the losses before the branch received its Horizon online migration visit at which point the branches cash holding would have been checked.

On 29 January 2010 (rather than 29 January 2009 as the Applicant states in paragraph 1.10 of his CQR), an audit of the branch was undertaken which revealed a shortage of £6,582.17. A copy of the audit report is exhibited at Doc 011 which notes that over 2 hours after the auditors arrived at the branch, the Applicant attempted to introduce £3,860 from a paper bag which the Applicant claimed belonged to stock EEE which he had transferred the previous night. However, stock EEE had already been checked by Post Office and was correct. However, stock unit BB was £4,000 short and the Applicant then claimed that he had meant to

say that the £3,860 belonged to stock unit BB. During the audit, the transfer report from Horizon was checked for the previous day and no entry was found to correspond with the transfer allegedly made by the Applicant. However, there was a record of a transfer made on the previous Wednesday (27 January 2010) of £4,000 from stock EE to stock unit BB (Doc 011 refers). A transfer can be cash or stock physically moved from one stock unit to another. Receipts are produced via Horizon to provide an audit trail and have provision for a signature to be obtained by the custodian of the receiving stock unit.

Furthermore, during the audit the cash for lottery was requested as it was not located in the post office area (safe or counter drawers). The lottery cash was produced from the retail side and the Applicant advised that the reason the lottery cash was not in the secure area was due to the fact that he had not been at work for a couple of days and had therefore not processed the lottery.

A letter was provided to Post Office by a Mrs Elaine Stevens (who worked in the Ibstock branch at the time of the 29 January 2010 audit) dated 5 February 2010 which states as follows (Doc 012):

"I also recall that at approximately 10:30am Mrs. Rudkin informing me that the auditors wanted the cash from the lottery scratch cards and any outstanding reports. I watched as Mrs. Rudkin took the reports from the terminal and take the cash from the lottery till along with the scratch cards and she then went to the post office counter and handed over the cash and lottery scratch cards".

Post Office procedures require subpostmasters to present all cash upon the commencement of an audit.

The net effect of the audit discrepancy (including stock discrepancies) together with monies produced later gave an overall discrepancy of £232.17(-) which was settled by cheque by the Applicant.

The Applicant claims that "£225 of stamps had been omitted by the auditor who accepted this, but asked Mr Rudkin if the difference could remain at £232.17 and that would save him amending the Audit Report to which Mr Rudkin agreed".

Findings

This is disputed by the auditor.

It is the responsibility of the auditee to present all cash and stock to the auditors at the commencement of the audit. It is also normal practice to complete the financial aspect of an audit on site and write audit reports subsequent to the visit hence there would be no issue with amending the report if this had been necessary.

The above mentioned letter from a member of retail staff dated 5 February 2010 confirms that at approximately 10:30am the Lottery Cash was taken from the Lottery till by the Applicant's wife (who at that stage had been convicted of theft of Post Office funds) and handed over to the Post Office counter where the auditors were working (no amounts are specified).

The Subpostmasters Contract states that the whole of the cash and stock must be produced immediately for inspection whenever requested by a person duly authorised (Section 12 Para 4 Accounts).

The Applicant claims that the handwritten document dated 18 February 2010 prepared by Susan Ball who was the Officer in charge of the branch on the day of the audit makes it clear as to the cash position in the branch.

Findings

It is not understood by Post Office how the Applicant believes that a handwritten document from his

employee stamped as dated 18 February 2010 confirmed the cash position of the branch on 27 January 2010.

The Applicant has questioned the motives of the Post Office auditors on 27 January 2010 and whether there was another agenda in place as regards Mr Rudkin's position as subpostmaster of Ibstock.

Findings

It is clear from the audit report (Doc 011) that there were a number of significant irregularities at the branch, irregularities which resulted in the Applicant's suspension. Post Office refutes the suggestion that "*there was another agenda in place as regards Mr Rudkin's position as Sub-postmaster*".

The Applicant claims that there was no facility available whereby he could access the audit trail of transaction data in order to investigate how discrepancies had taken place if he had been made aware of these as they arose.

Findings

At the time in question, subpostmasters could access Horizon data for 42 days and a transaction log could be produced within this period to identify individual transactions. The transaction log could then have been used to compare with transactions completed during the period and daily paperwork held. In addition, the Applicant was required to print off and keep several daily reports and receipts which would allow specific transactions to be investigated.

The Applicant claims that there was no facility available for him to establish when data entered on the terminal reached the server.

Findings

All completed transactions are reported in the transaction log which is available in branch for 42 days.

The Applicant claims that over the years there have been difficulties at the end of certain periods but that as he no longer has access to any of the Helpdesk calls then it is very difficult to be more specific other than in respect of two periods, the first when he was suspended and re-instated and the second when he was suspended and then his position terminated.

Findings

Records show that following the audit of 20 August 2008, balancing performance for the remainder of 2008 until 2010 resulted in a net shortage of £586.90. This is a much improved performance to that recorded whilst the Applicant's wife was running the branch and is subsequent to the Applicant's wife's admission of theft at the audit on 20 August 2008 when her involvement in the operating of the post office ceased.

Furthermore, evidence shows that individual stock units were introduced by the temporary Subpostmaster in post following the audit of 20 August 2008 (and prior to the Applicant's reinstatement on 12 November 2008) which resulted in increased controls in the branch and a much improved balancing record with only minor shortages occurring over the following two or three year period.

Stock Units - A title given to an account which holds a particular amount of cash and stock within Horizon. Most branches use one stock unit and identifier, normally AA, but some larger branches have multiple individual stock units which are allocated to individuals for greater responsibility/security allowing discrepancies to be identified to individuals. Ibstock operated six individual stock units AA, BB, CC, DD, EE

and LOT.

The Applicant makes reference to an example of a transaction from May 2009 during which an error was made by entering a cheque for £301.45 twice. The Applicant claims that this was picked up when the cash account was examined by Post Office and although it was a clerical error, Post Office required a sum of £301.45 to be repaid rather than make an adjustment for the incorrect entry.

Findings

On 3 April 2009 (rather than May 2009 as claimed by the Applicant), a cheque to the value of £301.45 was entered twice on Horizon (EE Stock unit). The cheque was accepted as payment for a British Gas barcoded bill. The cheque total claimed for the day included both entries so this would generate a surplus in the stock unit. On 3 April 2009 at 16:52, EE stock unit declared a cash variance of £329.72(+). A debit transaction correction was issued on 21 May 2009 to correct this. Contrary to the assertions of the Applicant, he did not repay a sum of £301.45 in respect of this transaction. Rather, the debit TC cancelled out the surplus created by the cheque being processed twice.

The document produced by the Applicant relating to the £301.45 error is illegible (other than the hand writing on the document) so Post Office cannot comment on its contents.

The Applicant makes reference to an example of a transaction in June 2009 of an error of £104.30 which he states had to be repaid to Post Office.

Findings

The £104.50 (rather than £104.30 as stated by the Applicant) error from June 2009 was a DVLA error. A credit Transaction Correction was issued in respect of this error on 9 June 2009.

Once again, the document produced by the Applicant relating to the £104.50 error is illegible (other than the hand writing on the document) so Post Office cannot comment on its contents.

The Applicant claims that this was a further transaction which had to be repaid. This is an incorrect statement as this was a credit and not a charge which allowed him to take the money out.

The Applicant has raised an issue regarding a Giro Withdrawal for £48.96 which was made at 16.58 hours on 28 May 2004 after the Giro Withdrawals were closed off at 16.50. The Applicant states that the transaction should have appeared on the following day's transactions but was not obvious and the amount only appeared on the printout on 1 June 2004.

Findings

The evidence produced is inconclusive and merely shows one entry for £48.96. The allegation that two amounts were shown on the Final Cash Account cannot be proven and due to the lack of evidence due to the lapse of time this cannot be verified.

However, if an overclaim was originally shown in the cash account, the branch would have been in surplus by £48.96 and an error notice would have been correctly issued. It must be borne in mind that the alleged incident above occurred whilst the Applicant's wife was running the branch.

The Applicant claims that he never signed a contract and believes that he is operating on an unsigned contract under which his father operated when he became a subpostmaster.

Findings

Contrary to the assertions of the Applicant regarding the fact that he never signed a contract, a copy of the "facing sheet" to the subpostmasters contract dated 25 October 2000 as signed by the Applicant is exhibited at Doc 013.

The Applicant has raised an example of two alleged incidents from the Duns, Berwickshire, Scotland branch and the Cosby, Leicester branch in his application as alleged examples of transactions which were not entered by the Applicant or his staff.

Findings

As the Applicant was not and has never been subpostmaster of either the Duns or Cosby branches and neither of the alleged incidents relate to the Applicant's branch or the losses at his branch, these alleged incidents have not been investigated by Post Office.

The Applicant claims that he received an error notice for a Motor Vehicle Licence where a cheque was presented in payment of the licence and the vehicle number was not annotated on the reverse of the cheque and the cheque was not honoured by the bank. The Applicant states that it appears he was "being asked to pay the Post Office for the dishonoured cheque".

Findings

The Operations Manual in use at the time of the Applicant's appointment (Doc 006) clearly states as follows in relation to "*Endorsements required on the back of each cheque*":

*"Vehicle Licence . . . - MVL
. . . – the vehicle registration number".*

As the Applicant or his staff clearly failed to comply with the provision of the Operation Manual and Post Office procedures by failing to write the vehicle number in question on the reverse of the cheque (as required), the Applicant was requested to repay to Post Office the sum of the dishonoured cheque.

The Applicant has raised an example of an alleged incident regarding a Motor Vehicle Licence from the Glanfield, Leicestershire branch and claims that its relevance is that "the Sub-postmaster would have been unable to balance as a result of the difference".

Findings

As the Applicant was not and has never been subpostmaster of the Glanfield, Leicester branch and the alleged incident does not relate to the Applicant's branch or the losses at his branch, the alleged incident has not been investigated by Post Office.

The Applicant has supplied details of:

- **An alleged incident relating to a Bureau de Change transaction which occurred at the Ibstock branch following his departure as subpostmaster;**
- **An alleged incident relating to two deposits which occurred at the Ibstock branch following**

<p>his departure as subpostmaster; and</p> <ul style="list-style-type: none"> • A transaction which took place at Swyddafa'r branch on 25 August 2009; <p>as examples of transactions which would have created a difference in the final balance.</p> <p>Findings</p> <p>As the above three alleged incidents have no relevance to the Applicant's losses or his tenure as subpostmaster at Ibstock, these alleged incidents have not been investigated by Post Office.</p> <p>The Applicant claims in his CQR that the incidents relating to the main issue or issues occurred "between October 2000 and June 2010".</p> <p>Findings</p> <p>The Applicant stated in his Initial Application that "<i>My Officer in Charge (Wife) and I have reported errors and faults over a ten year period both with Horizon and POL's procedures</i>". In response to the question "<i>when did the incidents relating to the main issue or issues occur</i>" in his Initial Application, the Applicant wrote:</p> <p style="text-align: center;"><i>"Major problem began to occur 2008/2009/2010".</i></p> <p>However, records show that following cessation of the Applicant's wife's involvement in the branch in 2008, the branch (once all monies owing to Post Office were ultimately produced by the Applicant) only reported minor discrepancies.</p> <p>In response to the section – "<u>The specific problems that you experienced with Cash Remittances</u>" [Emphasis added], the Applicant has set out an alleged incident relating to the Cosby, Leicestershire branch.</p> <p>Findings</p> <p>As the alleged incident which occurred at the Cosby branch has no relevance to the Ibstock branch or indeed the Applicant's losses, this alleged incident has not been investigated by Post Office.</p>

Documents being provided to Second Sight	
M051_POL_001_Record of Taped Interview_JH	Taped interview with Applicant and Post Office Investigators.
M051_POL_002_Decision letter_JH	Decision letter re termination of contract.
M051_POL_003_Witness Statement _JH	Witness Statement from Gerald Harbinson
M051_POL_004_Witness Statement to robbery_JH	Witness statement to Police following robbery
M051_POL_005_Post Incident Report Jan 06_JH	Post Incident Report 5 January 2006
M051_POL_006_Cheque acceptance for Motor Vehicle Licences_JH	Operations Manual instructions of details required on the back of a cheque for MVLs

M051_POL_007_NBSC Calls_JH	Calls to NBSC Helpline
M051_POL_008_Letter from Applicant to Alan Cook	Letter to Alan Cook Managing Director from Applicant
M051_POL_009_Transaction Corrections_JH	Transaction Corrections issued to the branch.
M051_POL_010_Witness Statement of Martin Rolfe	The Witness statement of Martin Rolfe
M051_POL_011_Audit Report Jan 2010_JH	Audit Report 29 Jan 2010
M051_POL_012_Letter from Elaine Stevens_JH	Letter from Elaine Stevens about her involvement with Lottery transactions
M051_POL_013_Subpostmasters Contract Ibstock_JH	Signed copy of facing sheet of Subpostmasters Contract for Ibstock Post Office
M051_POL_014_Spot Review Fujitsu HQ_JH	Spot Review re remote access to branches by Fujitsu
M051_POL_015_Balancing Data 2008-2010_JH	Record of Balance discrepancies 2008-2010
M051_POL_016_Land Registry Document_JH	Land Registry Title Document for 'The Coach House'
M051_POL_017_Email re Lottery Money_JH	Letter from Contracts Advisor to Security Manager
M051_POL_018_Original Culpability letter_JH	1 st culpability Letter from Contracts Manager re robbery loss
M051_POL_019_Audit Papers prepared 18 August 2008_JH	Audit papers showing preparation of audit.
M051_POL_020_Audit 20 August 2008_JH	Audit report 20 August 2008
M051_POL_021_reduction in robbery culpability_JH	Robbery reduction in culpability.
M051_POL_022_HSD Logs Oct 07-Jan 10_JH	HSD Logs 17 October 2007 to 8 January 2010
M051_POL_023_HSD Logs April 07-July07_JH	HSD Logs April 07-July 07
M051_POL_024_Transaction and Event Logs Dec08_JH	Transaction and Event Logs Dec 08
M051_POL_025_Transaction and Event Logs Feb09_JH	Transaction and Event Logs Feb 09
M051_POL_026_Transaction and Event Logs April 09_JH	Transaction and Event Logs April 09
M051_POL_027_Transaction and Event Logs May09_JH	Transaction and Event Logs May 09
M051_POL_028_Transaction and Event Logs	Transaction and Event Logs June 09

<i>June09_JH</i>	
<i>M051_POL_029_Transaction and Event Logs April 08_JH</i>	<i>Transaction and Event Logs April 08</i>
<i>M051_POL_030_Transaction and Event Logs May 08_JH</i>	<i>Transaction and Event Logs May 08</i>
<i>M051_POL_031_Transaction and Event Logs July08_JH</i>	<i>Transaction and Event Logs July 08</i>
<i>M051_POL_032_Transaction and Event Logs Aug 08_JH</i>	<i>Transaction and Event Logs Aug 08</i>
<i>M051_POL_033_Transaction and Event Logs Oct 08_JH</i>	<i>Transaction and Event Logs Oct 08</i>
<i>M051_POL_034_Transaction and Event Logs Nov 08_JH</i>	<i>Transaction and Event Logs Nov 08</i>
<i>M051_POL_035_ransaction and Event Logs April 07_JH</i>	<i>Transaction and Event Logs April 07</i>
<i>M051_POL_036_Transaction and Event Logs May 07_JH</i>	<i>Transaction and Event Logs May 07</i>
<i>M051_POL_037_Transaction and Event Logs July 07_JH</i>	<i>Transaction and Event Logs July 07</i>
<i>M051_POL_038_Transaction and Event Logs Aug 07_JH</i>	<i>Transaction and Event Logs Aug 07</i>
<i>M051_POL_039_Transaction and Event Logs Oct 07_JH</i>	<i>Transaction and Event Logs Oct 07</i>
<i>M051_POL_040_Transaction and Event Logs Nov 07_JH</i>	<i>Transaction and Event Logs Nov 07</i>
<i>M051_POL_041_Audit of 22 September 2004_JH</i>	<i>Audit Report 22 September 2004</i>
<i>M051_POL_042_Culpability for robbery reduced to nil_JH</i>	<i>Email from John Breedon to Linda/Sue</i>
<i>M051_POL_043_Audit of July 2009_JH</i>	<i>Audit Report 7 July 2009</i>
<i>M051_POL_044_Audit December 2006_JH</i>	<i>Audit Report 7 December 2006.</i>