

000501

Exhibit Number:
Identifying Mark: DW/1

IN CONFIDENCE

To:	From:	cc:
Paul Williams Contracts Advisor	Dennis Watson Field Support Advisor	Lesley Frankland Fraud Team Manager
		Pete Jackson Field Support Team Leader
		Outlet Intervention Team
Date: 11.02.2011		

Audit of Post Office@Birkenshaw, Branch Code 163 306

On the 08 Feb 2011 I conducted an audit of the above named branch, the purpose of this audit was to perform a check of the cash. I arrived at the branch at 08.30 am and awaited the arrival of the Postmaster who arrived at approximately 08.45 am. I introduced myself to the Postmaster Mr Khayyam Ishaq and advised him that I was to perform an audit of his cash on behalf of Post Office Ltd.

Mr Khayyam Ishaq allowed me access to the secure area, and was present in the secure area whilst the audit was carried out. I contacted the Network Business Support Centre (NBSC) at approximately 08.55 am and advised that an audit would be performed at the branch, and that it would remain closed until its conclusion. The nominated branches offered were: Drighlington & Tong Street and a notice placed on display at the branch detailing this information. The audit revealed a shortage of £536 and I asked Mr Khayyam Ishaq if that was what he expected he said it was different from when he had declared the cash the previous day but he was prepared to accept it. At this point at 09.40 I phoned yourself and made you aware that not only was there a shortage on the day of £536 but also the balance snapshot was carrying a net discrepancy of £2100+. I was then instructed to carry out a Tier 2 audit, I explained to Mr Khayyam Ishaq what I had been instructed to do and proceeded to perform a full audit of all the cash and stock. At 11.40 am Kath Smith Field Support Advisor arrived at the office to assist me with the audit

The audit revealed a shortage in the branch of £21181.54. A breakdown of the audit result and details of the audit findings are as follows:

£	(+/-)	Identified as a difference in cash figures
£	(+/-)	Identified as a difference in cheque on hand figures
£	12.90 (+)	Identified as a difference in stock figures
£	(+/-)	Identified as a difference in postage figures
£	(+/-)	Obsolete stock not included in audit figures
£	(+/-)	Identified as a difference in foreign currency figures

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£	(+/-)	Transaction errors revealed to documentation
£	(+/-)	Outstanding transaction corrections not processed
£	21181.54	(-) Discrepancy as per office snapshot
£	(+/-)	Other
£	21168.64	(-) Total Shortage/surplus (delete as appropriate)

The audit revealed major discrepancies in the stock of the large books (sheets) of 100X 1st & 2nd class stamps and 50 X 1st & 2nd class stamps. I asked Mr Khayyam Ishaq if he knew why this might be but he replied that he had no idea why it was so. I considered that it could be a result of items being remitted in incorrectly and based on that Kath Smith phoned the Remittance Team at P&BA Chesterfield and spoke to Julie Crampton who said she would look in to it and phone back. When Julie Crampton phoned back she informed us that there had been quite a number of sales reversals for large books (sheets) of stamps at Birkenshaw post office. Julie read out some of the figures to Kath Smith and said she (Julie) would send an email with full information. I again asked Mr Khayyam Ishaq if he knew anything about these shortages and he replied that he had no knowledge of any sales being reversed. Mr Khayyam Ishaq said that there had been a relief postmaster working at the office and that it could have been him that was responsible for the reversals. I explained to Mr Khayyam Ishaq that the majority of the reversals had taken place under his own user name to which he replied that the relief had been using his, Mr Khayyam Ishaq, user name.

Mr Khayyam Ishaq was then advised that he should satisfy himself that the figures of the audit team were correct. Therefore, we asked Mr Khayyam Ishaq if he would do his own independent count of all the cash on hand again, which he declined. I then telephoned Andy Carpenter at 12.40pm to report a shortage of approximately £21648.00, Andy Carpenter then asked to speak to Mr Khayyam Ishaq and the decision taken was to precautionary suspend Mr Khayyam Ishaq at 12.45 pm and the assets were secured in safe until a relief could be found and the keys taken by Dennis Watson.

The audit and subsequent transfer of the branch was concluded at 12.20 pm on Fri 11 Feb 2011. The branch was rolled into TP 10 BP**06 and a Final Account produced.

The amount of £21648.12 was posted to Late Account.

I advised the NBSC that the branch would be re-opening on Mon 14 Feb 2011 at 09.00 am.

No Compliance Tests were carried out at this audit other than those control gaps that were observed whilst on site

If you require any additional information, please contact me on the telephone number below

Dennis Watson

Lead Auditor



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GRO