

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

Initial Complaint Review and Mediation Scheme

Post Office Investigation Report

Branch Name:	North Bransholme	Branch Code:	174/321	Case Number:	M097
Applicant Name:	Janet Skinner	Status of Case:	Mediation Case	Date of Appointment:	27 May 2004

Executive summaryBackground

The Applicant was appointed as permanent Subpostmaster at North Bransholme Post Office (a branch located within a general store) with effect from 1 January 2006. The Applicant did not own the retail premises within which the Post Office was situated. Prior to this, the Applicant was temporary Subpostmaster at North Bransholme from 27 May 2004. In this report, where we refer to the date of the Applicant's appointment as Subpostmaster, we refer to her appointment as temporary Subpostmaster on 27 May 2004.

Before her appointment, the Applicant states that she managed the branch as an assistant for the former Subpostmaster at North Bransholme from November 2003, and before that worked for several years as a clerk and manager in Post Offices for United News (United News was a retail organisation that operated a number of post offices as a franchisee). The Applicant was also temporary Subpostmaster at Bodmin Road Post Office from 26 May 2004 until its closure as part of a network-wide programme on 1 February 2005.

Further to concerns raised about the volume of cash that was being requested by North Bransholme, a cash verification visit took place at the branch on 30 May 2006. During this visit, a cash shortage of around £54,000 was identified and an audit was ordered to investigate this discrepancy. The Applicant was suspended the same day.

An audit took place at North Bransholme on 31 May 2006, which revealed a shortage in cash and stock amounting to £59,216.43. During her interview with Post Office's investigation team, the Applicant admitted that she had been manipulating the branch's balance for a number of months to conceal a loss from Post Office, and permitting one of her members of staff, who she suspected of taking money from the branch, to do the same.

On 3 January 2007, the Applicant entered a guilty plea at Hull Crown Court to a charge of false accounting, for which she was subsequently sentenced to 9 months in custody and ordered to repay £59,216.43 to Post Office.

Key issues

The key issues raised by the Applicant relate principally to her complaint that:-

- she was not given adequate training or support in relation to Horizon during her tenure as Subpostmaster;
- the shortfall was as a result of the change from weekly to monthly branch account balancing which caused losses to occur;
- the Post Office Investigators investigating her branch assumed her guilt because they were aware of

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

her personal circumstances and divorce from her ex-husband;

- the causes of the losses were not investigated by Post Office; and
- the losses incurred were as a direct result of faults on the Horizon system and not human error (or theft).

Conclusion

Given the age of this case (2004-2006), there are limited transaction and contact records available for the branch's business during the Applicant's tenure. Post Office's ability to investigate the specific transactional issues raised by the Applicant has therefore been restricted.

The above notwithstanding, there are, however, a number of conclusions that can be drawn from the information that is available:-

- By the time she was appointed as temporary Subpostmaster at North Bransholme, the Applicant already had a wealth of experience of working in Post Office's network. She was very familiar with the Horizon system (and how it operated as the accounting system for the branch), and with the branch and its staff generally (having worked there as an assistant for 6 months prior to her appointment). It is therefore unlikely that any significant initial training would have been required upon appointment.
- The Applicant, by her own admission, failed to follow Post Office's procedures in relation to branch operation and management, and account monitoring. She failed to ensure that the cash held by the branch was appropriately monitored and accorded with the amounts recorded on Horizon, and delegated access to and management of the branch to her staff (one of whom the Applicant claimed during her interview she strongly suspected was taking money). These failings exposed the branch to significant risk of error and misfeasance in managing the cash stock.
- The Applicant admitted to Post Office's investigators that she had been manipulating the branch's accounts for a number of months before the audit to conceal a loss caused by one of her assistants from Post Office. The Applicant further admitted that she had permitted the assistant who had caused the loss to herself manipulate the accounts to also conceal this loss (and therefore potentially further losses).
- Post Office has not seen or found any evidence to suggest that there were any issues with the branch's Horizon system, or that this was raised as a concern by the Applicant during her tenure or interview as she claims.

Post Office considers that the Applicant's mismanagement of the branch and her failure to implement adequate controls facilitated (inadvertently or otherwise) the loss of cash stock from the branch. The Applicant retained ultimate responsibility for the operation of the branch and the conduct of her staff at all times during her tenure.

The Applicant's complaint

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

The Applicant has submitted a Case Questionnaire Response (CQR), in which she complains that:-

- she ran two branches as a temporary Subpostmaster (North Bransholme and Bodmin Road), both of which were audited prior to transferring to the Applicant without issue;
- she was not given adequate training when the Horizon system was introduced in 2001, and she was generally not given support in relation to Horizon during her tenure as Subpostmaster;
- she was accused of not registering the staff she had inherited;
- the initial shortfall was as a result of the change from weekly to monthly branch account balancing which saw the losses occur;
- the Post Office Investigators investigating her branch assumed her guilt because they were aware of the settlement required following her divorce proceedings;
- the causes of the losses were not investigated by Post Office; and
- the losses incurred were as a direct result of faults on the Horizon system and not human error (or theft).

The Applicant is seeking to bring Post Office to account for the way that she feels she has been treated and has requested a full apology. She is also seeking compensation for her loss of earnings from May 2006 and the legal costs that the mediation process may incur (both unspecified amounts). In addition, the Applicant is looking to have her criminal conviction overturned.

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
Branch Audit Reports	X	
Human Resource Service Centre (HRSC)	X	
Horizon Service Desk (HSD) Call Logs		X
Horizon Transactional & Event Data (ARQs)		X
Network Business Support Centre Call Logs	X	
Product & Branch Accounting (P & BA)		X
Background information provided in emails	X	
Electronic Filing Cabinet records	X	
FSC - Transaction Corrections	X	
Electronic Security Team Records	X	

Response to issues raised by Applicant

1. The Applicant operated two branches on a temporary contract. The Applicant states in her CQR that both branches were audited prior to her assuming responsibility and there were no problems identified at either branch.

Human Resource Service Centre (HRSC) records confirm that the Applicant was appointed as a temporary Subpostmaster at North Bransholme Post Office on 27 May 2004. On 1 January 2006, her contract was changed to permanent and this remained the case until her suspension on 30 May 2006. There is no documentary evidence available to indicate why the Applicant was initially employed on a temporary contract.

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

The Applicant was also appointed as a temporary Subpostmaster at Bodmin Road Post Office from 26 May 2004 until 1 February 2005 when the branch was closed under the Network Reinvention Programme (a business programme that involved the phased closure of a number of branches across the Post Office network).

The Applicant states in her Case Questionnaire Response (CQR), that both branches were audited prior to her assuming responsibility and there were no problems identified at either branch. While there is no documentary evidence available to support this, it is business policy that an audit is conducted to enable Post Office to verify the cash and stock prior to the transfer from the outgoing Subpostmaster to the incoming one.

2. The Applicant states in her CQR (Doc 001), that she first encountered the Horizon system in 2001 and was not given adequate training at this time.

Horizon is the electronic point of sale system used in all Post Office branches to record and process all transactions. According to the CQR, the Applicant was employed by United News (as an assistant) when Horizon was introduced. As an assistant, it would have been her employer's responsibility at that time to provide training, and therefore Post Office would not have any training records for the Applicant from this time.

During the appointment process, it is standard practice to agree training requirements with an incoming Subpostmaster. As the records relating to the Applicant's appointment are no longer available (due to the effluxion of time), Post Office is unable to confirm whether any training requirements were identified by the Applicant upon appointment. In light of her previous work within the network, however, when the Applicant took over as Subpostmaster of North Bransholme Post Office in 2004 it is likely that she would have been very familiar with the Horizon system. In fact, during the Applicant's interview with Post Office's Security Team, the Applicant claimed to be an expert on the use of Horizon (Doc 003, page 3).

3. The Applicant claims there was a lack of support regarding the use of the Horizon system.

The Applicant claims that she was visited every couple of months by one of two managers. These would have been Retail Line Managers (RLMs) or Rural Support Managers (RSMs), who were responsible for a number of branches in a particular geographical area. The purpose of an RLM or RSM visiting a branch would be to check on the day to day operation ensuring, for example, that the notices displayed were up to date and the general presentation of the branch was clean and tidy. It was not in a RLM or RSM's remit to cover anything relating to Horizon, as any issues of this nature should have been referred to the Network Business Support Centre (NBSC) or Horizon Service Desk (HSD). There is no evidence available which would indicate whether or not Horizon queries had been made during any of the RLM or RSM visits.

Records of calls made to the HSD are no longer available, but call logs made to the NBSC are. HSD deals with technical issues concerning Horizon (for example, if Horizon appears to be offline or there are log-in issues). The NBSC, on the other hand, is the first point of contact for Subpostmasters and their staff in respect of any non-technical issues encountered (which range from, for example, requesting a telephone number, to transactional information or how to navigate around Horizon itself).

Call logs for North Bransholme show that between January 2004 and May 2006, a total of six calls were transferred by NBSC to HSD, but other than one of them being in relation to a printer issue there is limited information to determine what specific issue the other five calls related to (Doc 004 Tab 2). There is also nothing to indicate on the NBSC call logs that the Applicant requested any additional Horizon training during

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

her tenure, or that she requested any assistance with balancing the branch. The NBSC call logs (Doc 004 Table) show that 116 calls were made by the branch between January 2004 and May 2006 requesting transaction or procedural guidance, which provides clear evidence that support was provided to the Applicant and her branch.

All branches in the Post Office Network were given a "Horizon System User Guide" (a 550-page hard copy manual), covering a whole host of topics and issues. In addition, any updates to the Horizon system, new products or operational instructions would be disseminated to Subpostmasters via internal publications.

4. The Applicant claims that Post Office made allegations that the staff in her branch were not registered.

The Applicant employed four members of staff at the branch, three of whom had worked for the previous Subpostmaster (Doc 001 Page 2). The staff members were Katherine Ayres, Theresa Holmes, Colleen Cates and Wendy Lyall.

All staff who carry out Post Office duties must be registered and vetted by Post Office HRSC. A form P250 is available from HRSC which needs to be completed for each new member of staff and returned to HRSC, who then carry out an employment check to see if the assistant is registered at another branch. If they are not already registered, a criminal record check (known as 'vetting'), is completed. Once HRSC have the results of the checks, the Subpostmaster would be informed of the outcome and whether they could employ the member of staff or not.

An annual exercise is completed by HRSC whereby every branch across the network is sent the details of the staff employed at that individual branch, as shown on HRSC's database. The staff details are included on form P356. The Applicant would have been responsible for ensuring that the staff she inherited from the previous Subpostmaster had been checked, as personal papers for each staff member should have been available, which would show if the checks had been carried out or not. A document titled 'Branch Intervention Log Telephone Contact' (Doc 002) dated April 2006, records a conversation with the Applicant regarding the non-completion/return of the P356. The Applicant claims in the CQR that Post Office made allegations that the staff were not registered, and this document indicates that in 2006 the Applicant had failed to notify HRSC of the details of her members of staff. HRSC has confirmed that the only staff members recorded at the branch were Katherine Ayres and Theresa Holmes. This is not to say that Colleen Cates and Wendy Lyall had not been vetted by another branch, but merely that they were not recorded as assistants at North Bransholme Post Office.

It is a mandatory requirement that individual members of staff must have their own Horizon 'log on' set up, but anyone can be assigned a log on for the system at any branch, regardless of whether they have been vetted by HRSC or not. This is because the user set up process is carried out by the Subpostmaster at the branch.

5. The Applicant claims that her staff performed their own weekly balances.

Prior to 2005, branches were required to balance weekly and produce a Horizon generated "Cash Account". Discrepancies, shortages and surpluses, with authorisation from Post Office, were placed in the branch "suspense section" of the cash account. This discrepancy would be held until enquiries were concluded and then removed by either the issuing of an error notice, or by the Subpostmaster putting the money into the branch to cover the loss, or removing the value of the gain from the branch to balance the account.

In late 2005, Post Office introduced a monthly balancing system known as "Branch Trading". This is similar to

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

the weekly balance and is a mandatory requirement at all branches. Post Office policy recommends that a branch still undertakes a full weekly cash and stock count. The actual cash and stock on hand can then be compared to the figures recorded in Horizon.

In the event that a discrepancy is found on a weekly balance, the discrepancy can be declared. If the discrepancy is declared, it will be transferred into a "suspense account" until it is resolved.

In addition to the recommended weekly balancing, a daily cash declaration is a mandatory procedural requirement. Staff at the branch must count and declare the cash stored in each stock unit at the end of each day. Post Office's Retail Cash Management team are responsible for monitoring the cash levels within the branch network to ensure that branches have enough cash to serve customers. The production of the cash declaration on Horizon gives the end user the opportunity to complete a variance check, which identifies the difference between the Horizon generated figures (what the system records the branch has) and the declared cash, which should be the amount of cash physically held at the branch. The Applicant admitted that she only carried out a monthly cash declaration (Doc 003, page 17).

When the branch is due to complete a monthly balance, any discrepancies (including those put into suspense during the month) need to be resolved. The monthly balancing process is also called "rolling over" or the "end of trading period" process. At the end of the process, the Subpostmaster is required to print off and sign a "Branch Trading Statement". This statement confirms that the cash and stock shown in the accounts accurately reflect the cash and stock held in the branch (with any discrepancy having been declared). Contractually, Subpostmasters are required to complete a monthly balance for the branch. If a branch does not "roll over" into the next trading period when scheduled to do so, Post Office will contact the branch to highlight this and rectify the situation.

Some branches operate "shared" stock units. In effect, this means that all staff at the branch transact from one pool of cash and stock. When the branch completes a balance, all the transactions are recorded against one set of accounts on the Horizon system. Horizon also has the capability to create multiple individual stock units which creates sets of sub-accounts within the branch's general accounts in the Horizon system. It would appear from the CQR that all the staff at North Bransholme Post Office worked from individual stock units and were responsible for performing their own weekly balances (Doc 001 Page 3). However, in the summary of the tape recorded interview (Doc 003), the Applicant explains that they did have individual stock units up until June 2005. When asked why the branch had then moved to a shared stock unit the Applicant explained that this was because one member of staff, who had a poor balancing record, GRO

There is no reason to doubt that, prior to June 2005, the staff at the branch worked from individual stock units and produced their own weekly balances. This level of control ensured that there was individual accountability and would help identify losses. Call logs indicate that a total of 14 calls to the NBSC between August 2004 and October 2005 were categorised as "Horizon Balancing" (Doc 004 Tab 3), but in the main these relate to back office processes such as booking in the incoming cash and stock (remittances). There is no evidence within the call logs of any calls being made specific to branch losses.

6. All staff at the branch were responsible for making good their own losses.

According to the Applicant, Katherine Ayres had a £1,500.00 shortage in her stock unit, and she was making weekly payments to make good the loss (Doc 001, page 4) at the time of the audit. There is no documentary evidence available to substantiate the loss or the repayment plan, as accounting records for the period are no longer available. The repayment of the loss is referred to in the taped transcript (Doc 010, page 8), in which the Applicant states that the loss occurred in November 2004 and that Ms Ayres was still making repayments

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

in May 2006. The Applicant admitted that the loss (referred to in the summary of tape recorded interview as £1,400.00) had not been reported in the branch's accounts, but instead the cash on hand at the branch had been inflated to cover up the loss. The Applicant's Subpostmaster's Contract clearly states that she is responsible for any losses incurred at the branch and that these must be made good without delay (Doc 005, Page 49) by the Applicant.

The introduction of shared stock working in 2005, without proper controls being instigated and managed, meant that losses could no longer be attributed to individuals. Additionally, the Applicant chose not to complete the daily cash declarations or the recommended weekly balance, which would have identified at an early stage when losses were occurring.

7. The Applicant claims that the initial shortfall in January 2006 and subsequent losses were as a result of the introduction of monthly balancing at the branch and the fault was with the Horizon system.

According to the Applicant's CQR, the Applicant encountered her first problems with the Horizon system (Doc 001, page 4) shortly after moving to monthly balancing when, in January 2006, the monthly balance revealed a shortage of £7,000.00. There are no accounting records available to corroborate this but if, as the Applicant admitted, she hid the loss, then there would have been no losses recorded against the branch. The following month the Applicant claims she discovered that the loss had doubled and the branch accounts were then £14,000.00 short which rose to £21,000.00 in March 2006. No transactional data is available to confirm the amounts stated by the Applicant, which do not correlate with those reported by the Applicant to Post Office's investigators during her interview.

When Post Office introduced Branch Trading, a communication went to every branch in the network (Doc 006). The purpose of the Branch Trading document was to inform Subpostmasters that errors would be dealt with slightly differently with the move to monthly balancing. Instead of an error notice being issued, these would be replaced with a transaction correction (TC). TCs are transaction adjustments sent by Post Office's Financial Service Centre (FSC) to branches when errors are found. FSC is Post Office's account-processing centre. It provides daily services to clients, branches, multiple partners and customers. TCs could be issued for a wide range of reasons for errors or omissions in data entry, such as mis-keying, forgetting to enter data, etc. The communication made it very clear how a branch should deal with losses or gains and explained the procedure, which included contacting the NBSC. None of the NBSC call logs available indicate that the branch was experiencing any difficulty with regards to balancing (Doc 004), and there are no calls logged which raise any Horizon issues around the January 2006 time period.

There are no balancing records available prior to 2008 for the branch. There is, however, some information relating to the issue of TCs at the branch for 2006. The amounts are minimal, the largest being £180.79, but nothing in the region of the level of losses that the Applicant described (Doc 007).

8. The Applicant claims that she was approached by her Regional Managers in May 2006 regarding the losses.

The Applicant states in her CQR that she was approached by her Regional Managers in May 2006. Diane Hoyles, RSM, was instructed to visit the branch and verify the cash on hand. This was due to the Retail Cash Management Team reporting an increase in overnight cash holdings (ONCH) and persistent failure, by the branch, to return the excess cash holdings when requested. The Retail Cash Management Team are responsible for monitoring the cash levels within the Post Office network to ensure that all branches have enough cash to serve customers, and that surplus cash is not held at the branch, as this could pose a security

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

risk. There is also the risk that repeated refusal to return excess cash holdings may mean that the cash is not present at the branch and therefore cannot be returned. This in turn could indicate fraud or theft in some instances.

Mrs Hoyles was aware that North Bransholme Post Office was a large branch and asked a colleague, Julia Stephenson, to accompany her to the branch on 30 May 2006 to verify the cash on hand (Doc 008). According to the Intervention and Rural Support Log, the Applicant explained to the RSM that there would be a discrepancy within the cash on hand of about £40,000, and that she did not know where the cash had gone (although she did suspect a member of staff). The RSM identified a loss during the visit of around £54,000.00 and suspended the Applicant.

An audit was arranged for the following day to verify the exact cash loss at the branch. Two auditors arrived at the branch on 31 May 2006, Paul Field and Lynne Eastwood, who were met by Mrs Hoyles. The Applicant arrived and an audit of the branch was conducted. An audit report was prepared by Mr Field and a copy sent to the Applicant (Doc 009). The final shortage is listed in the table below:-

Identified as difference in cash figures	58,942.41
Identified as difference in stock figures	274.02
Total shortage	59,216.43

Following the results of the audit, Post Office's Security Team were informed of the shortage and arrangements made for the Applicant to be interviewed by two Post Office Security managers. The Applicant was interviewed at Bransholme Police Station in Hull on 1 June 2006 by Diane Matthews and Steve Bradshaw, both Post Office Security Managers. Summaries of the tape recorded interview are available and it is evident at the onset of the interview that the Applicant was fully aware how losses and gains should be dealt with at the branch (Doc 003). In addition, the Applicant admitted at interview that she was well aware that to falsify figures, in order to cover up the losses, was in fact false accounting (Doc 010, page 5).

During the interview, the Applicant raised the issue again of the member of staff, Katherine Ayres, whom she suspected might be stealing. The Applicant claimed that Ms Ayres had a poor balancing record and numerous complaints had been made against her by customers claiming to have been short changed. There is no evidence available to confirm whether or not this member of staff was short changing customers at the branch.

As the Applicant stated in her interview, Ms Ayres was already repaying back a loss of £1,500.00 (at between £10 and £20 per week), since it had been discovered in her stock unit in November 2004. Ms Ayres GRO GRO and during this time no repayments were made and the amount continued to be covered up by the Applicant. According to the Applicant, the branch balanced well during Ms Ayres' absence. The Applicant admitted, however, that despite her concerns, she had entrusted Ms Ayres with a set of keys for the branch and a set for the safe.

9. The Applicant states that she felt that the investigators automatically assumed that she had taken the money.

In her CQR (Doc 001, page 7), the Applicant states that she felt that Post Office's investigators automatically assumed that she had taken the money to pay her ex-husband, as they were aware of her divorce settlement. In the "Area Intervention and Rural Support log" (Doc 008), the RSM makes reference to the Applicant informing her of the Applicant's personal circumstances regarding how much the divorce settlement had cost

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

her and that she had borrowed on the mortgage. However, 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. The taped interview focuses, in the main, on the circumstances surrounding the losses which culminated in an audit taking place and the fact that the Applicant had been falsifying figures since November 2004.

10. The Applicant claims that the causes of the losses were not investigated by Post Office.

The Applicant chose not to declare the shortfalls or to ask for support at the time the shortfalls occurred. Post Office's investigation would have involved analysis of the branch accounts and accounting processes. However, because the Applicant had inflated the cash figures, the investigations would have been unable to identify when or where the shortfalls arose.

It would appear from the available reports, that the investigation was carried out in accordance with Post Office guidelines and that the actions were proper and proportionate, contrary to the Applicant's claim. There is no evidence to support the Applicant's allegation that the investigation was improper and there is no record of the Applicant raising such concerns at the time.

11. The Applicant's principal complaint is that when monthly balancing was introduced at the branch, the losses that occurred shortly afterwards were as a result of a fault with the Horizon system.

There is no evidence available to substantiate this claim. Records of HSD calls are no longer available for the relevant time and there were only six calls made to the NBSC which were referred to HSD but details of the actual subject matter are not available.

It is likely that the losses occurred as a direct result of the lack of controls in branch following the introduction of shared stock working. Additionally, because the Applicant chose not to complete the mandatory daily cash declarations or the recommended weekly balance, she was unable to identify when and where the losses occurred.

Documents being provided to Second Sight

<i>Document name</i>	<i>Description</i>
<i>M097_POL_001_North Bransholme CQR_JO</i>	Case Questionnaire Response for North Bransholme Post Office
<i>M097_POL_002_Branch Intervention Log Telephone Contact_JO</i>	Branch intervention telephone call log
<i>M097_POL_003_Taped Transcript_JO</i>	Tape 1 recorded interview
<i>M097_POL_004_NBSC Call Logs_JO</i>	Call Logs from Network Business Support Centre (NBSC) January 2004 – May 2006
<i>M097_POL_005_Spmr Contract_JO</i>	Subpostmaster Contract Extract – Suitability of Candidates
<i>M097_POL_006_Branch Trading_JO</i>	Branch Trading Communication issued to all branches
<i>M097_POL_007_TransactionCorrections_JO</i>	Transaction Corrections 2006
<i>M097_POL_008_Area Intervention and Rural Support Manager Visit Log_JO</i>	Explanation for the RSM visit 30 May 2006 and the outcome
<i>M097_POL_009_Audit Report_JO</i>	Audit report prepared for the Applicant
<i>M097_POL_010_Taped Transcript_JO</i>	Tape 2 recorded interview

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION