

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

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

Branch Name:	South Warnborough	Branch Code:	0929042	Case Number:	M035
Applicant Name:	Josephine Hamilton	Status of Case:	Mediation Application	Date of Appointment:	Oct 2003

Executive summary

The Applicant claims that a shortfall of over £36,000 revealed at the audit of South Warnborough Sub Post Office was caused by “un-explained” issues with Horizon and a general lack of support and training from Post Office.

The Applicant worked in the South Warnborough Post Office from December 2001 as an employee of the former agent Alwyn Stacy, until Ms Stacy’s death in 2003. The Applicant became the Subpostmaster in October 2003.

On the 9 March 2006 an audit of the branch was conducted by Post Office (Doc 014 refers) which revealed a cash and stock shortage of £36,644.89. The Applicant was precautionary suspended from her role following the audit. A security investigation was undertaken and consequently Post Office sought to prosecute the Applicant for theft and false accounting.

The audit was arranged as a result of concerns by Post Office staff following a conversation with the Applicant on 06 March 2006 regarding the high levels of cash on hand at South Warnborough branch. The Applicant was asked to return at least £25,000 as this was surplus to the requirements of the branch. The Applicant reported ~~GR0~~ on 07 March.

On the 19 November 2007, the Applicant pleaded guilty to false accounting charges at Winchester Crown court. The single theft charge was removed after an undertaking was given by the Applicant’s counsel that all monies owed to Post Office would be repaid prior to sentencing. A cheque for £37,644.89 was received by Post Office on the 18 Feb 2008 which included £1000 costs awarded to Post Office (Doc 015 refers)

In the Applicant’s statement to the Post Office Security Team (which was prepared during the security investigation), she stated that all her staff used the same Horizon logon details (Doc 012&013 refers). This is a breach of Post Office procedures. This lack of Horizon access control means that the Applicant would not have been able to properly monitor the activities of her staff, which in turn is a likely cause of losses in this branch.

Conclusion

There is no evidence which supports the Applicant’s claim that Horizon caused the shortfalls in the branch. Given the evidence and the lack of control with regards to access to Horizon by the Applicant’s staff, Post Office is of the view that the most likely cause for the shortfall of £38k is a series of operational errors in the branch by the Applicant or her staff over an extended period of time (such as mishandling cash, mis-keying transactions into Horizon, cheque remittance errors etc).

At the time of the Post Office Security led investigation in May 2006, records showed that the Applicant had been declaring on the Branch Trading Statements cash holdings of a minimum £15,000 when the branch weekly pay outs were in the region of £2500. Therefore, the Applicant was declaring a high level of cash on hand each week which rose gradually to £35,000 by February 2006 (Doc 011 refers). The audit identified

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that, despite the cash declaration made by the Applicant, there was significant less money actually on hand in the branch. Whilst we cannot be absolutely sure when the variance in declared cash on hand and actual cash on hand first happened, the information obtained as part of the investigation in May 2006 indicates that inflated cash declarations had been ongoing for some time, possibly from Dec 2004.

The Applicant was aware of the helpline facility and could have reported the losses to Post Office at any time so to seek further support – but the available records do not show that she did this. This meant that Post Office was unable to provide further support to the Applicant at the time the losses were occurring as it was not aware that the losses existed.

This situation was further compounded by the Applicant submitting false accounts in order to hide the losses from Post Office. The false accounting meant that it was not possible at the time of these events, and it remains impossible now, to precisely identify all the erroneous transactions which have caused the £36k shortfall. Post Office primarily relies on reviewing the branch accounts to help subpostmasters identify errors but because the accounts in this case have been falsified, it is not possible to distinguish between genuine errors and intentionally false entries.

The Applicant's complaint

The Applicant's complaint covers four areas:

Issue 1: The perceived lack of training that was provided by Post Office

The Applicant claims in her case questionnaire that she received a minimal amount of formal training between Christmas and New Year in 2001.

Specifically the Applicant complains that she was not trained on how to handle transaction corrections.

Issue 2: The perceived lack of support provided via the helpdesk

The Applicant claims that there was a lack of support from the NBSC from Dec 2003 to March 2006.

Issue 3: The perceived inability to “park” issues and investigate further

The Applicant claims that there was inability to “park issues” and investigates differences.

Issue 4: The perceived unexplained issues that arose in the first place

The Applicant submits two "unexplained" errors that arose regarding a TV Licence and the difference in amounts from the Balance Snapshot and the Trial Balance- as described above. The Applicant suggests that these errors show that there are flaws in Horizon.

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Case Review Actions			
<i>Summary of the information collated by Post Office</i>			
Information available from Post Office records:			
Information area	Information provided with this response	Information not available as beyond retention period	Information not available for other reason
Electronic Filing Cabinet	X		
Horizon Service Desk		X	
Transaction Corrections		X	
Financial Dispute Resolution		X	
POL Investigations	X		
System Connectivity		X	
Branch Training Records		X	
Contractual Files/records		X	
Branch Audit Reports	X		
NBSC Call logs	X		

NBSC call logs

Network Business Support Centre answered 203 calls from the branch during the period under review.

2003- 16 calls to the helpline, all in the month of December: seven calls from 1/12/03-30/12/03 relate to the misbalance call on the 3/12/03 £2082 shortage reported; a further call on the 30/12/03 about another £2000 loss.

2004- 99 Calls to the helpline: two calls in relation to previous month misbalance on the 2nd and 6th January. Call on the 2nd Jan 2004 relates to £4,188.53 loss, it is most likely that this is the previous two losses added together.

Call on the 3rd February 2004 regarding £3,191.00 loss; again it is most likely that this is part of the previous loss.

Six calls about faults with Horizon System; all other calls were general enquires.

2005- 69 calls to the helpline, 30 of which relate to issues processing and despatching cheques and other accounting problems.

24/2/05 Call in relation to £750 loss

25/5/05 Call in relation to TV Licence transaction

2006 – 19 calls between Jan- March: 15 calls in January in relation to cheques, system crashing and branch trading.

Call on 5/1/06 in relation to £1000 loss after system crashed when processing postage label. There are no

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calls suggesting any shortage in the region of £36,000

There is no evidence in the call logs that the Applicant could not contact the helpline. There is evidence that on one occasion she had to chase a call in relation to cheques despatch in January 2006 (Doc 006 refers).

Response to issues raised by Applicant

	Issue raised	Investigation findings
1.	<p>The lack of training that was provided by Post Office</p>	<p>Post Office does not hold any training records due to these documents being outside document retention periods. However, Operations Manuals were available in branch and a weekly "Counter News" was sent to every branch in the network. These publications provided details on how to process all transactions in branch and also included a detailed balancing guide. The NBSC helpline was also available.</p> <p>The Applicant worked in the branch from December 2001 as an employee of the former agent Alwyn Stacy until Ms Stacy's death in 2003. At this time, as an employee of the former agent Alwyn Stacy, it would have been Stacy's responsibility to train the Applicant, not Post Office. After Stacy's death, the Applicant took over the role as Sub Postmaster of the branch in October 2003; it was only from this time she would have entered into a contract with Post Office and become the agent. Post Office does not hold any training records for this time (Doc 001 refers).</p> <p>Experienced Sub Postmasters could agree formally with the Contract Advisor whether training was required or not. Should training be required, then at the time of the Applicant's appointment in 2003, Post Office training offer for new Sub Postmasters was as follows:</p> <ul style="list-style-type: none"> • 5-10 days classroom training, depending on what transactions the branch offered • 6-10 days onsite training • One day of follow up balancing <p>In 2003 transaction corrections were processed in the form of an error notice. The notice would have been posted to the branch with details of the error and, if applicable, supporting evidence. There would also have been contact details for the issuing department should the agent need to discuss. Accounting instructions were available in the operations manual provided at the branch, an extract of the section relating to error notices is submitted (Doc 002 refers) and</p>

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		<p>(Doc 003 refers). A weekly newsletter, the "Counter News", was also available at the time and sent to every branch in the network. This detailed any operational updates and guidance. The NBSC helpline was also available, should the Applicant have issues with accounting for the error notice.</p> <p>Call logs to the NBSC are available from 1st December 2003 - 24th February 2004; calls in relation to error notices and the issues that arose during December 2003 are submitted (Doc 004 refers: specifics highlighted in yellow).</p> <p>The Applicant states in her CQR that somebody came from the Post Office to train her between Christmas and New Year in 2001. It could be assumed this was a local arrangement as at the time Alwyn Stacy was still the Sub Postmaster and would have been responsible for training staff.</p>
2.	The lack of support provided by the helpline	<p>There is no evidence to suggest that the Applicant could not contact the helpline. The evidence shows that she did so, on average twice a week over the 25 month period when she was Sub Postmaster. However, the available evidence suggests that calls were transferred correctly and proper advice given (Doc 005 refers).</p> <p>The Applicant claims in her Case Questionnaire Response (CQR) that she asked for an audit due to the increasing losses that the branch was experiencing. Post Office can find no evidence in the Network Business Service Centre (NBSC) call logs of the Applicant requesting an audit. Post Office records do show that it was aware that there were issues at the branch. For example, an email dated 6 March 2006 from Rebecca Poch, Retail Cash Management Support, to the area intervention office highlights problems at the branch (Doc 011 refers) and also) states that the Applicant allegedly told a representative of National Federation of Subpostmasters, that there were some problems at the branch.</p>
3.	The inability to "park" issues and investigate further	<p>The Applicant claims that there was inability to "park issues" and investigate differences. The Applicant could however have raised an enquiry with the issuer of the error notice directly.</p> <p>Call logs made to the NBSC suggest that this may have been the case (Doc 004 refers). On the 1st December 2003 the Applicant contacted the NBSC regarding a problem with the despatch of cheques, the Applicant called back again on the 2nd December and asked to speak with someone else as she was not happy with the help she had received the previous day. It appears from the comments section on the call logs that the NBSC contacted the team at Chesterfield who dealt with error notices at the time and confirmed that the cheques had not been despatched from the branch correctly and</p>

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		<p>arranged for an error notice to be issued to the branch to clear the loss.</p> <p>The Applicant was therefore clearly aware of how to seek support in order to investigate losses.</p>
4.	Report discrepancies	<p>The Applicant has submitted evidence in her CQR that relates to an error in December 2003. This is outside Post Office's period of retention (Doc 007 refers) so Post Office is unable to examine the transaction in any detail. However, the Applicant claims the error arose on the 23rd December 2003 (although the evidence submitted by the Applicant relates to the following week commencing 30th December 2003). The evidence submitted, claiming to prove that there is a fault with Horizon, are two separate reports. The first report is a Balance Snapshot and the second is a trial balance. The Balance Snapshot is a report generated by Horizon that shows what should be on hand in the branch as a result of the transactions processed in the branch. The trial balance is a report produced after the operator has entered on Horizon the amount of Cash, Stock and Stamps they actually have on hand in the branch. Thus, there could be a balance difference in the two reports if the amounts declared by the Subpostmaster do not match the amounts that Horizon requires to be on hand in order for the branch account to balance. Due to retention periods, Post Office does not hold training records for this time (Doc 008 refers); however, the NBSC call logs indicate that Colin Woodbridge, Rural Support Manager from the Post Office, visited the branch on the 21st January 2004 to help addresses the shortages experienced.</p>
5.	TV Licence issues	<p>The Applicant has submitted evidence in her CQR that relates to an error with a Television Licence transaction that occurred on the 23 May 2005. Again this is outside of Post Office retention period. The Applicant has suggested Horizon did not properly record the transaction as the cheque was recorded on the system but not the TV licence transaction.</p> <p>At the time there were two types of TV Licence applications, the manual process for first time applicants and the barcode renewal. Both transactions required the user to enter the transaction on Horizon (Doc 009 refers). On the 25th May 2005 the branch called the NBSC because they had given a TV licence form back to the customer when it should have been retained by the branch (Doc 010 refers). There is nothing to suggest this error on 25 May was connected with the transaction complained about on 23 May.</p>

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		However, it is possible that what has happened is that during the transaction on the 23rd May 2005, the clerk has given the whole documentation back to the customer without entering or scanning the Licence onto Horizon. This would be a reasonable explanation as to why the cheque was on the system and the TV Licence was not.
Documents being provided to Second Sight		
<i>List documents (if any)</i>		
Reference	Description	
<i>M035_POL_001_Training Email_PT</i>	<i>Email confirming no training records available</i>	
<i>M035_POL_002_Error Notice_PT</i>	<i>Extract from Operational Manual in relation to error notices process</i>	
<i>M035_POL_003_Horizon Error Notice_PT</i>	<i>Extract from Operational Manual in relation error notices process</i>	
<i>M035_POL_004_Call logs Dec03-Feb04_PT</i>	<i>NBSC calls in relation to error in December 2003</i>	
<i>M035_POL_005_All NBSC Calls_PT</i>	<i>All NBSC call logs from Dec 03 – March 06</i>	
<i>M035_POL_006_Call Logs Jan 06_PT</i>	<i>Chaser Call to NBSC</i>	
<i>M035_POL_007_ARQ Request_PT</i>	<i>Email confirming transactional records& Horizon Service Desk calls outside of retention period</i>	
<i>M035_POL_008_branch visit_PT</i>	<i>NBSC call log from Jan 04 relating to branch visit from Colin Woodbridge</i>	
<i>M035_POL_009_Tv Licence process_PT</i>	<i>Extract from Operational Manual in relation to TV Licence process</i>	
<i>M035_POL_010_Call to NBSC re TV Licence_PT</i>	<i>NBSC call log from May 05 in relation to TV Licence error</i>	
<i>M035_POL_011_Audit Email_PT</i>	<i>Email from Cash Management team raising concerns</i>	
<i>M035_POL_012_Security Interview_PT</i>	<i>Copy of security team interview</i>	
<i>M035_POL_013_Security Interview_PT</i>	<i>Copy of security team interview</i>	
<i>M035_POL_014_Audit Report_PT</i>	<i>Copy Of Audit Report</i>	
<i>M035_POL_015_Court Case_PT</i>	<i>Details of court findings</i>	