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To:	From:	cc:
Brian Trotter Contracts Advisor	Doug Heed Audit Officer	Mandy Neeson Field Team Leader, Diane Matthews Fraud Team Leader, Outlet Intervention Team, Paul Dann Agent Debt 3.

Date: 23/07/08

### Audit of Post Office® Paible branch, Branch Code 147869

On Wednesday 23<sup>rd</sup> July 2008 accompanied by my colleague Mr Alex McKenzie, I conducted an audit at Paible Post Office® Branch. The purpose of the audit was to verify Post Office® assets and to examine compliance with regulatory requirements and business procedures across a range of products. The audit revealed a shortage in the branch of £40277.76 and resulted in the suspension of the Sub Postmaster Mr William Quarm. Details of the audit findings are contained in this report.

Financial assets to the value of £3943.84 were physically verified compared to the amount due to Post Office® of £44221.60.

The difference between these figures is broken down as follows:

£	40264.54	(-)	Identified as a difference in cash figures
£	0.12	(-)	Identified as a difference in stock figures
£	13.10	(-)	Shortage declared in previous balance period of present trading period
£	<u>40277.76</u>		Total shortage

Mr McKenzie and I arrived at the branch at about 08:30. Mr Quarm was present in the retail area and allowed us access to the secure area. I asked Mr Quarm to log onto the Horizon system. Mr McKenzie was added to the Horizon system in order to obtain the reports necessary to complete my P32, audit spreadsheet.

Cash on hand in the branch was counted and compared to the office snapshot obtained at the time from the system. The discrepancy detailed was revealed. The cash was counted a second time to verify the initial count. Mr Quarm was unable to offer an explanation for the shortage but advised us that he had had some problems which dated back to last winter. Cash declared in the "AA" stock unit was understated by £568.04, cash declared in the "ATM" stock unit was overstated by £2840.00. Cash declarations did not match the system figure or the actual amounts found on site.

Stock items in the branch were checked and compared to the snapshot. The discrepancy detailed was revealed. Discrepancies in stock items were checked a second time to verify the figures.

Examination of vouchers on hand did not reveal any discrepancies. ATM transactions for the previous day were processed during the audit.

Contact with the relevant Post Office® department confirmed that there were no existing amounts held centrally.

On reporting my audit findings, I was advised that Mr Quarm was to be awarded a precautionary suspension and that the branch was to be defunded. I relayed this decision to Mr Quarm. The stock units in the branch were balanced and the resulting shortage accounted for as a "Final Account Deficiency". Cash and stock was rem'd out and despatched to the relevant departments by special delivery from another branch. The trading statement was produced. Mr Quarm was removed from the system, the datestamp was secured in the safe and the safe keys forwarded to the contracts support department.

Mr McKenzie and I left the branch at about 12:45. No compliance tests were carried out during this audit.

Doug Heed

**GRO**