

Message

From: Avene O'Farrell [/O=MMS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=AVENE O'FARRE653B79D2-A12E-41D4-9F0F-54003889467557D]
Sent: 20/03/2015 15:27:33
To: ECT [GRO]; flagcaseadvisor [GRO]; Angela Van-Den-Bogerd [GRO]
Subject: FW: Post Office Ltd Annual Accounts Query

Hi,

Can you please forward to the appropriate person pls to deal with.

Thanks

Avene



Avene O' Farrell

Executive Assistant
to the Chief Executive, Paula Vennells

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From: Tim McCormack [GRO]
Sent: 20 March 2015 15:12
To: amyasmorse [GRO]
Cc: peterbrooker [GRO]; lin.homer [GRO]; Paula Vennells; Moya Greene; bailey [GRO]; Soren.schonberg [GRO]; angus.grant [GRO]
Subject: Post Office Ltd Annual Accounts Query

Investigation Required Into Post Office Ltd Annual Accounts

Dear Sir Amyas

I write to you as a concerned tax payer who, over the last few years, has taken a considerable interest into the financial affairs of Post Office Ltd, not least because I was at one point a serving subpostmaster.

I would ask that your department considers investigating the Annual Accounts of Post Office Ltd going back as many years as is necessary based on the points below.

I have copied this email to interested parties, including the CEOs of Post Office Ltd, Royal Mail Group, Paypoint as well as the current chair of the BIS Select Committee and HMRC.

1. Financial Losses

I have tried in the past to explain to the CEO of POL, Ms Vennells, the concept of what constitutes a financial loss and what does not. As far as I can tell she has not quite grasped this nor how it manifests itself within POL's accounts. As a result it is my opinion that POL overstate their losses significantly.

In my correspondence with Ms Vennells I made use of a simple example concerning postage labels and encouraged her to think laterally as to how a similar set of circumstances might occur in different areas of her organisation. However I don't think she realised I wasn't talking about postage labels, rather something more serious in terms of value.

For example, recently it was confirmed that POL write off several million pounds per annum in counter losses at Crown Offices - the ones they manage directly. This is an area where I believe an investigation will find that, on a transactional basis, only a small portion of the transactional value relating to the actual cost incurred by POL could and should be written off as a loss. Ms Vennells and her team seem oblivious to this.

While I believe a thorough investigation will bring to light many more examples not related to Crown Offices specifically, it is still worthy of note to refer to statistics released by POL on similar losses incurred by Subpostmasters. These statistics should surely follow through and be comparable to Crown Office staff and without going in to detail there is a surprising difference between daily cash balances declared as being under as compared to the number being declared over.

2. Financial Gains

POL undertake financial transactions on behalf of a multitude of their clients including various government departments. I am given to understand that the recent Second Sight investigation raised concerns about the audit trail of transactions that have failed for one reason or another after payment has been taken at the counter. This in turn leads to monies being allocated to suspense accounts that at some stage must be transferred to P&L accounts. I believe that the allocation of these 'unclaimed' funds deserves a thorough investigation by an independent team to ensure that POL profits are not overstated.

3. Possible Misuse of Grant Funding by POL

Over the last few years, POL has received an annual grant (now totalling £1.34b) from the government to fund both SGEI and Network Transformation. This amount was made available to POL after being authorised by the EU State Subsidy Commission. Specifically excluded from this authorised grant was the provision of a loan from BIS to POL for working capital requirements. The EU State Subsidy Commission noted that this loan was to be provided on market related commercial terms. However during the course of the last few years POL has repaid that loan (a significant amount for a loss making company). I believe that the only source of funding that could have been used to do this would have been the unused portion of the grant provided by the government for SGEI and NT use only. FOI requests to POL about this matter have been raised and answered obliquely which in itself gives cause

for concern. It could and perhaps should be argued by POL's competitors, including Paypoint, that the use of these funds represents an unfair advantage to POL.

This matter needs to be investigated and a report provided to the EU State Subsidy Commission.

4. Providing the National Federation of Subpostmasters with Funding.

Without funding from POL the NFSP would be making a significant loss. There is great concern within the Subpostmaster community about the ethical standards relating to these transactions. Notwithstanding this, there is concern also about how a particular sum of money was made available to the NFSP (£500k) in December of 2013. While perhaps of no concern to POL there is some evidence to suggest that this money was used by the NFSP not in the way it was intended. I have further information regarding this and would be happy to share it with you in due course.

I would however ask for an investigation in to any future funding of the NFSP by POL and in particular the financial control POL exert over an organisation set up to serve subpostmasters and negotiate the best deal they can from POL on their behalf.

As an addendum for HMRC - I note that POL continue to deduct NFSP membership contributions from their subpostmaster payments despite having been advised that these contributions should include a portion of VAT.

5. Contingent Liabilities

I understand from my contacts that Ms Vennells was advised nearly at the outset of the Second Sight investigation into past activities relating to criminal proceedings against former subpostmasters that the likely outcome of many of these case investigations was that the subpostmaster involved would be exonerated. Thus giving rise to a potential liability of many millions of pounds. It was therefore disconcerting to see no mention of any possible risk/contingent liability in this regard in the annual and/or interim accounts.

I would like to know whether this was deliberate or a mere oversight and that a suitable figure and risk assessment be stated in the next set of POL's accounts.

Finally, it is not my intention in the above to make any accusation of impropriety, nor to direct any character assessment towards any individual or organisation mentioned but any subsequent investigation may find otherwise.

Yours sincerely

Tim McCormack
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GRO