

Filed on behalf of the: Claimant/Part 20 Defendant
Witness: John Howard Jones
Statement: 2
Exhibits: JHJ2
Date made: 06/10/06

IN THE HIGH COURT OF JUSTICE

Claim No: HQ05X02706

QUEENS BENCH DIVISION

BETWEEN:-

POST OFFICE LIMITED

Claimant/Part 20 Defendant

-and-

LEE CASTLETON

Defendant/Part 20 Claimant

SECOND WITNESS STATEMENT OF JOHN HOWARD JONES

I, JOHN HOWARD JONES of Network Change, Post Office Limited, Sales and Service, Upper Floors, The Markets DMB, 6/16 York Street, Leeds, LS2 7DZ **WILL SAY AS FOLLOWS:-**

1. I am currently an Area Development Manager for the Post Office Limited ("the Post Office") and am also an Appeals Manager, with responsibility for hearing both agents and employee appeals as part of Post Office's independent Appeals Panel. I have worked for the Post Office for 24 years and have been an Appeals Manager for the past 3 years.
2. I make this Witness Statement from facts within my own knowledge unless otherwise stated. References to page numbers in this Witness Statement are to page numbers of exhibit JHJ2 to this Witness Statement.

Background

3. Between 18 July 2003 and 23 March 2004, Mr Castleton, was the subpostmaster at the branch of the Post Office at 14 South Marine Drive, Bridlington, YO15 3DB (**the Marine Drive branch**). In that role, he was responsible for making good all losses, whether caused through his own negligence or that of his assistants.
4. I understand that on or about 23 March 2004, Mr Castleton's contract for services was suspended because of large unexplained losses that had been reported occurring over the preceding 12 weeks. An audit took place at the Marine Drive branch on 23 March 2004 which concluded that there were unauthorised losses at that stage of £25,758.75. This was followed by a full investigation, during which time Mr Castleton

was interviewed by Ms Catherine Oglesby, the Retail Line Manager (RLM) who was dealing with the matter at that stage. On 17 May 2004, Mr Castleton was dismissed and the dismissal was effective from 23 March 2004 (the date of his suspension). I was responsible for dealing with Mr Castleton's appeal against the dismissal. The appeal was effectively a re-hearing of the entire case.

5. I wrote to Mr Castleton on 21 June 2004 to confirm that I had scheduled the appeal hearing to take place on 1 July 2004 (pages 6 to 7).

B3 . P497-498

Pre-Appeal Enquiries

6. Before hearing the appeal, I firstly obtained the Agent Case Summary from Lesley Joyce, the Contracts Manager (pages 4 to 5). This set out the name of the subpostmaster, address of the branch and brief details of the case.
7. I then made enquiries with Cheryl Woodward of the Post Office's Transaction Processing Section to check on the volume of error notices recorded prior to the losses that occurred between weeks 42 and 51. I also checked the level of error notices that had been received since the suspension on 23 March 2004. An error notice is a correction statement. It is generated if the paperwork that is produced by the branch for a transaction (for example, pension counterfoil, girobank slip or cheque) that is sent off for processing does not match the information inputted by the counter clerk on the computer, when the two streams of information are compared.
8. I noted that at that time for weeks 42 (the Cash Account week ending 14 January 2004) to 51 (the Cash Account week ending 17 March 2004), only one error notice dated 17 March 2004 had been received for £1,256.88 for a customer called Dorothy Constable (pages 8 to 10), which was charged to the Late Account. (The Late Account is a holding account that is established following either the suspension or last day of service of a Subpostmaster and records all previous errors that are recorded against that branch, which have not been brought to account). I can now see from the Former Subpostmaster Statement of Errors at page 11 that this particular error for £1,256.88 was reversed on 20 January 2005 and accordingly forms no part of this claim. Two smaller error notices totalling £292 were also charged to the Late Account. I do not have the dates and specific amounts for those errors totalling £292, but believe that they actually occurred whilst Mr Castleton was the postmaster but had not been drawn to the attention of the business until after he was suspended. As such Mr Castleton was liable for the errors which occurred during his period of appointment.
9. I personally analysed each line of the Marine Drive branch Cash Accounts for the 17 weeks between 24 December 2003 and 14 April 2004 (i.e. account weeks, 39 to 03 inclusive). I examined every entry on the Cash Account over the critical period when

the losses being incurred were at their greatest. The purpose of my analysis was to check independently the arithmetical accuracy of those accounts, the average volume and value of the transactions at the Marine Drive branch during this period, the average cash usage, the cash ordering cycle and identifying any transactional areas that were outside the mean average value for the bank i.e. whether there was anything unusual for this particular branch. Basically, I was recreating the Cash Accounts for each week, as best as I could, to ascertain whether the losses were real. A spreadsheet showing the results of my analysis is at page 34. ^{TB3 p525}

10. I visited the Marine Drive branch on 28 June 2004, to investigate those transactions that I had already identified as being outside the average value for this period or which might otherwise give rise to discrepancies. I analysed a Giro business customer's cash deposits that were made into the branch. The customer was a car auction and made large cash deposits each week. Each cash deposit was then cross referenced with the entry that was recorded from the Horizon system. Each entry was recorded correctly in line with our operating instructions and brought to account through the Horizon system on the day the cash was deposited. I also carried out a number of further checks in relation to the receipts available at the branch to prove that the final totals accurately and correctly appeared in the end of week accounts. I checked a number of daily records that were available in the branch to confirm their arithmetical correctness and that they had been correctly recorded onto the Horizon system. Again, these were proved to be correct.

11. After my visit to the Marine Drive branch, I reviewed the interview notes from 10 May 2004. On 25 June 2004, I emailed Ms Oglesby, then the Retail Line Manager, to ask why the advice she had given to Mr Castleton to take up individual stock unit balancing had not been followed by him and any reason as to why such losses were consistently dismissed by Mr Castleton as being a fault with the Horizon system ^{TB3 p593} (page 12). Ms Oglesby replied later that day ^{TB3 p594} (page 13). I followed my email up with a telephone conversation with Ms Oglesby in which she said that she had advised Mr Castleton to prepare balances every day. Ms Oglesby advised me that Mr Castleton was loath to take her advice, dismissed any suggestion that there might be a problem that could possibly be theft related and persisted with his belief that all shortages were as a result of the computer system. I was surprised that Mr Castleton repeatedly dismissed the advice of an experienced Post Office manager given that he was a relatively new subpostmaster and significant losses were accumulating in the Marine Drive branch.

12. I also conducted a daily transactional analysis from both daily and weekly balance snapshots in the cash accounts of weeks 46, 47 and 50 in which there were losses of £8,243.10, zero and £10,653.11 respectively ^{TB3 p526} (page 35). My analysis showed that there were anomalies between the cash contained in the balance snapshot for the Tuesday of those weeks and the final cash declaration set out in final balance in the weekly

Cash Account produced on the Wednesday. For example, I evaluated individual transactions between Tuesday 10 February 2004 and Wednesday 11 February 2004 for cash account week 46. My evaluation indicated that the actual transactional receipts exceeded those payments that were declared by the Marine Drive Branch by approximately £15,300. It can be demonstrated, by reference to a giro receipt, that a cash deposit of £16,500 by the car auction (customer number 685 9461) was received on Wednesday 11 February 2004, but this is not reflected in the Cash Account signed by Mr Castleton at the close of business on the Wednesday. A cash declaration of approximately £49,000 should have been made as opposed to the incorrect cash declaration that was actually made of £33,100. In other words, my assumption at the time was that the Marine Drive branch physically received approximately £15,300 more cash than the amount it actually declared for that week in the Cash Account. I have no conclusive explanation for this other than that the paper records were seriously inaccurate.

13. I again visited the Marine Drive branch on 30 June 2004 to track the Giro Bank business deposits that the branch received and to establish the flow of cash into the branch. The Marine Drive branch permanently held the account book for the car auction who regularly deposited significant volumes of cash each Wednesday. The deposit pouch I examined from the company at my visit to the branch contained a large amount of cash and was accompanied by a blank inpayment book and receipt slip. I was advised by the Interim Subpostmaster that this was normal practice for the branch to check the amount in the pouch and then complete the deposit and receipt slip on behalf of the customer. The amount deposited was then processed without any verification with the customer. The pouch would then be returned to the customer with the receipt slip on their next visit to the branch.

14. I analysed all of that customer's deposits since November 2003 to confirm that the deposits had been brought to account. I double checked the cash account weeks of 46, 47 and 50 where I had carried out a daily transactional analysis, to establish whether the levels of cash that had been declared had actually been received from this customer. My analysis showed that erroneous cash declarations had been made, because the cash usage that occurred in the weeks 46, 47 and 50 was not reflected in the final cash declared by the Marine Drive branch upon completion of the weekly balance. In other words, the cash that the giro receipts and balance snapshots showed that the Marine Drive branch had physically received from this customer was not reflected in the cash that Mr Castleton declared in the Cash Account for each of the weeks examined. The cash physically deposited at the Marine Drive branch should have been accounted for.

15. I made enquiries of Network Business Support Centre (**NSBC**) and the Horizon Systems Helpline (**HSB**) and analysed the telephone records held by them to check

what instructions had been given to Mr Castleton and also to check that the branch did not close due to running out of cash. My enquiries revealed that tests had satisfactorily been carried out on the Horizon system which confirmed its integrity.

The Appeal Hearing on 1 July 2004

16. Mr Castleton had been dismissed by Ms Oglesby because the Marine Drive branch had incurred significant unexplained losses which he had not made good. Mr Castleton blamed the Horizon computer system for these losses, but there was no evidence to support his assertion. I presided over Mr Castleton's Appeal Hearing on 1 July 2004. Mr Castleton had a representative present, Mrs Julie Langham (from the Federation of subpostmasters). Miss Paul Carmichael of the Post Office was also there to take a note of the Hearing. I attach a typed note of the Case History and the Notes of Appeal at pages 14 to 23. ^{TS 3 0515-574} Mr Castleton does not accept that the typed Note of the Appeal hearing is accurate, so a copy of the handwritten note is at pages 24 to 33. ^{TS 3 0515-524} I confirm that so far as I am concerned, both the typed and handwritten notes are a fair reflection of what was said.

17. During the Hearing, Mr Castleton blamed the Horizon computer system for the losses. The Horizon System is an on-line accounting system that is integrated into over 17,000 Post Office branches which is intended to provide security and integrity for the Post Office and our clients' transactions. The system is like a sophisticated electronic calculator for the Post Office. It provides for on-line reconciliation of all our customer transactions and the Post Office weekly balance. It records all volume and values of transactions taking place at the branch. These transactions must be physically entered onto the system by the user when a customer presents a transaction at the Post Office counter.

18. Each counter position has a computer terminal, a visual display unit, a keyboard, barcode scanner and printer. This system records all transactions inputted by the counter clerk working at that counter position. It can therefore only record what the counter clerk types in. Each user has a unique pass word and identifier to enable the system to have both internal and external security. Once logged on, any transactions performed by the user must be recorded and entered on the computer. The system reconciles the daily and weekly transactions and provides the weekly Post Office balance. The onus is on the counter clerk to check and confirm the value of the stock and cash that is on hand when completing the balance and accordingly is expected to verify that the recorded transactions match the accompanying physical documents (such as counterfoils) each day. The system also allows for information to be transferred to the main accounting department at Chesterfield in order for accounts for each Post Office branch to be balanced.

19. However, Mr Castleton was unable to provide any evidence to support his assertion that the computer system was responsible for the losses. Furthermore, neither Fujitsu Services (who were responsible for designing, implementing and operating the Horizon system), nor HSH had been able to identify any problems with the system. In any event, Mr Castleton stated that the cash declarations he had made (i.e. the accuracy of the cash that he declared onto the system and ultimately the weekly cash accounts that he signed) were accurate "nine times out of ten". Mr Castleton stated that he knew how much to order based on amounts previously ordered and Chrissie's (his assistant) experience.
20. I had also carried out an analysis to track large bulk orders of usable cash moving in and out of the branch to try to ascertain why the subpostmaster would order cash outside the branch's normal requirements. This particular analysis focused on the period in which significant losses occurred, being cash account week 42 (the week ending 14 January 2004) to cash account week 51 (the week ending 17 March 2004). I was interested in Marine Drive branch's bulk cash ordering and not their orders of change because the orders for change were largely accounted for through giro change orders and the small coin requirements to service every day transactions.
21. I explained to Mr Castleton that between weeks 42 and 51 inclusive the Marine Drive branch had ordered significantly more cash from the Post Office than had normally been the case. Mr Castleton stated that he only ordered what he felt was required. I informed Mr Castleton that for this entire period (cash account weeks 42 to 51) the actual cash usage for transactions at the branch did not differ from week to week and he had only actually needed to order between £200,000 to £265,000 in cash. Instead, Mr Castleton had £305,000 cash and of which only £20,000 usable cash was returned.
22. For clarification I should add that during that period it appears from the weekly Cash Account that the Marine Drive branch actually ordered £316,590 and returned £34,891.28, but this included unusable notes, foreign notes, Scottish notes and coinage that is remitted on a weekly basis and the purpose of my analysis was to track large bulk orders of usable cash moving in and out of the branch.
23. My analysis of the increases in cash ordered by the branch suggested that the branch did not need to order these excessive amounts of cash, because they were not required to serve the transactions that were being performed. Significantly, the orders for extra cash were always in weeks where there was reported to be a significant loss at the branch.
24. The Marine Drive branch never ran out of cash. If the Horizon system had been incorrect and the cash shortfalls merely theoretical (i.e. computer generated), rather than actual, there would always have been sufficient cash in the Marine Drive branch to meet its requirements and no need to order more than £265,000 cash during weeks

42 to 51. Crucially, it was only the ordering of the extra cash that ensured that the branch was always able to remain trading. Mr Castleton was unable to explain why he needed actual additional cash or where that additional cash had gone if there was only a computer generated, theoretical shortfall.

25. If Mr Castleton's assertion was correct, this would not have affected the physical amount of cash at the Marine Drive branch or mean that Mr Castleton had to order and use extra cash. Mr Castleton specifically stated that he only ordered the cash he felt was required.

Post Appeal Hearing Enquiries

26. After the Appeal Hearing, I did a further check with Cheryl Woodward of transaction processing who confirmed that there were no other outstanding error notices in the system.

27. At the appeal hearing, Mr Castleton requested that further analysis be conducted on certain Horizon balance printouts. I wrote to him on 5 July 2004 to confirm that I would obtain the analysis and endeavour to confirm my decision on 14 July 2004 (pages 39 and 40). Accordingly, I gave the Horizon final account declarations to the Network Development Manager, Anita Turner, who had no previous knowledge of the case and asked her to conduct her own independent analysis of the losses and movements in the suspense account between cash account weeks 45 and 50. I wrote to Mr Castleton on 8 July 2004 to confirm the result of Ms Turner's analysis (page 43 and 44). Her analysis showed that:

- (a) For the week ending 12 February 2004 (cash account week 46), the Marine Drive branch declared a shortage discrepancy of £8,243.10.
- (b) For the week ending 19 February 2004 (cash account week 47), the Marine Drive branch opened a suspense account and transferred the shortage discrepancy of £8,243.10.
- (c) For the week ending 26 February 2004, (cash account week 48) the Marine Drive branch declared a shortage discrepancy of £3,509.18.
- (d) For the week ending 4 March 2005 (cash account week 49), the Marine Drive branch transferred the shortage discrepancy from week 48 of £3,509.18 to the suspense account. The branch then declared a further shortage of £3,512.26.

- (e) For the week ending 11 March 2004, (cash account week 50) the Marine Drive branch did not transfer the shortage discrepancy of £3,512.26 to the suspense account, but it was instead rolled over to week 50 without being made good.

Total (for weeks 46 to 50): £15,364.54

28. In or about late June/early July 2004 and 9 July 2004, Mr Castleton wrote to me again ^{T83, P532-533 P536-539} (pages 41 to 42 and 45 to 48). However, I do not recall seeing those letters at the time, which may be because they were sent to the Darlington Area Office rather than Calthorpe House, London where I was working at the time.

Factors affecting my decision to dismiss Mr Castleton's Appeal

29. The decision to dismiss Mr Castleton's appeal was not taken lightly. A list of the factors affecting my decision are at pages ^{T82, P511-512} 20 and 21. I conducted extensive analysis on the accounting documentation made available for the Appeal as well as the transactional records at the Marine Drive branch. The Post Office's Transaction Processing Department only had three error notices, all of which were accounted for. The cash ordered by the Marine Drive branch was significantly outside the mean average value that it normally ordered. The cash ordered was systematically increased on four occasions, following which a large cash discrepancy occurred.
30. The Marine Drive branch incurred unprecedented declared losses over a 12 week period in respect of which Mr Castleton could only offer the explanation that it was the Horizon System that was causing the errors. If the Horizon system was erroneously declaring losses in the branch, there would have been no actual cash shortfalls and there would always have been sufficient amounts of cash in the branch to service its requirements without ordering extra cash. However, Mr Castleton actually ordered extra cash (which was not returned) and it was only this extra cash which enabled the branch to continue to trade without running out of cash. Mr Castleton was unable to explain why he required additional cash if there was only a system error. His argument that there was a system error was unfounded, but was in any event, academic. The physical need for extra cash can only be explained by the fact that cash was lost.
31. My analysis of the weekly accounts show that the Marine Drive branch needed approximately £200,000 to £265,000 to meet its transaction or requirements between weeks 42 and 49, but had ordered £305,000 in cash to cover this period in respect of which only £20,000 was returned. It was significant that additional cash was ordered prior to a subsequent cash discrepancy being declared. Mr Castleton was not able to explain why such sums of cash were ordered that were in excess of what was actually required and where it had gone.

32. There were not and have not since been any subsequent error notices for the branch under Mr Castleton's operation, nor any similar experiences of large shortages by a number of locum Subpostmasters who have all operated the same pieces of Horizon kit, week in week out.

33. In the circumstances, I believed (and still believe) that the decision ultimately to dismiss Mr Castleton was soundly based and that the arguments he advanced held no credence whatsoever and accordingly I dismissed his Appeal. I wrote to Mr Castleton on 9 July 2004 to confirm my decision (page 49).

TB3, p 540

I believe that the facts stated in this witness statement are true.

Signed:

GRO

JOHN HOWARD JONES

Dated 5th October 2006

Filed on behalf of the: Claimant/Part 20 Defendant
Witness: John Howard Jones
Statement: 2
Exhibits: JHJ2
Date made: 06/10/06

Claim No: HQ05X02706

IN THE HIGH COURT OF JUSTICE

QUEENS BENCH DIVISION

BETWEEN:-

POST OFFICE LIMITED
Claimant/Part 20 Defendant

-and-

LEE CASTLETON
Defendant/Part 20 Claimant

SECOND WITNESS STATEMENT OF
JOHN HOWARD JONES

BOND PEARCE LLP
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DX8251 Plymouth
Ref: SJD3.348035.134

Solicitors for the Claimant/Part 20 Defendant

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Defendant/Part 20 Claimant

SECOND WITNESS STATEMENT OF JOHN HOWARD JONES

This is the Exhibit marked "JHJ2" referred to in the Second Witness Statement of John
Howard Jones dated 5th October 2006.

MARINE DRIVE INTERVIEW 10 MAY 04

**Attendees: Mr Lee Castleton Subpostmaster
Mrs Chrissie Train Post Office assistant
Cath Oglesby RLM
Lesley J Joyce CM**

Cath opened the interview by introducing everyone, explained the reasons for the interview, the roles of those in attendance, read out the charge and said it was LC's opportunity to give any explanations or reasons as to why his contract for services should not be terminated. (LC asked to tape the interview but was informed he could not but could take notes and be copied these notes)

CO then went on to give a summary of events which led to the suspension of LC on 23 March 04 due to an unexplained shortage of £25,758.75.

During the 12 weeks prior to audit LC had several large unexplained losses. LC was suspended as a precautionary measure to try and investigate where the losses were occurring. CO asked LC if he would allow his premises to be used to conduct PO services and he agreed.

LC's thoughts have always been that the Horizon system was to blame for the shortages so the only thing that was changed in the office was the 'people'. All the current staff came out of the office and a temporary Postmaster, Ruth Simpson, was allowed to run the branch, during the 4 weeks that RS was in place the cash accounts showed no large losses.

The system did crash on her and was re-booted but this did not affect the balance. She had problems with the AP card reader but was not allowed to change the kit under the circumstances. No problems occurred while remming in or with Lottery.

When RS finished Greg was appointed as temp Postmaster, again no problems with balances or with any of the above.

CO Went on to discuss actions she had taken:-

Horizon-Asked for a system check twice

1-During the time of large losses——everything okay

2-During RS time

3-Asked what upgrades had there been since week 39, the HSH said upgrades happened all the time, to different offices and they were unable look at individual offices.

4-All the events on the software system checked back to 1 March 04, no abnormalities.

Chesterfield

1-Contacted them on a number of occasions regarding any outstanding error notices

APS-None up to week 3

Lottery small error on prizes

Girobank

Checked all the weeks up to week 02-no issues

LC Agreed with all of the above. He asked CO what she considered was an acceptable amount for cash account losses.

CO Said it varied for different office's but £20 per week was reasonable. CO opened the discussion to LC to give reasons for the losses.

LC Said that he had not taken any money and that he trusted his staff 100% not to have taken anything. He said that he had asked for 10 bits of information in the letter he sent but only received 1 item. He had asked Fujitsu for help and the NBSC and no one had got back to him, they were not prepared to help. He had spent hours each night with CT looking at the balances. He said that a remote test would not turn up on a software check, he understood there were a lot of problems with Horizon and the system, he had a lot of problems at the office with re-boots etc, so why did this happen if nothing was wrong with the system. No one would tell him what tests were done, I don't know what 'clear desk top' means. I have had a lot of e-mails from Postmasters who have problems with Horizon.

CO Replied that she had only received his letter on the night of wed 5th May which was only 2 working days prior to the interview and she was working on getting him the information he requested. She had suggested several things for him to do in the office such as individual balances and the idea that staff could be responsible but he would not take any measures or listen to this point of view. CO then said it would be helpful to go through the individual balances, week by week methodically and look at the suspense accounts. CO clarified LC understanding of how the cash account worked with regards to balances and losses and gains. LC Confirmed he understood.

CO Then goes into detail with balances, error notices, losses etc and the evidence she has with snapshots and declared cash. (Copies of all this information is provided with a list of all the results of the balance)

CO Asked LC to clarify if he made the error notices good but he could not remember. She clarified when the shortages were first put in the c/a. CO stated that not all the information such as snapshots were provided and LC said they were probably in the box.

CO refers LC to some of the cash declarations which have been manually altered or written on, specifically to week 47 and the declaration on 12 Feb 04 which had a figure of aprox £7000 written on the bottom of the cash declaration. Both LC and CT looked but although LC said he thought it was CT writing she was not certain. CO said this was very important as although the c/a for week 46 showed a loss of £8243.10 the following snapshots and declared cash did not evidence this. She explains:-

Snapshot at 17.27 on Fri 13 Feb shows you need £92095.36, cash declaration shows you have £99128.40, a gain of £7033.44.

Sat 14 Feb shows you need £95896.59, cash declaration shows you have £102706.10, a gain of £6809.51.

Mon 16 Feb snapshot shows you need £77958.28, cash declarations show you have £84909.54, a gain of £6951.26

Tuesday 17 Feb snapshot shows you need £68163.08, cash declaration shows you have £84909.54, a gain of £6776.77

HOWEVER The c/a on wed shows the cash is an exact match for the cash required on the balance-Where has this surplus gone?

LC Has no explanation and says it must be something to do with Horizon.

CO Goes on to give other examples where shortages in subsequent weeks do not then match the snapshot and declaration. (Evidence provided)

CO and LC then have a long discussion about the discrepancies shown on the snapshot and CO says she will clarify after interview.

CO asks again where the gains which are evident and which are hand written on the cash declaration could have gone.

LC says he does not know but he has not taken the money.

CO Says that the Horizon system works as a double entry system and everything she has looked at works through. Originally LC had said that the system was doing something when the rem's were put through but the evidence does not shows this. She had asked LC to run a snapshot after close of business, input the rem and then run another snapshot to see if figures were altered and asks LC if he had done this.

LC Says that he did not have time to do this, it had been a nightmare, he feels it is a computer problem and no-one has helped him. 5 months is a long time to try and remember what happened and what went on. He mentions other offices that have told him about problems with cheque listings and P&A dockets. He said that no-one had visited from Horizon to look at his problems and balances.

CO Explained that Horizon would not attend his office due to poor balances, they would need evidence of a problem which he was unable to provide, she also mentioned that she had given him advice and spent hours and hours on this case and his cash accounts. She asked LC if he could show her a figure that the Horizon system had changed which did not make sense or could prove his allegations.

LC Said no but he did know an office where it had changed a figure on Girobank although the office did receive corresponding error notices.

CO asked LC to confirm he had not taken the money

LC No. He asks to see the c/a's for weeks 1,2,3,4 which CO provides to him and says he can have copies.

CO asks if there is anything else he wants to add.

LC says he would like the explanation on the discrepancies, which CO agrees to provide.

CO told LC that she was still waiting for a response from Horizon regarding the checks on the software. As soon as they were available she would let him know the out come.

CO Ends the interview by thanking those in attendance.

AGENT CASE SUMMARY		
APPEAL AGAINST SUMMARY TERMINATION OF CONTRACT		
FOR COMPLETION BY CONTRACTS MANAGER		
1.	Full Name of Agent	LEE CASTLETON
2.	Office Name & Address	MARINE DRIVE,14 SOUTH MARINE DRIVE,BRIDLINGTON,YO15 3DB
	Postcode	YO15 3DB
	Telephone (STD)	10262 672025
3	Private Address (If different from above)	AS ABOVE
	Postcode	
	Telephone (Postline/STD)	
4.	Brief Details of the Case Note: If the case involves discrimination, harassment, or any other 'significant' issue then the appropriate authority level MUST be contacted should the case reach the Employment Tribunal (ET) stage. The ET-Authority process should be referred to by the Appeals Manager for any case which reaches the ET stage. For further information on the ET process please contact Post Office Legal Services.	LARGE UNEXPLAINED LOSSES AT THE OFFICE OVER A TWELVE WEEK PERIOD.PMR BLAMES THE HORIZON KIT AND SOFTWARE PROBLEMS.NO ERRORS ON SYSTEM.NO ERROR NOTICES DUE.NO FIGURES COULD BE IDENTIFIED THAT HAD BEEN CHANGED BY THE SYSTEM.CHECKS DONE BY HELPLINE, NBSC, HORIZON HELPDESK.GIROBANK, POSTMASTERS RECORDS AND CHESTERFIELD.REQUEST SENT TO FUJITSU TO CHECK SUSPENSE ACCOUNT SOFTWARE,AS YET NOT RECEIVED. PMR SUSPENDED AS A PRECAUTION.I HAVE HAD THREE TEMPS IN THERE OVER THE LAST TEN WEEKS , NO LARGE LOSSES.
5.	Details of Specific charge	UNEXPLAINED LOSSES TOTALING £25758.75
6.	Date of suspension	23 RD MARCH 2004
7.	Brief summary of reasons for making decision to terminate contract	NO EVIDENCE TO SUPPORT PMR CLAIMS OF COMPUTER PROBLEMS.AS SOON AS THE PEOPLE WERE REMOVED FROM THE OFFICE THE LOSSES STOPPED.THE COMPUTER EQUIPMENT HAS NOT BEEN CHANGED.LOSSES REACHED A LARGE AMOUNT IN A VERY SHORT SPACE OF TIME.
8.	Date of decision to terminate contract	17 MAY 04
9.	Name & Contact No. of Retail Line Manager	CATH OGLESBY GRO
10.	Name & telephone contact of Contracts Manager	LESLEY J JOYCE GRO
11.	Date of submission to Appeals Allocation Duty - HRSC	7 June 2004
12.	Name and telephone contact of Investigation officer (obtained from investigation notes)	N/A

FOR COMPLETION BY APPEALS ALLOCATION DUTY		
13.	Date received from Contract Manager	07.06.2004

14.	Appeals Manager appointed - date/name/location	
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<i>FOR COMPLETION BY CONTRACTS MANAGER</i>		
15.	Date Case Completed (i.e. date of notification to appellant of outcome)	
16.	Outcome	
17.	Improvement Opportunities Identified	
18.	Subsequent Action Taken	

Please ensure that all sections of this form are completed in full and returned to the Appeals Allocation Duty as soon as possible. A copy of this form should also be retained with the case papers.

Personal – In Strictest Confidence

Mr Lee Castleton
14 South Marine Drive
Bridlington
YO15 3DB

21st June 2004

Dear Mr Castleton

I have been advised by the Contracts Manager (North East) that you wish to appeal against the decision to summarily terminate your contract for service as a Sub Postmaster, on the grounds of failing to run your Post Office ® branch in accordance with your contract for services (Section 1 part 5 and Section 12 para 12).

I will be hearing your appeal as a member of the National Appeals Panel.

I am writing to advise you that I propose to hold the appeal with you on Thursday July 1st at the Area Office, Crown Street Darlington DL1 1AN.

I have scheduled the appeal hearing for 11.00am on the 1st July 2004.

During the interview, you may be accompanied by a friend who must be a Subpostmaster/Subpostmistress, Sub-office Assistant, or Post Office employee and who may be a representative of the National Federation of Subpostmasters. Any such representation should be arranged by yourself.

The friend must not be involved in, or implicated by, the case.

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London EC1V 9NN

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UK and other countries

Would you please confirm that the date and time are convenient for you to attend.

If you are to be accompanied, I will need to know who will be attending with you. This can be done by telephoning the National Business Support Centre on **GRO** and leaving a message for myself, or by letter, using the enclosed addressed envelope.

Yours sincerely

John Jones
Appeals Manager
Calthorpe House
15-20 Phoenix Place
LONDON
WC1X ODG

FORMER SUBPOSTMASTERS STATEMENT OF ERRORS

OFFICE NAME : SOUTH MARINE DRIVE.

OFFICE CODE : 213337

DATE OF ERROR : 17/03/2004

WK/YR No : 51/03

£ 1,256.88 ch

CASH ACCOUNT LINE No : 1103

LINE DESCRIPTION : Automated Products

CASH ACCOUNT ENTRY : £

SUPP. DOC. TOTAL : £ 1,256.88

Details of Error: (PLEASE PROVIDE FULL WRITTEN HISTORY OF THE ERROR)

AS PER TELEPHONE CONVERSATION.

EASA ACCOUNT FOR 633625011400881587400002 FOR £1256.88

AS NOT PUT THROUGH THE AUTOMATED PAYMENTS SYSTEM ON 17/03/2004.

THEREFORE £1256.88 CHARGE OUTSTANDING.

REFAMB/EASAUP89/POCASE141

TE **GRO**

AP CLIENT ENQUIRIES.

Please note that the previous and following weeks transactions have been checked before issue of this error and no compensating errors were found.

NB. Attach all supporting documentation in support of the supporting document value.

FOR INTERNAL USE ONLY

Tick if manual JV required

☐

NB A manual JV is needed when an error is forced after the CLASS data has been archived.

Duty Holders Name : W SMITH

Duty Holders Signature :

GRO

Ext : 2452

Authorised/Checked by (POA) :

L. Cook

Ext : 2180

Error for REGION 85 2

Date of authorisation : 28.5.04.

PKESM01

CLIENT LEDGERING AND SETTLEMENT SYSTEM
SUPPORTING DOCUMENT CONTENTS

28/05/04 09
PAGE 02 01

OFFICE NO. 213337 YR/WK 03 51 LINE 0009

CURR.VALUE 11658.08 C/A VALUE 11658.08

DOC. LINE	IN VALUE	TRAN	DOC. REF / TYPE	REC/DESP OFFICE	DATE	ADJUSTED BY / RSN	AUTH IN BY
0266	373.00				27/03/04		
0269	464.00				27/03/04		
0304	246.10				27/03/04		
0338	1256.88		EASAUP89	C141	13/05/04	CPVPB77 X	A/CPVPB7
0340	16.99				27/03/04		
0400	2803.00				27/03/04		
0402	200.00				27/03/04		
0414	250.00				27/03/04		
0504	15.00				27/03/04		
0504	600.98				27/03/04		

PF7-PAGE BACK PF8-PAGE FORWARD PF3-LAST MENU CLEAR-MAIN MENU
PF2-AUTHORISE PF4-DISALLOW PF6-CONFIRM PF5==>C/A DETS. PF12==>ERROR DETS

PKEDM01

CLIENT LEDGERING AND SETTLEMENT SYSTEM
DETAIL ERROR SITUATION

24/05/04 11:44

OFFICE 213337 YR/WK 03 51 LINE 1103

CASH A/C	SUPP. DOC.	MISBALANCE	CHARGE	ERROR DATE
AMOUNT	ADJ.	AMOUNT	/CLAIM	YY/WW
1256.88	Y	.00	1256.88	04/06

SUPERSEDED	MAINTAINED	CONTRA	CONTRA DATE	BTA	ACCRUED (YY/MM)
			/ /	/ /	/

LATE	CLEARED	REASON	LATE	ACCOUNT
SUPP.DOC.	DATE	CODE DESCRIPTN.	DATE	BY AUTHREQ AUTHID
	/ /	X FORCE ERROR	/ /	

ERROR NOTICE				ENQUIRY FORM		
PRINT	BY	AUTHREQ AUTHID	REMINDER	PRINT TYPE	REMINDER	RETURNED
/ /			/ /	/ /	/ /	/ /

PF2-AUTHORISE PF4-DISALLOW PF5==>C/A DETS. PF9==>SUPP.DOC.DETS.
PF8-PRINT ENQ.FRM/RMDR. PF10-PRINT E.N. PF11-PRINT E.N. RMNDR.

FOSACS

Former Subpostmasters Accounts

Page: 1

STATEMENT OF OUTSTANDING DEBT

As at: 11/02/2005 13:24

Name: LEE CASTLETON
Office: MARINE DRIVE Code: 213 337
Appointed: 19/07/2003
Account closed: 25/03/2004
Reason Left: Suspension Reg Papers:

Error Date	Error Type	Charges	Allowances
25/03/2004	Final Cash A/c balance	25,758.75	

OTHER ERRORS

17/03/2004	AUTOMATED PRODUCTS	1,256.88	
24/03/2004	NAT. LOTTERY GAME SALES	176.00	
24/03/2004	LOTTERY PRIZE PAYMENTS		75.80

SETTLEMENTS - CASHIERS CREDITS

Date	Debit	Credit
20/01/2005		1,256.88

Actual Balance Outstanding	Due To SPMR	Due From SPMR
		25,858.95

John H Jones

To: Cath Oglesby/e/POSTOFFICE [GRO]
25/06/2004 09:40 cc:
Subject: Marine Drive Appeal

Cath

I would be grateful if you could answer a number of questions regarding the events pre appeal for the Marine Drive branch.

(i) What reasons did Mr Castleton give for not taking any preventative measures that you had advised him of when incurring such account discrepancies.

(ii) What reasons did Mr Castleton provide for the snapshot discrepancies in C/a 47 show a surplus all week except on the Wednesday when an exact match was declared.

(iii) When you asked Mr Castleton about making error notices good, what was his response.

many thanks

John

John Jones
Area Development Manager
Post Office Ltd

[GRO]

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Cath Oglesby

To: John H Jones/e/POSTOFFICE GRO

25/06/2004 17:14

cc:

Subject: Re: Marine Drive Appeal(Document link: Cath Oglesby)

John,

Answers to your questions:

(i) Mr Castleton said that individual balancing wouldn't work in his office as it was only two positions. I explained the benefits of doing this i.e. accountability, he didn't understand how to adapt the office into individual tills. I offered help. He said that as there was really only him and Chrissie (full time assistant) most of the time and Ruth a part timer and he trusted them, there wasn't much point. He also said towards the last few weeks that the staff were frightened of going in the safe to get cash out in case they were thought of taking it. When I suggested that he needed to look at all possibilities not just the computer he got very upset and said that he trusted the staff 100% and it couldn't be them taking the money. He said that all the Post Office think is that someone is taking the money.

He kept insisting that it was the computer and that when it all came to light "heads would roll" for all the sleepless nights and stress they had been under.

I suggested daily snapshots to check the cash against. This was done several weeks into the losses. When asked why he didn't do these earlier, he just said things like, we were checking transaction logs until eleven o'clock at night, we were under so much stress, we were sick with worry.

When he said it was the days when he remmed stock in that the cash seemed to go wrong, so it must be the software for that program, I suggested that he check the invoice during the day, but not enter anything onto the system. Then at close of business complete a snapshot and check the cash. Then enter the stock and repeat the snapshot. Just to prove or disprove his theory. He never did this. When asked why. He said that Chrissie had been on holiday after I suggested it and he never got chance.

(ii) I suggested to Lee that during that week he had a surplus and that what I thought had happened was, on the Wednesday he had produced a snapshot to see how much cash he should have had. I suggested that he then declared the exact amount of cash on that snapshot, to give him a "perfect" balance, he did not declare his actual cash on hand. He looked a bit puzzled at this and looked at the snapshots and cash decs. He could not explain it and said he couldn't remember. I asked him and Chrissie who had written on the cash decs, as they must have known about the surplus during the week. They both looked puzzled, Chrissie thought one might have been hers, they were not sure. I asked who would normally finish off and complete the days work. They said that Chrissie would.

(iii) It was more the losses making good rather than error notices we discussed. When the losses had been rolled for those first few weeks, I told him that this couldn't continue, and could he make them good? The amounts had reached £8k. Lee said that he couldn't afford to make these good, so I told him to contact the helpline and ask for a hardship form. He did do this, and the first amount was transferred into the suspense account. As the losses continued the hardship form that had been sent wasn't any good. At interview when I asked him about making the loss good and being his responsibility, he wouldn't answer directly but said let's see how this all comes out as the money must be in the system somewhere.

Appeal against Summary Termination of Contract
Mr Lee Castleton Marine Drive

Mr Lee Castleton
14 South Marine Drive
Bridlington
YO15 3DB

Date of suspension: 23rd March 2004.
Date of termination of contract: 17th May 2004.

Details of charge: The branch incurred a twelve week period of large unexplained losses, which were not made good. The Subpostmaster blames the Horizon computer system for these losses, however no evidence has ever been forthcoming to support such claims and the contract for services was terminated on the 17th May 2004 under section 1 paragraphs 5 and 10 and section 12 paragraph 12.

1. Brief Case History

The Subpostmaster Mr Lee Castleton first reported that a large cash shortage of approximately £1100.00 had occurred in week 39, although this loss was made good prior to the cash account being produced. The next large shortage of £4230.97 was reported in cash account week 43 and this was reported to the Retail Line Manager.

Subsequently on each of the next three weeks the shortages in the account are rolled over with each increasing loss being added to the rolling total. At of cash account week 46 there was a total of £8243.10 in counter losses at the branch.

This figure was then transferred to the suspense account for cash account week 47. There were further losses in cash account week 48 of £3509.18, this figure was added to the suspense account to give a total held in table 2a of £11752.78.

The counter loss of £3512.26 in cash account week 49 was rolled over into cash account week 50.

The final result in cash account week 50 produced another counter loss £7140.85, which when added to the loss rolled over from week 49 gave a total of £10,656.11.

The final rolling loss figure at the audit of the 23rd March 2003 found there to be £11,210.56 short in the accounts with £11,752.78 being held in the suspense account. The final figure posted to the late account duty totalled £25,758.75.

Despite receiving advice from the Retail Line Manager and from the National Business Support Centre Mr Castleton did not implement the advice on introducing tighter managerial controls to identify the source of the ongoing

problems, he repeated states that the problems all the fault of the Horizon computer system.

The balance results that have been recorded by the interim Subpostmasters since the date of suspension on the 23rd March 2004 have in every week replicated the results that would be expected at a branch that transacted the level of business of Marine Drive. There have been no issues identified by the Horizon System Helpdesk, Fujitsu nor have there been any corresponding transactional error notices that could explain the losses that were reported over the period in question.

2. Enquiries Pre Appeal

- a) Enquires were made to Cheryl Woodward at Transaction Processing to check on the volume of error notices recorded prior to the loss period between weeks 42 and 51 as well as checking as the level of error notices that had been received since the suspension on the 23rd March. Only one error notice of note had been received and this was for the sum of £1256.88 to be charged to the late account. Two smaller error notices totally £292.00 were also to be charged to the late account.
- b) An analysis of seventeen weeks cash accounts were undertaken to establish the following: The arithmetical accuracy of those accounts, the average volume and value of the transactions at the branch over this period, the average cash usage, the cash ordering cycle as well as identifying any transactional areas that were outside the mean average value for the branch.
- c) A visit to the Marine Drive branch on the 28th June 2004 to investigate all those transactions that had been identified as being outside the mean average value. The transactions were proved against the Horizon receipts on hand in the branch. A number of further checks were conducted across the receipts on hand to prove the final totals that appear in the end of week accounts. Again these were proved to be correct.
- d) Enquires were conducted with the Retail Line Manager as to why the advice she had imparted had not been followed by the Subpostmaster and any reason as to why such losses were consistently dismissed by the Subpostmaster as being proper to the Horizon System.
- e) A daily transactional analysis could be conducted from balance snapshots in the cash accounts of weeks 46, 47 and 50. The transactional analysis and cash usage that was conducted indicated that there were anomalies between the cash declared on each Tuesday and the final cash declaration on the Wednesday at the final balance.
- f) A further visit to the branch was made on the 30th June 2004 to track the Girobank business deposits that the branch received to establish the flow of cash into the office. The branch holds the account book for a customer account 685 9461 and this customer regularly deposits significant volumes of cash every Wednesday. Analysis of all the customers' deposits that had been made since November 2003 was conducted to confirm the deposits had been brought to account. The

cash account weeks of 46, 47 and 50 where daily transactional analysis was being conducted were doubled checked to establish the levels of cash that had been stated as being received from this customer.

- g) The analysis from the additional cash deposits confirmed as being paid in by the customer 685 9461 demonstrated that false cash declarations were being made as the cash usage that occurred in each week examined (46, 47 and 50) was not reflected in final cash declared upon the completion of the balance. The cash that was received from this customer was not reflected in the cash that was finally declared in each of the weeks examined.
- h) Enquires were made to NBSC and HSH to ascertain and verify checks that had previously been requested and conducted on the Horizon system to confirm the systems integrity.
- i) Analysis of all the telephone records held by NBSC and the HSH to ascertain the detail of the calls, check the instructions issued to Mr Castleton as well as check that the branch did not close due to running out of cash.

3. Appeal Hearing

Notes of Appeal

Mr Lee Castleton

Thursday 1st July 2004 – Darlington Area Office

Present: Mr Lee Castleton (LC)
Mrs Julie Langham, Representative (JL)
Mr John Jones, Appeals Manager (JJ)
Miss Paula Carmichael (note-taker)

JJ made the necessary introductions and outlined the appeals process. He explained that a decision would usually be made within seven days.

JJ began the interview by stating that LC's contract had been terminated and went on to ask him why he was appealing against this decision. LC replied that he felt there had been computer errors at the branch and he wanted more information.

JJ asked LC what cash declaration process he used. LC replied that he used the cash declaration sheet and counted cash from the safe and drawers. JJ asked if his cash declarations were accurate and LC replied that they were, nine times out of ten. JJ asked about his process for ordering cash. LC said that the car auction supplemented their cash requirement (garage which makes a large daily deposit of cash) and he made sure they had enough cash by placing an order before 2pm on a Tuesday. JJ asked LC how he knew how much cash to order and LC replied that he based it on amounts

previously used and Chrissie's experience (assistant). JJ asked what he would do if there was a discrepancy. LC said he would go through the usual places to look such as Girobank cheques, re-check the cash and go through all columns on the final balance.

JJ asked LC what his process was for dealing with error notices. LC replied that he would work back through the paperwork and make it good before the next balance.

JJ asked what action he took following the first discrepancy in Week 39. LC said he made a call to the helpline to say he was short and began to work through all the figures. LC stated he kept asking for help following subsequent shortages, but his Retail Line Manager said it could be in the system and would probably come back.

JJ asked if LC had taken any other action. LC said they had discussed splitting the stock unit or running a manual week. LC said he had been in favour of running a manual week to prove the system was wrong, but this had not actually been done and he was then suspended.

JJ asked LC what system problems he thought were happening. LC said that they constantly had to re-boot the system, the screen was freezing, ONCH was quadrupling and there were so many other things. LC said he thought it might be a software problem and at this point JL asked if it was not possible for the hard disk from the computer to be taken away to be checked. JL went on to say that she thought it appeared that there was no actual cash missing, more that the figures had been misinterpreted on the lines.

JJ explained that the actual cash account adds up and that there was only three things the computer could do:-

- Change balance forward figure
- Increase payments
- Increase receipts

JJ produced a report showing a 17-week cash analysis. He showed this to LC and asked him if it surprised him. LC asked how the report was generated, to which JJ replied that it was taken from the cash accounts. LC then responded 'no then', indicating that the report didn't surprise him.

JJ then produced a report showing a cash analysis for cash ordering which showed rem's inbound, average cash in hand, as well as tracking cash in and cash ordered. JJ asked why extra cash had been ordered to which LC replied 'I haven't got a clue'. JJ went on to talk about a figure from the report, which showed that the branch already had £60K, but another £40K had been ordered. JJ said there was a higher trend between weeks 42 and 49 of how much cash had been ordered. The difference between payments and receipts is around £25K-£35K, but the trend in weeks 42 to 49 still was that significantly higher amounts had been ordered. LC said he only ordered what he felt was required. JJ said that for the entire period they actually needed

between £200K-£265K, but had ordered £305K, of which £20K had gone back.

JL said at this point that she felt her branch would be similar and went on to explain that because of pre-planning, she had had to ring up for extra cash in fear of running out, which had happened a couple of times. JL said it was difficult to gauge how much cash you would need.

JJ went on to ask LC what had happened to all the extra cash. LC replied that he didn't know.

John then went on to talk about two snapshots from 10/2/04 and 11/2/04. On 11/2/04 there was £39K in receipts and £23K had been paid out. The cash declaration from 11/2/04 stated £33K, when it should have stated £41K. On that particular day, the auction had paid in £16.5K in cash. JJ asked LC to explain these figures. LC said that it was a problem with Horizon not adding up.

Looking at the cash declaration, JJ asked why this was not declared on Wednesday 11/2/04. LC said that it must be within the paperwork. Declare £68,163 on Tuesday, differential £16K receipts and pay out £12K. Should lock up £72K – declare £81K in office. Declared false figure.

JJ asked why in Week 50 did he declare exactly the same figure of £3,500 each night on the snapshot. LC said it was all generated within the office. JJ said that LC had told him he had declared accurate cash figures. LC said it was generated from the system.

JJ said that £16.5K had physically come into the office in cash, but that the cash declarations did not physically reflect this. LC responded that all figures are generated from the machine that, in his view, is not working. JJ asked LC what evidence he had of this and explained that the same Horizon kit was still in the office. LC asked JJ what happened as part of the audit upon changeover. JJ explained that they would transfer the difference out and that the incoming subpostmaster does not carry any loss. A figure of £25K would be transferred to Chesterfield. JJ stated that since LC had been suspended, there had been no discrepancies over £22.00 at Marine Drive.

JJ said that Fujitsu had looked at the system on two occasions remotely and have constantly said that the cash declared does not match. LC said that checks had only been done going back to 1st March 2004, whilst the problems had started on 13th January 2004. LC asked why had they not checked back to when the errors had first started. JJ said that Fujitsu cannot find any problem with the system.

JJ went on to ask LC about his aversion to the possibility of theft when mentioned by Cath Oglesby on a visit to his branch. LC said that he was there most of the time and Chrissie was there all of the time. LC went on to say that Chrissie had worked there for 17 years and there was no chance that anyone was left unsupervised. JJ asked LC why he was averse to advice

from Cath. LC said that in his opinion it was impossible for someone to steal through that period of time. LC went on to say that he was averse to the suggestion of theft after 8 weeks of reporting misbalances. LC said that all figures are generated within the office and that they had been through all the figures. He said he had tried to find the problem all along, but didn't believe it was due to theft as no one was left unsupervised. He said he had received no support from Cath Oglesby from the start.

JJ said that checks had been done to test the integrity of the system. JJ explained that Clear Desktop is an integrity system function that checks data. LC confirmed he understood this.

LC said he could not understand why after week 1 or 2 someone couldn't have come to support him. JJ explained that the Horizon system has to have a high resolution of integrity.

JJ moved on to talk about snapshots taken on 9/3/04 (week 50) and asked why the net discrepancy is the same throughout the week and different on the final one. LC said it was because the machine is not working and that the discrepancy should have showed on the top of the snapshot. At this point LC handed JC the instructions manual.

Whilst JJ read this, LC said 'John, you are a specialist aren't you?'. 'Are you not paid separately for Horizon?' LC specifically asked for his two comments to be included within these interview notes.

JJ said he would have to take all the information away and look at it thoroughly, as well as taking advice from the Horizon team. JJ said suspense account checks had been done and this was just one issue in a whole set of issues.

JJ asked LC to show him cash declarations for weeks 45 and 46 and asked him why he was doing a cashflow before his cash declaration. LC said he was able to have a look at how it was showing up cash. Again, JJ asked LC why he was doing his cash declaration after producing a cashflow. LC replied 'I haven't got a clue. NBSC said the facility was there'. LC said he didn't know what it was for.

JJ then referred back to why larger amounts of cash had been ordered. LC replied that he must have needed it. JJ asked LC if he had taken the money. LC replied 'no, absolutely not, 100%'. LC said that two tests had been done throughout this period and found nothing wrong, but obviously there was.

JJ asked LC if he wanted to add anything further. At this point LC handed JJ a log of phone calls to the helpline etc. JL said she thought it had took a long time for Cath Oglesby to get involved, especially as they were new to the office. JJ explained that the role of a Retail Line Manager has changed and they are now not the first point of contact for subpostmasters, the helpline is. JL asked JJ if he personally felt that LC had had enough support and JJ

confirmed he felt the support he had been given mirrored the support given to every subpostmaster in Post Office Ltd.

JJ closed the interview.

4. Post Appeal Enquiries

- a) A further check was made to Transaction Processing late account duty to confirm that there were no other outstanding errors notices in the system.
- b) The Horizon final account declarations were handed to Network Development Manager, Anita Turner who has no knowledge of the case to conduct an analysis of the losses and the movements into the suspense account between cash accounts weeks 45 and 50. The results of this analysis were communicated in a letter to Mr Castleton on the 8th July 2004.

5. Factors affecting the decision

- a) The branch incurred unprecedented declared losses over a twelve week period , for which Mr Castleton could only offer the explanation that it was the Horizon System that was causing the errors.
- b) The Subpostmaster has not during any period both prior to his suspension on the 23rd March 2004 and the appeal hearing on the 1st July 2004 provided evidence that could be used to further investigate or corroborate the allegations that he continually makes.
- c) The checks that have been conducted by Fujitsu indicate that the branch makes false cash declarations, this analysis was further corroborated with the daily account analysis that was conducted as part of the pre appeal enquiries. Mr Castleton was unable to offer explanations for this, other than it was a fault on the system.
- d) The weekly analysis that was conducted identified that the branch required approximately £265k to meet its transactional requirements between weeks 42 and 49, however the cash remittances were increased outside the normal previously ordered remittances. This resulted £305k being ordered over the same period, with only £20k being returned. In each case the additional cash is ordered prior to a subsequent cash discrepancy being declared. Mr Castleton could offer no explanations as to why such sums of cash had been ordered that were in excess of what was actually required.
- e) That no error notices are evident through Transaction Processing to provide an explanation to the counter losses that have been declared.
- f) The daily cash transactional analysis that was conducted identified in cash accounts week 46,47 and 50 that there was clear evidence of false cash declarations being made as the cash received from a giro customer was not reflected in the final cash declaration at the branch. Mr Castleton was unable to offer any explanation for such discrepancies, other than it 'was the system'.

- g) That the branch has never incurred such large losses since the suspension of Mr Castleton, despite a number of interim Subpostmaster operating the branch. Mr Castleton could offer no explanation as to why accurate balances are being recorded on the system that he repeatedly alleges is corrupt.
- h) That Mr Castleton when questioned denied ever taking the cash himself.
- i) The account declarations and movements into the suspense account have been extensively examined by both the Retail Line Manager and colleagues as well as an experienced manager in London to confirm that the accounts declared by the Horizon system and the suspense account are functioning correctly.
- j) That the branch never ran out of cash and subsequently closed, if the system was declaring spurious entries in the account there would always be sufficient cash in the branch to meet its requirements. The excess ordering of cash ensured that the branch always remained trading, however Mr Castleton was unable to explain as to why the additional cash was required in the branch if it was a system error as any such system error would not affect the cash on hand as this was a physical entity.
- k) The accounting practices of Mr Castleton indicates that he chooses to declare losses, make good error notices and declare the true position of his accounts as he pleases. The evidence suggests that the continuing practice of rolling losses together without seeking authority to carry them even after the first amalgamated losses are introduced into the suspense account in week 47, this practice continues from week 49 until 51.

6. Conclusion

The case has a number of facets interrelated to the branches accounts apart from the immediate headline issue of the large and unprecedented counter losses declared at the branch.

The extensive analysis that has been conducted through the accounting documentation made available for the appeal case as well as the cross examination of transactional records at the branch indicate that the transactions performed on the whole are done so accurately and in accordance with operational guidelines.

This fact is corroborated by Transaction Processing who do not have outstanding or waiting system adjustment error notices that could otherwise explain such discrepancies. There are only three error notices, and all of these are to charge that have been added to the late account of the branch and in each case they relate to a period immediately prior to the suspension of Mr Lee Castleton.

The cash usage analysis and tracking of transactions that fall outside the mean average value for the branch however indicate another factor to the case. The cash that is ordered for the branch requirements is systematically

increased on four occasions, following the increases in the branch remittance, their occurs a large cash discrepancy. Such trends are not in keeping with a computer system error as Mr Castleton maintains, although he is unable to provide any form of satisfactory answer as to why there is a need to keep ordering extra cash for the branch.

The normal process for ordering cash at the Marine Drive branch is that the branch contacts the Cash Centre prior to 14.00pm on a Wednesday to place an order that will be delivered a day later on a Thursday. At this point of the week the branch should be able to accurately estimate the actual cash the branch requires. However in the weeks 42 through to 50 this appears not to be the case.

The daily cash usage from cash accounts weeks 46, 47 and 50 present another anomaly when the actual cash usage is compared with the actual cash received from a Giro business customer, then the cash declarations made on the Tuesday and Wednesday of each of these weeks has been demonstrated to be false. Mr Castleton was asked on several occasions to explain why such entries have been made and he was unable to offer any reason other the same 'it's the system' fault.

The printouts from the snapshots and final balances have been examined by numerous managers all who have extensive experience in the use of the Horizon accounting system as well as the functionality of the suspense account, all have arrived at the same conclusion independently that the system is functioning and not creating spurious entries.

Mr Castleton was given advice as to effective management of his accounts as well as applying a proven methodology to identify either the losses or in the event of misappropriation the person perpetrating such activity, it is concerning that he chose to ignore such advice and blindly blame everything on the computer system. Such an approach by Mr Castleton gives me cause for concern as he is a relatively new Subpostmaster and is making definitive statements about a computer system with out even considering any other case for the account discrepancies.

To summarise, when Mr Castleton was presented with the factual occurrences from the accounts he has produced that indicate that false declarations and practices that do not equate to the normal running of his branch he is unable to offer any explanation other than blaming the Horizon system.

Mr Castleton has however failed to provide any evidence nor show any from of trend within the branches accounts that would indicate that there was a problem with the computer system.

He has spent much time and effort in asking irrelevant and unrelated questions to the case and these I can only conclude are borne out of a wish to distract away from the actual facts of the case and the unexplained counter losses.

It is my opinion that the losses incurred at the branch are genuine and that the decision to initially suspend Mr Castleton as a precautionary measure and ultimately terminate his contract for services were soundly based and warranted in the circumstances.

7. Decision

Appeal Dismissed.

8. Recommendation

The case in respect of the losses was not investigated by Security and Investigation, however I have considerable concerns over the in payment practice operated by the Girobank customer (account 685 9461).

The customer leaves the in payment book in the branch at all times and apparently entrusts the Subpostmaster to complete the deposit entry and process the transaction following their cash deposit.

No customer receipts are ever handed back to the customer as these are left with the in payment book.

I was able to establish that all the deposits entered into the customers in payment book from November 2003 until June 2004 were processed through the Horizon system.

What I was unable to establish was whether the amounts the customer deposited at the branch were the same amounts that were entered into the customers deposit and processed in the same time window.

I would request Security and Investigation to check this customers actual deposits for the period 42 to 51 as I have already established that the cash declarations made where the daily analysis in week 46, 47 and 50 does not match the cash that should have been declared.

I believe that there may be a case to answer in respect of Giro account suppression.

John Jones
Appeals Manager
Post Office Ltd
Calthorpe House
15-20 Phoenix Place
London
WC1X 0DG

NOTES OF THE MEETING held on 1st July 2004
at Darlington Post Office.

People present at Interview

Mr Lee Castleton L.C
Mrs Julie Langham J.L
Mr. John Jones J.J
Paula Carmichael P.C.

Introduction.

L.C. It's nice to put a face to your name
Paula, having spoken previously on the
phone.

J.J. Why are you appealing against the
termination?

L.C. There has been numerous computer fault
at the branch and we wanted more
information to prove the faults.

J. Do you understand how the system work:

L.C. yes simple double entry accounting.

J. What cash declaration process is
used in the branch?

L.C. We use a Sheet & Counted cash
from safe & drawers.

J.J. Are they accurate?

L.C. I would say nine times out of ten.

J.J. What about ordering cash?

L.C. Chrissie has been there 17 years
So we would discuss what we
needed & order it.

J.J. you have the car auction paying
in.

L.C. yes usually Wednesday & Friday -
sometimes large amounts & sometimes
very small. So we have to make
sure we don't rely on the large
ammounts. It's ordered on a
Wednesday So we base it on
Chrissies Experience but we have
run out before.

J.J. what would you do if there was a
discrepancy?

L.C. We would go to the usual places
giro, cheques, recheck cash & just
work our way through.

J.J. what is your process for dealing with
error notices?

L.C. Work back through the paperwork
for that week & make good before
the next balance.

J.J. What action was taken at the first
misbalance in week 39?

L.C. The first misbalance was on week 51
41 which we went through all on the

Paperwork over and over but could not find anything, so I made good the £1100 after ringing the helpline.

my RLM came on the Friday after the first misbalance. It was her regular visit. I explained what had happened & she told me not to worry - a discrepancy that large would easily be found & come back to us. But it didn't.

J.J. What other action was taken in week 2?

L.C. The loss was larger and I was very unhappy - I kept ringing the helpline.

J.J. your RLM suggested splitting the stock unit. Why were you so adverse to this?

L.C. No. not until week 9 of the problem. I was not adverse to splitting the stock unit, I was adverse to the fact that the suggestion had been made in week 9 after so many phone calls and repeatedly asking for help. We discussed a manual week also and we decided that was the best way to prove the fault on the computer, but Chrissie was away over the next two balances, & the I was suspended before we had chance.

J.J. what problems had been happening?

L.C. Screen freezes, reboots, the onch quadrupling, there were so many little things but always something. I think it is a software problem.

J.L. Is it not possible to take the hard drives away to be checked? I don't think any actual cash is missing, more figures misinterpreted on lines.

J.J. The cash account adds up. The computer can only change 3 things.

(J.J. shows L.C a spread sheet of cash)

J.J. Does this surprise you?

L.C. How was it generated?

J.J. From the cash accounts.

L.C. No it doesn't, because we have sent the cash accounts in part to business support and had them checked. But they are generated from the computers that I can prove has faults.

J.J. shows L.C a cash report).

J.J. what cash was ordered, when & why?

L.C. Don't know we must have needed it.

J.J. Between weeks 42 and 49 more cash was ordered.

L.C. I only ordered what was required.

L. My branch is probably very similar - you have to ring for extra cash for

fear of running out, we have run out more than once.

J.J. What happened to the extra cash?

L.C. I don't know but these figures are from the cash accounts of a faulty machine.

(J.J. produces another cash sheet)

J.J. The £16k auction cash, this cash is physical.

L.C. The horizon is faulty - (starts to talk about week 49 & the suspense account)

J.J. We are not talking about week 49.

L.C. No but I can prove in week 49 that the system is faulty.

J.J. What makes you feel the system is faulty? It is same horizon kit as before the audit.

L.C. What happened as part of the audit with the suspense account and the losses?

J.J. It was transferred out to Chesterfield.

L.C. So the system is not the same.

L.C. The largest loss since out of the office is £130 - but this system is not the same.

J.J. Fujitsu looked at the system on two occasions and have constantly said the cash declaration does not match.

L.C. What really does concern me there is that the problems started 13th January, the first test on 25th February does not

give details of how far back the system was checked & the second time it was checked on 19th April, but it was only checked to March 1st. Why? What's the gap left for?

J.J. Fujitsu can't find a problem with the system.

Why were you adverse to the suggestion of theft, from R.L.M.

L.C. Most of the time I am there and Chrissie has been there for 17 years. Ruth is never left alone and unsupervised. It would be impossible to steal in the time allowed.

J.J. Why were you adverse to the advice from Cath?

L.C. It was not the advice I was adverse to, it was the fact that it was suggested after 8 weeks in her next visit. Cath has not helped from the start.

J.J. The system has been checked for integrity

J.J. You asked previously what clear desktop was - the integrity function.

L.C. I understand what it is now.

J.J. Horizon has a high resolution of integrity. Week 50 has the same net discrepancy on balance snapshots all week and yet is different on the final balance.

L.C. As I have said previously - this machine is faulty.

You have done 2 checks and it has come up clear?

J. yes.

..C. Then can you explain weeks 49, 50, 51, 52 final balances. £3509 appears as a loss & is placed into suspense.

(J.J. looks at the cash accounts for the 2 weeks)

J.J. yes.

h.C. So why is the final balance not showing the entry at the top. It did when the £8k went in last time.

(J.J. continues to look at final balance and cash accounts).

J.J. I don't know.

h.C. It is clearly moved across on cash account isn't it.

J.J. yes.

..C. Yet stock & mop is not reduced and the shortage stays on the loss line with no entry on the gain side to show the loss moving into suspense. How can that be?

J.J. continues to look at the cash accounts and does not answer).

..C. I don't want to embarrass you but this is balance with horizon it clearly states that a positive entry occurs when a loss is moved & if any further loss occurs

it is showed as net discrepancy.

"John you are a specialist aren't you?"

"Are you paid seperately to know about horizon

J.J. No.

[L.C. Specifically asked for these questions & the answer to be put into the notes]

L.C. It's there in the balance horizon book, (L.C. passes J.J the book).

L.C. In my last interview this was talked about for 20 minutes but it does not appear in the notes. I recieved a letter of explanation from RLM seven days later explaining suspense. Why would she explain by letter about suspense if it was not an issue.

J.J. I will take all the information away to be looked at thoroughly.

L.C. Over those last weeks the same figure appears over and over, even though it has been put in suspense. I told Cath at the time and she took one look and told me it was a further loss. But it is not. This system is faulty. If you divide the flock losses by the weeks it is only £116-56 and you have an error notice from Lottery prizes for ~~£116-56~~¹¹⁷⁻⁵⁶ in the same

period so this gives an actual difference of 44p.

Those losses are all computer generated. The system integrity check has not found this fault, The system was checked twice was it not.

J.J. Yes. Suspense checks have also been done.

L.C. Over this period & nothing found,

J.J. Why did you need to order extra Cash?

L.C. We must have needed it,

J.J. Have you taken any money?

L.C. No - absolutely not, I am 100% neither me nor Staff have taken any money because the money does not exist. It is a faulty Computer. Two tests have been done and nothing found. Yet the paper work proves the problem, the software is faulty.

J.J. Anything further to add?

L.C. No.

J.L. I think it took a long time to get Cath to do anything. She has only visited my office once in 16 months & that visit was for 10 minutes.

because her son was sat in the car.
I do think that we do not receive
much support from Cath at all.

meeting starts to close

I believe that this is a true reflection of
the meeting that took place on Thursday
the 1st July 2004.

Mr. Lee Castleton.

Mr. John Jones

Mrs Julie Langham.

Marine Drive Cash Account Analysis

CJA Week	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	1	2	3
Week ending	24/12/2003	31/12/2003	07/01/2004	14/01/2004	21/01/2004	28/01/2004	04/02/2004	11/02/2004	18/02/2004	25/02/2004	03/03/2004	10/03/2004	17/03/2004	24/03/2004	31/03/2004	07/04/2004	14/04/2004	21/04/2004
Receipts																		
Balance Bt Fwd	52,558.17	133,459.33	90,525.48	54,170.46	92,375.34	71,663.02	68,954.72	72,626.18	49,205.06	86,123.26	59,232.95	97,014.07	81,218.38	70,048.01	60,877.54	28,790.08	23,789.18	
NS&I Deposit	1,125.00	1,137.76	485.2	3,421.63	525.00	2,980.37	608.70	3,827.08	1,237.18	709.50	1,484.50	332.48	803.40	1,770.38	408.11	1,320.62	401.74	
Giro Impayment	15,598.65	6,928.72	25,240.78	50,598.02	47,828.18	31,433.35	34,082.45	32,100.20	35,738.21	38,978.34	33,086.88	45,445.17	24,591.52	45,882.64	27,888.44	24,840.04	48,189.28	
A/P Pers Bank	6,314.02	4,988.82	7,734.14	7,276.14	8,370.45	9,428.62	9,053.81	17,824.54	14,834.87	14,638.15	12,622.65	9,037.14	10,401.20	6,789.68	6,509.71	10,844.64	5,013.95	
National Lottery	1,220.00	1,804.00	1,880	1,217.00	1,840.00	1,584.00	1,383.00	1,384.50	1,984.00	1,682.50	2,872.00	2,006.50	1,331.50	2,218.50	1,772.50	1,909.50	3,148.00	
Rems (ADC)	139,800.00	0	0	51,620.00	30,000.00	27,350.00	40,620.00	7,740.00	70,000.00	1,020.00	80,700.00	2,740.00	25,000.00	30,240.00	2,740.00	48,500.00	32,040.00	
Pre order FX			3,100.00									800	100					
Payments																		
NS&I Withdrawal	923	570	589.5	1,378.87	1,275.00	987.32	788.79	4,182.84	1,500.18	857.47	612.48	325.84	3,487.42	1,828.18	954.97	703.18	1,009.36	
P&A	70,824.00	47,928.34	67,857.88	597,779.28	594,102.83	580,534.05	582,515.33	84,029.04	59,847.02	58,078.32	55,828.68	61,010.31	54,573.45	48,720.58	54,304.65	88,942.87	40,992.22	
IR Tax	1,848.20	2,109.55	2,28.20	2,145.10	1,425.30	1,830.55	1,391.30	2,075.85	1,438.00	1,825.10	2,034.80	1,830.85	1,006.05	1,143.45	1,987.30	1,828.55	943.15	
Green Giro	5,990.87	1,971.14	2,328.80	5,134.78	7,033.12	4,313.50	6,843.29	6,008.17	4,575.14	6,875.70	5,215.48	5,317.38	5,508.49	4,781.32	6,701.35	8,953.39	2,820.22	
Giro out	752.57	898.88	1,130.45	1,015.54	788.83	962.77	793.28	1,039.52	888.42	780.59	1,348.88	1,532.78	787.31	722.99	1,061.32	1,135.21	1,098.65	
Lottery prizes	588	281	1,834.00	385.00	428	511	1,004	554.00	284	885	486.00	413.00	124.00	5,792.80	835.00	1,155	895.80	
Cheques to CHEC	1517.01	3,353.32	3,118.20	3,083.42	22,573.80	5,054.38	6,142.34	6,530.78	5,214.78	6,082.81	3,519.43	2,748.19	2,079.24	7,680.97	1,886.78	7,282.00	20,850.67	
Card Account withdrawal	1,328.00	893.32	1,971.39	1,484.22	2,084.30	1,814.43	2,818.15	3,185.75	3,759.84	3,802.78	5,149.75	4,585.44	8,658.83	5,782.84	5,851.67	7,418.13	7,462.70	
A&L withdrawal	150.00	797	280	107	30	105	450	445	170	450	280	336	340	144	640	840	349	
Rems to ADC	0.00	0	0	525.52	9,464.27	2,397.48	0	1,987.31	0.00	20,538.75	0	1,012.27	0.00	0.00	177.00	156.72	1,984.37	
Balance due	133,459.33	90,525.48	54,170.46	92,375.34	71,663.02	68,954.72	72,626.18	49,205.06	86,123.26	59,232.95	97,014.07	81,218.38	70,048.01	60,877	28,790.08	23,789.18	36,636.32	
Cash on hand	128,841.04	83,482.56	43,757.92	83,328.32	59,810.87	53,448.92	59,291.86	33,100.41	81,286.44	38,598.05	72,712.62	48,374.15	39,028.77	55,232.49	22,381.88	18,059.18	29,178.38	
Discrepancy	.70p	0.18p	0.47p	0.60p		6,754.08	6,730.01	8,243.10	0.00	3,509.18	3,512.28	10,853.11	11,210.58	2.14	101.95	19.38	10.76	
Suspense account	0	0	0	0	0	0	0	8,243.10	8,243.10	8,243.10	11,752.28	11,752.78	11,752.78	0.00	0.00	0.00		
Error Notices processed					1,414.00					862.32								
Rolling discrepancy					4,230.87	6,754.08	6,730.01	8,243.10	8,243.10	11,752.28	15,284.54	22,405.88	22,863.34	0.00				

Daily Analysis
Cash Account 48

Cash Account 46					Cash Account 47					Cash Account 80				
Tuesday 10/02/2004	Wednesday 11/02/2004	Difference			Tuesday 17/02/2004	Wednesday 18/02/2004	Difference			Tuesday 09/03/2004	Wednesday 10/03/2004	Difference		
Receipts					Receipts					Receipts				
Total Receipts	44,203.32	83,215.41	39,012.09		Total Receipts	108,955.28	125,793.13	16,783.85		Total Receipts	41,748.84	84,188.39	22,437.75	
Payments	66,959.03	90,580.12	23,621.09		Payments					Payments	98,708.60	79,984.08	11,275.48	
Total Payments					Total Payments	75,001.37	87,084.04	12,082.67						
Total Stock and Mop	33,614.09	40,981.99	7,147.90		Total Stock and Mop	74,915.90	87,880.18	12,964.28		Total Stock and Mop	54,789.07	58,810.49	4,021.42	
Cash	25,589.87	33,100.40	7,510.73		Cash	68,163.08	81,285.44	13,102.36		Cash	44,937.35	49,374.15	4,336.80	
Stock	8,224.42	7,882	362.83		Stock	6,752.82	6,614.74	138.08		Stock	9,851.72	9,436.34	415.38	
Net discrepancy	6,730.01	8,243.10			Net discrepancy	8,243.10	0.00			Net discrepancy	3,512.28	10,653.11		
			The branch receives £15.3k more in receipts than in payments. A Giro cash deposit of £16.5k is received on the Wednesday, however this figure is not reflected in the final cash declaration which should have been circa £49.1k.					The branch receives £4.7k more in receipts than in payments. A Giro cash deposit of £12k is received on the Wednesday. The final cash declaration should have been £72.8 however a figure of £81.2k is declared.					The branch receives 11.2k more in receipts than payments. A Giro cash deposit for £14.7k is received in the Wednesday however this is not reflected in the final cash declaration which should have been circa £58.1k. The branch declares £49.3k as been on hand which reflects the increase in the reported loss from £3.5k to £10.8k.	

MR. J. JONES
POST OFFICE LTD.
DARLINGTON AREA OFFICE,
CLOWN STREET,
DARLINGTON,
DL1 1AN

3rd JULY 2004.

Dear John,

Thank you for the interview on the 1st.
I hope the information I have provided and the
facts I have proved to you have aided you.

I am writing to you to explain that I do not
feel the notes taken by Paula represent the interview.
In my view they are misleading and have an awful
lot of our conversations and facts negated and in
certain areas extra phrases added. This I find very
again heart breaking to say the least. It has now
been the case in both sets of notes from both interviews
I have had with the Post Office LTD. I feel sure that you
will not sign to say the notes make an accurate record
of the interview, as I also will not. I have asked on
both occasions to voice tape the proceedings but I have
not been able to. In the first interview my RUM explained
the reason for not allowing voice tape was because
it is her choice and she did not wish it. All parties
must be in agreement and she would have needed 48 hours
notice. You stated that I could not voice tape the
interview, even though you had more than 48 hours
notice, because it is against company policy. Why?

It beggars belief. I have nothing to hide and I repeatedly asked for voice tape to be allowed.

May I also ask what role Paula Carruck assumes in her normal role at Post Office LTD. I and members of my family and staff have spoken her at length with reference to this case in the past, whilst trying to contact Mr Mellow-facer, his role as head of area. We have had to explain the reasons for the need to speak to him to Paula on numerous occasions.

This being the case, I was led to believe that this meeting was to take place, and I quote from your own letter to me dated 21st June 2004,

"The purpose of the appeal is to provide an opportunity for the case to be looked at afresh, and give the agent or their friend/representative of the FSP on their behalf every opportunity to present their case to an independent appeals Manager.

I have repeatedly adhered to all that has been asked of me. Yet again I have been let down by Post Office LTD. The notes taken do not reflect in length or content the Two hour meeting we held. I realise it would be near impossible to produce notes word for word but the edited version I have read, and re-read in dis-belief, I find hard to believe was even present at the same meeting.

Yet again as in my previous interview p
raised and questions asked by myself are not ab
absent. Why? Answers given to the questions raised
by yourself are edited. Why? I find it difficult
believe. As I stated previously taking just one f
of many from your/Paulas' notes. Questions rai
about figures in suspense, how suspense works you
answers, my answers again not included as the
were not at my previous interview. Yet after that
interview I have a letter from my RHM answerin
questions raised at the interview. This letter fro
my RHM clearly states they are an answer t
points raised during the interview. Yet accordin
to the interview^{notes} the points were never raised. I
find it difficult to believe that somebody can
answer questions that according to accurate note
ere never asked?!? Then to my complete dis-
belief Paula has done exactly the same and
am presuming I will get a letter from yours
in explanation of questions that aparently we
never asked. How can this possibly be? I
look forward to your letter.

yours faithfully

GRO

Personal – In Strictest Confidence

Mr Lee Castleton
14 South Marine Drive
Bridlington
YO15 3DB

5th July 2004

Dear Mr Castleton

I am writing to advise you, that due to your request for further analysis of the information you provided at your appeal hearing on the 1st July 2004, it will not be possible to advise you of my decision within seven days.

I will endeavour to conclude the case and advise you of my decision by the 14th July 2004.

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Yours sincerely

John Jones
Appeals Manager
Calthorpe House
15-20 Phoenix Place
LONDON
WC1X 0DG

COPY - original forwarded to
Data Central 6/7/04

MR. J. JONES.
DARLINGTON AREA OFFICE
CROWN ST,
DARLINGTON.

Dear John,

I have been looking back in my notes for the \$1250.00 AP shortage before my suspension. I have a regular customer who expressed a wish to open an easy access account with a DWP CHEQUE. (Back pay on tax credits). Mrs Dorothy Constable

GRO

We filled out the application together and I beeped the bar code into the machine. Then as I pressed the cheque button at the end of the process the machine seemed to Glp. I looked back in to see if the cheque had been added on to the cheque list but it wasn't so as there was no AP receipt and no evidence of the cheque. I decided to post the application, and cheque in the envelope provided. A few days Passed and Dorothy came back into the Post

Office clutching the cheque and the application form saying I had messed off the account number. She said she didn't want the account now and would like to put the cheque into her investment account with the NSI. So I did.

Then a few days later she came in with a easy access acct card with a deposit from opening or should I say opening balance of £1250 pounds. I feel sure if you cross reference the details of the cheque at data Central and the details of the cheque ~~of~~ that provides the opening balance at easy access they are one in the same. At the time I brought it to the attention of Ruth Simpson the first temp here and my RM.

Yours faithfully

GRO

Personal – In Strictest Confidence

Mr Lee Castleton
14 South Marine Drive
Bridlington
YO15 3DB

8th July 2004

Dear Mr Castleton

I am writing to advise you of the independent analysis that has been conducted on the Horizon balance printouts that you requested be performed at your appeal hearing on the 1st of July 2004.

The analysis is as follows:-

Cash account week 46, week ending 12/02/2004: The branch declared a shortage discrepancy of £8243.10.

Cash account week 47, week ending 19/02/2004: The branch opened a suspense account facility and transferred the shortage discrepancy of £8243.10 into the discrepancy. The week ending report at the top of the printout indicates the discrepancy from the previous week and the entry from the addition to table 2a (the suspense account) which shows a net discrepancy for the week of zero.

Cash account week 48, week ending 26/02/2004: The branch declares a shortage discrepancy of £3509.18. The figure of £8243.10 remains in the suspense account. The table at the top of the print out indicate the zero discrepancy from week 47 and the discrepancy from week 48.

Cash account week 49 week ending 04/03/2004: The branch transfers the shortage discrepancy from the previous week of £3509.18 to the already open suspense account. The rolling total in the suspense account now stands at £11,752.28. The branch then declares a further shortage of £3512.26.

Cash account week 50, week ending 11/03/2004: The branch does not transfer the previous shortage discrepancy from week 49 of £3512.26 into the suspense account. This shortage discrepancy is rolled over into week 50 without the Subpostmaster making good the discrepancy. It should be noted that rolling losses forward is in breach of the Subpostmasters Contract. The final balance declared of £10,653.11 is made up of £3512.26 from week 49 and a further shortage discrepancy of £7140.85 from week 50.

Yours sincerely

John Jones
Appeals Manager
Calthorpe House
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Mr J. Jones.
DARLINGTON AREA OFFICE,
CROWN STREET,
DARLINGTON,

Dear John,

I thank you for your letter dated 8th JULY 2004. We, as I stated in my previous interview and my interview on the 10 May 04 have had the figures over weeks 41 to 52 broken down and looked at by other Postmasters' mistresses! We have consulted the balancing with horizon book on numerous occasions! The following of Stock and MOP Figures do not follow the same routine as they do in week 47. when compared to week 49 & 50. In week 47 when the suspense account is first opened the week ending report shows the entry into table 2a as positive figure at the top of the final balance. the book Balancing with Horizon clearly explains how we can also follow these figures through the stock and MOP figures which is reduced by the amount added into table 2a.

But the second time an entry is made to table 2a. This is not the same as the first time.

Firstly in week 48 when the £3509-18 is ded'd at final balance the total Stock and Mop is £47480. In week 49 the £3509-18 stays on the top of the Snapshots all week (as it should). We place the £3509 into suspense (table 2a). Then on the final balance it shows no positive entry at the top of the final balance to indicate the entry into suspense (table 2a) even though the amount in suspense is raised to the correct amount. The loss entry in the final balance is £3512-26 showing a final loss of £3512-26. Again as I have previously clarified on numerous occasions the entry into table 2a is always shown at the final balance of the week ending it is placed into suspense (table 2a). If the office had sustained a further loss it would show

Disc +ve	3509-18	but it
Disc -ve	7021-44	
NET	<u>3512-26</u>	

and not, it showed

Disc +ve	0-00	as you
Disc -ve	3512-26	
Net	<u>-3512-26</u>	

can see.

I also would like to point out that if you follow the stock and Map figures through on week 49 Final balance stock and Map show $\$81749.03$ which also by adding and taking away proves that the $\$3509.18$ was not taken away from the stock and Map figures.

Again Week 50 shows Balance B/Final figure $\$85261.29$ (difference of $\$3512.26$). If you follow

these figures through this computer fault has produced a figure of $\$10533.64$. We have a Lottery Prizes error of $\$117.00$. So if you take

these into account over these three weeks we actually did not balance by $\$119.47$ and taking away the unclaimed lottery prize error leaves a balance of $\$2.47$. Your explanation

from your independent analysis is therefore incorrect. As I have stated previously a computer working in simple double entry accounting cannot display its workings out one way one week and another way another week. The stock and map follows through and clearly shows the fault.

May I also add that the suspense account according to the notes taken at both interviews is not mentioned. Yet on both occasions both parties spoke at great length about this subject. Again as at the first interview and in my letter to you on the 3rd July you have written to me explaining the computer fault that apparently was not mentioned! Well at least not in Post office LTD Transcripts! But as anyone who was present at those interviews could tell you it of course was. At great length. Now you write to me explaining the analysis in the fault and the figures as in stock and top values when followed through prove the fault. The system works by double entry. So whatever happens on one side must also have an opposite effect on the other side. Yet these figures prove without doubt the problem exists.

yours faithfully

GRO

Personal - In Strictest Confidence

Mr Lee Castleton
14 South Marine Drive
Bridlington
YO15 3DB

9th July 2004

Dear Mr Castleton

I am writing to advise you of my decision following your appeal hearing on
Thursday 1st July 2004.

I have carefully considered of all the facts relevant to the case and the
representations made by yourself and those on your behalf before arriving at
my decision.

Decision: Appeal dismissed.

Yours sincerely

John Jones
Appeals Manager
Calthorpe House
15-20 Phoenix Place
LONDON
WC1X 0DG