

## **Ramsgate MSPO RTU Case**

### **Postmaster: Mr Lee Andrews**

#### **Background:**

Mr Andrews was suspended as Postmaster for Ramsgate MSPO on 13<sup>th</sup> June 2003, as a result of an audit, which revealed a shortage of £76915.69.

This shortage was totally unexpected as whilst the branch had been experiencing balancing problems, they had been showing large surpluses in the cash account and hence the audit had been arranged (with the Postmasters knowledge as he felt this would be beneficial also) in an effort to understand what was going wrong at the branch. The reason such a large loss had been hidden is that the Foreign Currency Sterling Equivalent (FCSE) figure had been growing ever since the trainers left the branch. When the auditors declared the correct figure for the FCSE it effectively deflated the cash figure within the branch and produced the shortage of £76915.69.

Because of the unexpected nature of the shortage, the following Monday (16<sup>th</sup> June), Drew McBride (Head of Area), Rob Fitzgerald (Investigations Manager), Andy Bowman (Investigations Manager), Alan Stuart (Senior Audit Inspector) and I (Mark Lawrence, Retail Line Manager) met with Lee Andrews (Postmaster) and Jo Smallwood (Manager) at the branch to examine if there was anything that could explain the loss. After examining the paperwork, we found £23,424.99 of the loss, which had been caused by Mr Andrews completing the cash account paperwork for the bureau de change transaction incorrectly, we were unable to find any of the remaining loss, which still stood at circa £53k. Bearing in mind we had immediately found £23,424.99 of the loss, we were optimistic that on further inspection at Chesterfield etc. the remainder might be found, however, because we were unsure of the circumstances and what may have gone on at the branch, we informed Mr Andrews that the precautionary suspension would have to stand until we could get to the bottom of the matter. Whilst he was unhappy, he agreed that we could put a temporary Postmaster in charge of the branch in order for it to reopen.

Following this meeting I contacted all of the various departments at Transaction Processing in Chesterfield, particularly those dealing with travel services and explained the situation and asked that all of the paperwork was thoroughly reviewed in an effort to find errors that would reduce the loss. I also contacted the local National Federation of Sub-Postmasters (NFSP) Branch Secretary (Phil Blackman) who has vast experience of the on-demand bureau de change transaction and arranged to meet him and his wife (Vanessa) along with Drew McBride to go through all of the paperwork to see if we had missed anything. We met with Phil and Vanessa on 4<sup>th</sup> July 2003, but were unable to find anything further, although the general feeling at this point was that someone within the branch may have taken advantage of Mr Andrew's lack of controls. As a result of the meeting I requested further

information from Chesterfield, including the Command 10's as only some of these had been retained by Mr Andrews.

Unfortunately between this point and October we received no further error notices that had a major bearing on the loss, which at this point stood at £51,820.98.

It was therefore decided that we invite Mr Andrews to a fact-finding interview to discuss the outstanding loss, the outstanding licence fee and the outstanding rent. The interview took place on 24<sup>th</sup> October 2003 and it was agreed that Mr Andrews would put in writing to us why he believed the loss was in fact in the paperwork, the first stage being for him to contact us and let us know what information he required. It was further agreed that if he were to be reinstated in the future then he would have to pay the outstanding rent and licence fee prior to reinstatement. Subsequently Mr Andrews contacted us asking for various pieces of information and paperwork, some of which had to be specifically requested from other POL departments.

Mr Andrews was contacted in November 2003, to advise him that the information and paperwork he had requested was now available and was being held at the Kent Area Office in Maidstone for him to inspect. On the 5<sup>th</sup> and 6<sup>th</sup> January 2004 Mr Andrews and a colleague attended the Kent Area Office and went through the paperwork provided in one of the interview rooms and then produced a letter detailing where Mr Andrews believed the loss to be.

For thoroughness I had Mr Andrews reasons for the loss examined by another Retail Line Manager (Glenn Sully), a Branch Manager with seven years experience of the Bureau de Change transaction (Steve Toroude, Hastings BO), and a travel services manager from Chesterfield (Karen White). All agreed that the argument put forward by Mr Andrews held no validity whatsoever and so I wrote to him on 17<sup>th</sup> February 2004 explaining why his argument was flawed and asked him how he intended to repay the loss.

Two subsequent letters were sent to Mr Andrews asking him how he intended to repay the loss, with no proposal forthcoming. Therefore on 21<sup>st</sup> April 2004 I sent an RTU letter to Mr Andrews, whose response was that he was liaising with more senior managers in POL over this issue and he would not attend an RTU interview until he had received a response from them. Mr Andrews was subsequently written to by Dave Miller (Chief Operating Officer, POL) and advised to attend the RTU meeting. The RTU meeting eventually took place on Monday 21<sup>st</sup> June at the Kent Area Office.

All of the relevant paperwork documenting the process followed has been included with this summary.

**Case Against Lee Andrews:**

1. Shortage of £76915.69 at audit was totally unexpected, and despite subsequent investigation and enquiries a loss of over £50,000 still remains, there have been no significant claim error notices received.
2. Despite having been given numerous opportunities to prove the loss is not proper to the branch or himself over a 12 month period Mr Andrews has been unable to do so.
3. Despite not being able to prove the loss is not his, Mr Andrews has failed to accept responsibility for the loss under the terms of his contract or to offer terms for repayment of said loss.

**Case Put By Lee Andrews:**

1. The loss is in the paperwork and the Post Office has not proved that it is proper to him
2. He carried out the accounting procedures in line with how he had been shown by Post Office Ltd trainers.
3. Post Office Ltd trainers made it clear to him that they were not competent in balancing on-demand Bureau de Change branches and that they 'made' the account balance whilst they were there, it should not have balanced if they had done things correctly.
4. There was insufficient training at the branch.
5. The Retail Line Manager was aware of the loss at the branch prior to the audit and did nothing to resolve this.
6. There was a lack of support from the Post Office and Retail Line Manager.
7. The process followed since the loss was discovered has been unfair and Mr Andrews has not been given the opportunity to interrogate the system.
8. The process has taken too long and Mr Andrews has not been kept informed of what is happening.

**Review of Lee Andrews Case:**

I shall review each of the arguments put forward by Mr Andrews in turn before reaching a conclusion:

1. There was a comprehensive audit completed on Friday 13<sup>th</sup> June 2003, which is how we arrived at the figure for the loss. Further to this, the branch was revisited on Monday 16<sup>th</sup> June 2003, by a senior audit inspector, members of the retail line and members of the Post Office Investigation Department, £23,424.99 of the loss was identified (as a result of Mr Andrews incorrectly completing cash account documentation on 4 different occasions) and subsequently taken from the original loss figure of £76915.69.

The paperwork for Mr Andrew's period in charge of Ramsgate MSPO has also been reviewed by Transaction Processing at Chesterfield and



whilst a number of errors have been discovered, the overall loss still stands at circa £50,000.

The paperwork was also reviewed by the local Branch Secretary of the National Federation of Subpostmasters (Phil Blackman) and no reasons for the loss were found.

When Mr Andrews accepted the appointment as Postmaster at Ramsgate he signed the appointment papers agreeing to be bound by the terms of the contract. Further to this, as a result of the transfer papers having not been completed at the transfer audit on 18<sup>th</sup> October 2002 they were forwarded to me (as the RLM for the branch) to obtain Mr Andrews signature. These papers were signed by Mr Andrews on 29<sup>th</sup> January 2003, over three months into his tenure as Postmaster at Ramsgate MSPO. The acknowledgement of appointment states: I accept the appointment as Subpostmaster at Ramsgate and agree to be bound by the terms of my contract, and by the rules contained in the book of rules and instructions contained in those postal instructions issued to me. The specific section relating to losses in the MSPO contract is Section 9 (M), part 12 and states that: 'The Sub-Postmaster is responsible for all losses, caused through his own negligence, carelessness or error, and also for losses of all kinds caused by his assistants. Such losses must be made good immediately.'

2. Mr Andrews did not complete the cash account as instructed by the trainers. You will see from attachment 1 that for the five weeks the trainers were at the branch i.e. cash account weeks 30 to 34 the Command 10 total from the Forde Money Changer matched the Foreign Sterling Cash Equivalent (FSCE) figure on the cash account. From week 35 (2002/3) to week 11 (2003/4) when Mr Andrews was responsible for the cash account these two figures did not match once, with the FCSE figure continuing to grow, which effectively boosted the cash on hand figure, and hence masked the shortage until the audit was completed on 13<sup>th</sup> June 2003.

Mr Andrews does not follow clear instructions. He entered weekly sales figures for the Bureau de Change transaction against the Bureau de Change Commission line on at least four of the 29 cash account weeks he was responsible for despite using the balancing guidelines for bureau, which provides clear instructions on how to record the necessary information.

3. To an extent Mr Andrews has a point here in that the two trainers originally assigned to him were not expert in the on demand Bureau de Change transaction. However, I arranged additional Bureau training, which was completed by Cindy Kennard (who is expert in this field), which took place between the 12<sup>th</sup> and 15<sup>th</sup> November.

In terms of the trainers 'making things balance' this is not the case as the cash account shortage declared for the last trainer balance was

£2,921.78. Further to this, once we had reviewed all of the error notices received for the first 5 weeks when the trainers were present, the loss figure for this period was reduced to £2087.36, which we wrote off from the outstanding loss in line with the national process.

4. The branch received way in excess of the normal training; in total the branch received over 200 additional trainer hours compared to the normal offer for a branch such as Ramsgate MSPO. Attachment 2 shows the details.
5. I was not aware of this loss until the audit result was relayed to me on 13<sup>th</sup> June 2003. Up until that point a large surplus had been showing in the cash account, and I was expecting a surplus to be declared following the audit.

Mr Andrews up to this point also claimed to be unaware that the cash account was running a shortage. If Mr Andrews were aware there was a shortage, as he now claims, and that I had not been supportive then why did he:

- (i) Sign the acknowledgement of appointment on 29<sup>th</sup> January 2003, and in so doing agree to be bound by the terms of the contract.
  - (ii) Not make a complaint to either Drew McBride or Richard Barker, both of whom visited the branch on 10<sup>th</sup> June 2003 (prior to the audit on the 13<sup>th</sup> June), as he had previously made complaints against numerous parties including Post Office Property Holdings (POPH), the Audit Team and the Training Team.
  - (iii) Not write a letter of complaint to David Mills or Allan Leighton as he had done in the past about other departments etc. and has since done about this case.
6. Throughout Mr Andrews period in charge at Ramsgate I feel that I supported him fully, as demonstrated by the following facts:
  - (i) I visited the branch on at least 30 occasions between Mr Andrews taking over on 18<sup>th</sup> October 2002 and his suspension on 13<sup>th</sup> June 2003. This is far in excess of the usual levels of support offered to new agents.
  - (ii) When Mr Andrews complained his pay was incorrect, I took the time to review his remuneration and identify where the shortage was. Indeed I pursued why this had occurred in the first place. See attachment 3.
  - (iii) I arranged for Mr Andrews to receive fixed pay for first 3 months of appointment as previous Temporary Postmaster had not completed the paperwork correctly which would have affected the traffic related pay.

- (iv) After 3 months arranged for Mr Andrews to receive fixed pay for a further 6 months in order that he develop the retail side of the business to make the overall venture viable.
- (v) I arranged for POL to pay one of the staff members he took on from the previous temporary Postmaster for the outstanding wages she was owed. This was agreed with the Head of Area as the member of staff was on the point of leaving and this would have left only 1 experienced member of staff.
- (vi) I constantly liaised with POPH to make improvements to the property. I still have scores of emails to demonstrate this point.
- (vii) I arranged additional training for Mr Andrews and staff as previously documented.
- (viii) I arranged support from the Network Implementation and Equipment Team (NIET) for Mr Andrews plans to refit the shop and Post Office.

If I knew about the shortage as Mr Andrews is now claiming why would I have ignored this issue and yet dealt with all of those outlined above?

7. The process followed has strictly adhered to the guidelines laid down by the business. Indeed it could be argued that these guidelines have been exceeded as demonstrated by the examples below:

- (i) The meeting at the branch on Monday 16<sup>th</sup> June 2003, whereby members of POID, Audit Team and the Retail Line met with Mr Andrews and found £23,424.99 of the loss.
- (ii) The meeting between Drew McBride (Head of Area), Phil Blackman (Branch Secretary, NFSP) and myself on 4<sup>th</sup> July 2003 to check the paperwork and look for any errors that may be evident.
- (iii) The fact-finding meeting held at Maidstone on 24<sup>th</sup> October 2003.
- (iv) Providing Mr Andrews with access to all of the paperwork at the Kent Area Office on 5<sup>th</sup> and 6<sup>th</sup> January 2004, so that he could put forward reasons as to why the loss was not proper to him.

Further to this, the paperwork has been reviewed by Ria McQueen and then by Dave Miller (Chief Operating Officer, POL) following a flag case complaint from Mr Andrews constituency MP and all was found to be in order. Indeed Mr Miller emailed a response to this effect to Mr Andrews on 10<sup>th</sup> July 2004, in which he stated: 'the agreed processes have been followed in this case and I can find no evidence to support your allegations of unfairness.'

Mr Andrews constantly refers to the fact that he has not been given the chance to interrogate the Horizon system to prove that the loss was caused by the system and that at our fact-finding meeting of 24<sup>th</sup>



October 2003 he had been promised the opportunity to do so. This is in fact not true, at the meeting of the 24<sup>th</sup> we agreed that the first step would be to provide Mr Andrews with the documentation he requested so that he could put his case to us. We further agreed that once this case was reviewed, that if necessary we would use the Horizon system at a training office to check what he had done. However, we also stated that if the case put by Mr Andrews quite obviously resolved the issue in that it identified the loss then there would be no need to use the Horizon equipment to review the argument, and likewise, if the case put forward by Mr Andrews was obviously flawed then there would be no point in using the Horizon equipment to review it.

As you can see from my letter to Mr Andrews of 17<sup>th</sup> February 2004, the case that he put forward to us (and was adamant that identified the loss) was fundamentally flawed and could be shown (as it was in the letter) to be so without the need to review on an Horizon terminal. The fact that in his letter to me of 21<sup>st</sup> February 2004 Mr Andrews wrote that: 'I don't understand or agree with its content,' is not a valid reason to waste more resource meeting up to prove the theory is incorrect on an Horizon terminal. Anyone with a working knowledge of the cash account should be able to understand the content of the letter sent to Mr Andrews on 17<sup>th</sup> February 2004, so the fact that he could not or claimed not to be able to is worrying to say the least, and would point to a lack of control within the branch during his period in charge.

At this point I realised that no matter what I did, Mr Andrews was not going to accept responsibility for the loss and so for us to meet up would have been a farce as he would not listen to reason on this matter, no matter how obvious this may be, as demonstrated by his inability to accept the contents of the letter sent to him on 17<sup>th</sup> February 2004.

8. The process has taken a long time to complete, but this is because we have properly reviewed all of the paperwork to ensure that the loss is not within the paperwork as claimed by Mr Andrews. We have also held various meetings as part of the process and given Mr Andrews sufficient time to put forward arguments to POL as to why the loss is not proper to him.

Mr Andrews must take responsibility for some of the delays as detailed below:

- (i) Mr Andrews was contacted and advised on both the 20<sup>th</sup> November 2003 and 17<sup>th</sup> December 2003 that the paperwork he had requested was available from 4<sup>th</sup> December 2003 and despite of this he did not visit the Area Office until the 5<sup>th</sup> January 2004 to review the paperwork he had requested.
- (ii) Mr Andrews was first written to on 17<sup>th</sup> February 2004 and asked to put forward proposals as to how he would repay the loss, but refused to take responsibility.

- (iii) Mr Andrews refused to attend an RTU until after his complaints to Dave Miller had been answered, despite having been advised to. The first RTU letter was sent on 21<sup>st</sup> April 2004, but because of delays on Mr Andrews part was not heard until 21<sup>st</sup> June 2004.

Mr Andrews has been kept fully informed of the progress of this case as shown from the correspondence associated with this case.

**Conclusion:**

- It is evident from our records that there have been a large number of accounting errors related to Mr Andrews's period in charge of Ramsgate MSPO.
- It is also clear however, that despite it now being over 12 months since Mr Andrews suspension there is a large loss at hand of circa £50,000, for which there is no explanation. There are 5 possible reasons for this:
  - (i) An error notice is due. This is extremely unlikely as all of the paperwork has been reviewed at Chesterfield and it is now over a year since Mr Andrews was in charge at the branch, anything that was due could reasonably have been expected to have been issued by now.
  - (ii) The loss was caused by a system error. Mr Andrews has been given the opportunity to prove that this is not a paper loss and has been unable to do so.
  - (iii) Mr Andrews or a member of his staff has been careless and overpaid a customer or mislaid accounting vouchers to this value. Once again extremely unlikely due to the extremely large sum of money involved.
  - (iv) The audit result was not robust. No reason to doubt the audit figure, and indeed subsequent checks and visits have not lead to any cause for concern in this area. Mr Andrews has not raised this as an issue.
  - (v) That Mr Andrews or another party has misused our cash. Whilst this cannot be proved, on the balance of probabilities this has to be seriously considered.

Mr Andrews employed staff without completing background checks on their suitability. He employed a female member of staff (Jeanette Todd) who subsequently stole money from him and was prosecuted. After this he also employed a manager known only to me as Paul who left very shortly



afterwards as information regarding his previous employment came to light.

There was a lack of control within the branch with Mr Andrews not fully understanding the cash account as evidenced by his letter to me of 21<sup>st</sup> February 2004 and the four errors totalling £23,424.99 made through Mr Andrews inability to follow simple accounting instructions.

Mr Andrews employed a manager (Jo Smallwood) within the branch who had no experience of Post Office transactions and the cash account. Ms Smallwood struggled to understand the transactions when being trained at the counter and yet was given responsibility for back office work and the cash account.

The branch ignored error notices, to the extent that I had to show Ms Smallwood how to put these through, despite the error notices containing clear instructions on how to process them. Calls from Transaction Services at Chesterfield were also ignored or callers told that the branch was too busy to deal with these matters.

The retail side of Mr Andrews business was struggling to make ends meet, as was his other business, a nightclub in Ramsgate which was suffering due to a rival nightclub opening up which provided free transport for pub-goers to their venue. Could Mr Andrews have been struggling to make ends meet?

Taking all of the evidence into account it is my opinion that there is no doubt that the losses at Ramsgate MSPO are proper to Mr Andrews and that despite being given numerous opportunities to offer terms as to how he would repay this loss he has failed to do so. Mr Andrews has therefore placed himself in breach of his contract for services.

#### **Award: Summary Termination**

An award of three months notice was discounted because following the audit of 13<sup>th</sup> June 2003 and the subsequent unexpected and unexplained loss, I had no option but to precautionary suspend Mr Andrews. The whole of the process followed has been transparent, and in my opinion fair to Mr Andrews as it has given him the chance to either explain the loss or repay the outstanding monies, neither of which he has been able, or chosen to do.

It is also my belief that should Mr Andrews offer to repay the outstanding loss at any subsequent appeal interview, then the award of summary termination should stand for the following reasons:

1. The loss currently stands at £49,290.95 and despite all of the evidence and the fact that he has signed a contract for services that clearly outlines his responsibility to repay losses he has refused to do so. Mr Andrews clearly believes that if a contract is not in his favour it can be ignored and my belief is that he would continue to ignore his contract for services if reinstated if the circumstances suited him to do so. Why should Mr Andrews be allowed to behave this way and refuse to recognise his responsibilities?
2. A number of errors have been uncovered since Mr Andrews suspension and his inability to understand simple Post Office accounting procedures (as demonstrated by his letter to me of 21<sup>st</sup> February 2004) call into question his capability to run any Post Office, yet alone one the size of Ramsgate MSPO.
3. As previously detailed the fact that either Mr Andrews or one of his staff may have misused Post Office funds has never been fully disproved and remains perhaps the only logical explanation for this large loss. Hence, if Mr Andrews were reinstated after repaying the loss how could we guarantee that this would not happen again, when we have not uncovered the reason for the original loss?
4. Mr Andrews has blamed everyone but himself for the loss, and if he were reinstated a balanced working relationship between Mr Andrews and the Post Office would be very difficult to achieve and sustain.
5. Mr Andrews claims not to have been making any money from the venture, hence our support in fixing his pay whilst he was supposedly planning to refurbish the retail. Why would Mr Andrews want to take back a loss making business, which he does not have the experience or ability to run successfully, as demonstrated by his period in charge.

For the reasons outlined, it is my belief that the appropriate award is summary termination and that there is no justification for his reinstatement, even if at this late stage he offers to repay the outstanding loss.

**Mark Lawrence**  
**Retail Line Manager**  
**Area 412**