

Filed on behalf of the: Claimant  
Witness: Helen Rose  
Statement: 1  
Exhibits: "HR 1"  
Date made: 07/12/05

IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION

Claim No. HQ05X02706

BETWEEN:

POST OFFICE LIMITED

Claimant/Part 20  
Defendant

- and -

LEE CASTLETON

Defendant/Part  
20 Claimant

WITNESS STATEMENT OF HELEN ROSE

I, HELEN ROSE (nee Hollingworth) of Investigation Suite GRO  
GRO WILL SAY AS FOLLOWS:

1. I am currently an Investigations Manager for the Post Office Limited ("the Post Office") and have been an Investigations Manager since September 2004. Prior to that, I was an auditor at the Post Office for 5 years. I have worked for the Post Office for nearly 9 years since approximately February 1997. *[Were you an auditor when you first joined the Post Office in February 1997? If you were, then I believe that you will have been an auditor for seven and a half years instead of five years].*
2. I make this Witness Statement in support of the Post Office's Application for Orders that:
  - (a) Time be extended until 16 November 2005 for the Claimant/Part 20 Defendant to file and serve its Reply to Defence and Defence to Counterclaim; and
  - (b) To set aside the Default Judgment on the Counterclaim entered against the Claimant/Part 20 Defendant.

3. I make this Witness Statement from facts within my own knowledge unless otherwise stated. I have had the benefit of reading through the audit papers. References to page numbers in this Witness Statement are to page numbers of Exhibit "HR 1" to this Witness Statement.
4. As an Auditor, I was responsible for auditing Post Office Branches. I usually carried out at least one audit every day, although sometimes it could be closer to two or three audits and on one occasion I remember I did four audits. ***[On the basis that Helen has 20 days holiday per year, I calculate that she spent 285 working days per year doing audits. We need to ascertain precisely how many years audit experience she had when she came to audit the Marine Drive Branch. If it was five years at an average of one audit per day, then she will have done approximately 1,425 audits before she came to do the Marine Drive Branch and it is worth putting this statistic in to show her considerable audit experience].***
5. On 23 March 2004, I attended the branch of the Post Office at 14 South Marine Drive, Bridlington, YO15 3DB ("the Marine Drive Branch"), together with my colleague Chris Taylor. We arrived at approximately 8.00 a.m. I had not had any previous involvement with the Marine Drive Branch.
6. The process of carrying out the audit involves physically counting the cash and stock at the Marine Drive branch, checking the paperwork such as Giro deposits and withdrawal receipts, Pensions and Allowances Reports and where appropriate, declared cash receipts.
7. Mr Castleton explained that he had been having problems balancing the books and that those problems had started in the cash account week ending 43 (21 January 2004) with a shortfall of £4,230.97. Mr Castleton was adamant that the misbalances were due to a computer problem and that no members of his staff could be committing theft. In my considerable experience as an auditor, I have never known there to be a single instance of a computer problem generating cash shortfalls and Mr Castleton's explanation sounded completely implausible to me.
8. A copy of the conclusion of my report is at page [ ]. In short, I concluded that there were unauthorised losses of £25,758.75. This was a result of unauthorised losses that had accumulated in the cash account and it had been transferred to the suspense account for many weeks leading up to the audit.
9. As part of an audit, we have to complete a procedural security inspection. This was carried out by my colleague Chris Taylor. A copy of the procedural and security



inspection is at pages [ ]. A typed copy of the audit is at pages [ ] and the handwritten notes are pages [ ]. The inspection revealed that the safe was left open, the safe keys were left in the safe door and it was not secured, that cash and stock were not secured during lunchtime if the Sub-Postmaster was not on the premises, that Travellers Cheques were not kept in the safe and Foreign Currency was not held securely, that standard procedures for adjusting losses and gains were not adhered to (because losses were unauthorised) and personal cheques on hand had been incorrectly treated.

10. I do remember that Mr Castleton left the branch at lunchtime and returned in the afternoon smelling strongly of alcohol. ***[Was he drunk? What did he say about the result of the audit?]***.

11. I did not remove any documents from the Marine Drive branch during the audit. If there were any documents that are required, I always ask the Sub-Postmaster to print off his spare copy. I understand that one of the live issues in this case is whether any balance snapshots were removed. A balance snapshot is a report that contains what the computer believes is the total cash in stock figure. It looks at the previous weeks' declared cash in stock and adjusts items as they are sold, so if someone forgets to enter an item that a customer has purchased then the figures will be inaccurate. I certainly do not recall removing any daily balance snapshots and for the reason I have explained, they would not have been particularly useful to me.

12. I was not involved with the case any further after completing the audit.

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

Signed .....  
HELEN ROSE

Date .....

Filed on behalf of the: Claimant  
Witness: Helen Rose  
Statement: 1  
Exhibits: "HR 1"  
Date made: 07/12/05

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**

**WITNESS STATEMENT OF HELEN  
ROSE**

**BOND PEARCE LLP**

**GRO**

**Solicitors for the Claimant**

Filed on behalf of the: Claimant  
Witness: H Rose  
Statement: 1  
Exhibits: "HR 1"  
Date made: 07/12/05

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No.**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant**

**- and -**

**LEE CASTLETON**

**Defendant**

**EXHIBIT "HR1"**

This is the Exhibit marked "HR 1" referred to in the Witness Statement of Helen Rose dated December 2005.

**DRAFT**

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: John Howard Jones  
Statement: 1  
Exhibits: JHJ1  
Date made: 12/01/06

IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION

Claim No: HQ05X02706

BETWEEN:-

POST OFFICE LIMITED

Claimant/Part 20 Defendant

-and-

LEE CASTLETON

Defendant/Part 20 Claimant

**WITNESS STATEMENT OF JOHN HOWARD JONES**

I, JOHN HOWARD JONES of Network Change, Post Office Limited, Sales and Service,

**GRO** WILL SAY AS  
FOLLOWS:-

1. I am currently an Area Development Manager at 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.
2. I make this Witness Statement in support of the Post Office's Application for an Order that:
  - (a) Time be extended until 16 November 2005 for the Claimant/Part 20 Defendant to file and serve its Reply to Defence and Defence to Counterclaim; and
  - (b) To set aside the Default Judgment on the Counterclaim entered against the Claimant/Part 20 Defendant.
3. 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 JHJ1 to this Witness Statement.



- ~~Redacted~~
4. Between 18 July 2003 and 25 March 2004, the branch of the Post Office at **GRO** **GRO** incurred losses of £27,115.83. During this time, Mr Castleton, the Defendant, was the Subpostmaster at the Marine Drive branch and responsible for making good all losses, whether caused through his own negligence or that of his assistants.
  5. 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, followed by a full investigation, during which time Mr Castleton was interviewed by Ms Catherine Oglesby, the Retail Line Manager who was dealing with the matter at that stage. I understand that on 17 May 2004, Mr Castleton was dismissed. I was responsible for dealing with Mr Castleton's appeal against the dismissal.
  6. 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 1 to 2).

#### **Pre-Appeal Enquiries**

7. I attach a typed note of the Case History and the Notes of Appeal at pages 3 to 11. 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 13 to 22. Before hearing the appeal, I took the following action:
8. I 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 that is a direct result of an incorrect entry being made by the operator on the Horizon Computer system when performing a customer or balancing transaction. I noted that only one error notice had been received for £1,256.88 for a customer called Dorothy Constable, 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). 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 reconstructed and analysed the Marine Drive branch Cash Accounts for the 17 weeks between 24 December 2003 and 14 April 2004 (i.e. account weeks, 39-03 inclusive). I examined every transaction over the critical period when the losses being incurred were at their greatest. The purpose of my analysis was to independently check 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. A spreadsheet showing the results of my analysis is at page 23.
  
10. I visited the Marine Drive branch on 28 June 2004, to investigate those transactions that I had identified as being outside the average value. I analysed a Giro Business Customer's cash deposits that were made into the branch. 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. I asked Ms Oglesby, then the Retail Line Manager, why the advice she had given to Mr Castleton 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. I understand that Ms Oglesby 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 problem that could possibly be theft related and persisted with the presumption 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 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 (page 24). My analysis showed that there were anomalies between the cash declared on each Tuesday of those weeks and the final cash declaration on the Wednesday at the final balance. For example, I evaluated individual transactions between Tuesday 10<sup>th</sup> February 2004 and Wednesday 11<sup>th</sup> 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 that a cash deposit of £16,500 by customer number 685 9461 was received on Wednesday 11<sup>th</sup> February 2004, but this is not reflected in the final cash declaration 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, the Marine Drive branch physically received approximately £15,300 more cash than the amount it actually declared.

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 holds the account book for a customer account number 6859461 who regularly deposited significant volumes of cash each Wednesday. 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 false 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 balance. In other words, the cash that the Marine Drive branch physically received from this customer was not reflected in the cash that Mr Castleton declared in each of the weeks examined. The cash physically deposited at the Marine Drive branch should have been accounted for.

14. I made enquiries of Network Business Support Centre (NSBC) and the Horizon Systems Helpline (HSH) 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**

15. I presided over Mr Castleton's Appeal Hearing on 1 July 2004. Mr Castleton had a representative present, Mrs Julie Langham. Miss Paul Carmichael of the Post Office was also there to take a note of the Hearing.

16. 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 provides the highest level of security and integrity for the Post Office and our clients with those transactions. The system 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. 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. 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 operator to check and confirm the value of the stock and cash that is on hand when completing the balance. 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.

17. However, Mr Castleton was unable to provide any evidence to support his assertion. Furthermore, neither Fujitsu Services (who were responsible for designing, implementing and operating the Horizon system), nor the Horizon System Helpdesk 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 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.
18. I explained to Mr Castleton that between weeks 42 and 49 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 49) 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 ordered £305,000 of which only £20,000 had been returned.
19. My analysis of the increases in cash ordered by the branch demonstrated 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.
20. 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 extra cash. 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.

21. 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**

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

23. 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 28 and 29). 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 32). 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.

24. In or about late June/early July 2004 and 9 July 2004, Mr Castleton wrote to me again (pages 30 to 31 and 34 to 37). 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**

25. The decision to dismiss Mr Castleton's appeal was not taken lightly. A list of the factors affecting my decision are at pages 9 and 10. 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.
26. 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 be sufficient amounts of cash in the branch to service its requirements. However, Mr Castleton ordered extra cash and it was only this extra cash which enabled the branch to continue to trade and meant that it never ran out. 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.
27. Fujitsu Services' checks indicated that the branch had made false cash declarations and this was further corroborated with the daily account analysis. 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.
28. There were and have not been since 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.

29. In the circumstances, I believe that the decision ultimately to dismiss Mr Castleton was soundly based and accordingly I dismissed his Appeal. I wrote to Mr Castleton on 9 July 2004 to confirm my decision (page 38). I firmly believe not only that there is a very real prospect that the Post Office will succeed if allowed to defend the Counterclaim, but also that the arguments advanced by Mr Castleton hold no credence whatsoever.

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

Signed.....

JOHN HOWARD JONES

Dated.....2006

Filed on behalf of the: Claimant/Part 20  
Defendant  
Witness: John Howard Jones  
Statement: 1  
Exhibits: JHJ1  
Date made: 12/01/06

**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

**WITNESS STATEMENT OF JOHN  
HOWARD JONES**

**BOND PEARCE LLP**



**Solicitors for the Claimant/Part 20  
Defendant**



Filed on behalf of the: Claimant/Part 20  
Defendant  
Witness: John Howard Jones  
Statement: 1  
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Date made: 12/01/06

**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

WITNESS STATEMENT OF JOHN HOWARD JONES

This is the Exhibit marked "JHJ1" referred to in the Witness Statement of John Howard

Jones dated                      January 2006.

Filed on behalf of the: Claimant/Part 20  
Defendant  
Witness: Stephen John  
Dilley  
Statement: 2  
Exhibits: SJD3  
Date made: 26/09/2006

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No. HQ05X02706**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20  
Defendant**

**- and -**

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

**SECOND WITNESS STATEMENT OF STEPHEN JOHN DILLEY**

I, **STEPHEN JOHN DILLEY**, solicitor of Bond Pearce LLP Ballard House

**GRO**

**GRO**

**WILL SAY AS FOLLOWS:-**

1. Since 29 September 2005, I have had conduct of this matter on behalf of the Claimant/Part 20 Defendant (**the Post Office**).
2. I make this Witness Statement in support of an Application for an Order that thereby a case management conference at which the Court do give further directions, since these are required in order to ensure that the case is resolved in a cost effective manner, or alternatively, to ensure that the case is brought to trial in a proportionate and fully prepared manner.
3. 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 SJD2 to this statement.

**Summary of Claim and Defence and Counterclaim**

4. The Defendant, Mr Castleton was a Sub-Postmaster at the branch of the Post Office at GRO (the Marine Drive branch) from approximately 18 July 2003 to 23 March 2004. Mr Castleton accepts that the express terms of his Contract for services included that he would be strictly responsible for the safe custody of cash and stock, was obliged to make good all losses caused through his own negligence, carelessness or error and losses of any kind caused by his assistants and that his responsibility did not cease when he relinquished his appointment and that he remains obliged to make good any losses incurred during his term of office which subsequently came to light.
5. Between 18 July 2003 and 25 March 2004, net losses of £25,858.95 occurred at the Marine Drive Branch. The Post Office seek repayment of those losses together with interest and costs.
6. Mr Castleton's case is that any shortfall is entirely the fault of problems with the Horizon computer and accounting system at Marine Drive branch and that the Post Office wrongfully terminated his Contract in respect of which he has suffered loss not exceeding £250,000.

#### Disclosure

7. By a Consent Order dated 9 March 2006, standard disclosure was due to take place by 18 May 2006 with inspection 7 days thereafter. By consent, the Post Office agreed to extend the deadline for exchange of list of documents to 19 May 2006 and exchange of lists took place then.
8. I wrote to Mr Castleton's solicitors, Rowe Cohen, to seek copies of Mr Castleton's disclosure on 25 May, 6, 8, 16, 21 June, 14, 25 and 31 July, 3 and 23 August, 5 and 12 September 2006. Copies of the inter-parties correspondence between Bond Pearce and Rowe Cohen at pages to <sup>1-35</sup> . I have now received most but not all of Mr Castleton's disclosure. Currently we are awaiting copies of items 1, 2, 58, 62, 76 and 77 from Mr Castleton's disclosure list, being the following:
  1. Daily cash declarations for week 41 (2 January 2004) to week 51 (11 March 2004);
  2. Weekly suspense account reports relating to weeks 47 and 49;

58. Letter to Lee Castleton from National Savings and Investments dated 30 December 2004;

62. Letter to Mr Castleton dated 12 January 2005;

76. Error notice dated 23 May 2004; and

77. Marine Drive Post Office account.

9. Rowe Cohen's explanation for failing to provide documents when originally requested is contained in their 11 August letter. <sup>(70-2)</sup> Apparently, when Mr Castleton's disclosure list was prepared, some of the documents listed in it were in their possession, but others were in Mr Castleton's possession and there was confusion as to who had them. In any event, we do require copies of the above remaining documents, so that we can assess their relevance and if necessary deal with them in Witness Statements.

10. Mr Castleton's solicitors requested copies of the Post Office documents on 13 June and they were sent undercover of a letter dated 16 June 2006. <sup>6</sup> I should in fairness state that in accordance with its ongoing duties of disclosure, the Post Office has disclosed various further documents that came to light after exchange of disclosure lists.

### Witness Statements

11. Given the delay to disclosure, the parties agree to initially extend the deadline of Witness Statements exchanged at 15 September 2006. I sent to Court for approval and sealing a Consent Order dealing with this (and other consequential) amendments on 25 July 2006. <sup>14</sup> On 23 August 2006, I wrote to the Court asking for a sealed copy of the Order (page <sup>25</sup>). On 6 September, we received an amended copy of the Order (pages <sup>20-31</sup>) and on 7 September, e-mailed an amended copy to Mr Castleton's solicitors for signature (page <sup>34</sup>). At the time of making this statement, I have not yet received the signed copy to enable me to file it at Court.



12. In any event, one of the Post Office potential witnesses, Ruth Simpson, who was the relief sub-postmaster who took over immediately following Mr Castleton's suspension, is currently recovering from an operation and has not been available for me to meet to take evidence. Given that and given that disclosure has been protracted, it has not been possible to finalise witness statements in the timetable originally envisaged.

### Expert's Reports

13. Although Mr Castleton has made various allegations about the computer system, it is difficult to understand at this stage precisely how he says that any computer errors caused the shortfalls. The cost of experts' reports is likely to be significant. For example, the Post Office's accountancy expert has stated that their anticipated costs could be in the region of £62,000 plus VAT. This is because this would need to cover a substantial amount of ground. In order to help reduce the cost of experts' reports and so that the Post Office's experts' reports can be focused on particular allegations raised by Mr Castleton, we would prefer there to be a sequential exchange of experts' reports, with Mr Castleton serving any expert evidence in the fields of computing and accountancy first.

*OS view*

### Venue

14. Given that the Post Office claim is for £25,858.95 plus interest and costs. I believe that it would be more appropriate for this case to be tried at the County Court rather than the High Court. Accordingly, on 24 August 2006 I wrote to Mr Castleton's solicitors and invited them to agree to the transfer of the claim to the Chancery List in the Central London County Court (page 76).

*no response*

**Conclusion**

15. In summary, it would be helpful to have a case management conference to review the timetable and to give further directions to enable the matter to be resolved cost effectively, or brought to trial in a proportionate and fully prepared manner.

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

Signed .....  
STEPHEN JOHN DILLEY

Date .....

DRAFT

Filed on behalf of the: Claimant/Part 20  
Defendant  
Witness: Stephen John Dilley  
Statement: 2  
Exhibits: SJD2  
Date made: 26/09/2006

**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  
STEPHEN JOHN DILLEY**

**BOND PEARCE LLP**

**GRO**

**Solicitors for the Claimant/Part 20  
Defendant**

Filed on behalf of the: Claimant/Part 20  
Defendant  
Witness: Stephen John Dilley  
Statement: 2  
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**- and -**

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

**SECOND WITNESS STATEMENT OF STEPHEN JOHN DILLEY**

This is the exhibit SJD2 referred to in the Witness Statement of Stephen John Dilley dated

Filed on behalf of the: Claimant/Part 20  
Defendant  
Witness: Stephen John  
Dilley  
Statement: 2  
Exhibits: SJD3  
Date made: 26/09/2006

IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION

Claim No. HQ05X02706

BETWEEN:

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Defendant

- and -

LEE CASTLETON

Defendant/Part  
20 Claimant

SECOND WITNESS STATEMENT OF STEPHEN JOHN DILLEY

I, STEPHEN JOHN DILLEY, solicitor of [GRO]

[GRO] WILL SAY AS FOLLOWS:-

1. Since 29 September 2005, I have had conduct of this matter on behalf of the Claimant/Part 20 Defendant (**the Post Office**).
2. I make this Witness Statement in support of an Application for an Order that thereby a case management conference at which the Court do give further directions, since these are required in order to ensure that the case is resolved in a cost effective manner or alternatively, to ensure that the case is brought to trial in a proportionate and fully prepared manner. *manner = a nice house  
manner is the right spelling here.*
3. 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 SJD2 to this statement.

Summary of Claim and Defence and Counterclaim



4. The Defendant, Mr Castleton was a Sub-Postmaster at the branch of the Post Office at GRO (the Marine Drive branch) from approximately 18 July 2003 to 23 March 2004. Mr Castleton accepts that the express terms of his Contract for services included that he would be strictly responsible for the safe custody of cash and stock, was obliged to make good all losses caused through his own negligence, carelessness or error and losses of any kind caused by his assistants and that his responsibility did not cease when he relinquished his appointment and that he remains obliged to make good any losses incurred during his term of office which subsequently came to light.
5. Between 18 July 2003 and 25 March 2004, net losses of £25,858.95 occurred at the Marine Drive Branch. The Post Office seek repayment of those losses together with interest and costs.
6. Mr Castleton's case is that any shortfall is entirely the fault of problems with the Horizon computer and accounting system at Marine Drive branch and that the Post Office wrongfully terminated his Contract in respect of which he has suffered loss not exceeding £250,000.

**Disclosure**

7. By a Consent Order dated 9 March 2006, standard disclosure was due to take place by 18 May 2006 with inspection 7 days thereafter. By consent, the Post Office agreed to extend the deadline for exchange of list of documents to 19 May 2006 and ~~that~~ exchange of list took place then.
8. ~~At the time of making this statement,~~ on 25 May, 6, 8, 16, 21 June, 14, 25 and 31 July, 3 and 23 August, 5 and 12 September 2006, I wrote to Mr Castleton's solicitors, <sup>Rowe Cohen,</sup> <sup>Mr Castleton's</sup> to seek copies of ~~that~~ disclosure. Copies of the inter-parties correspondence between Bond Pearce and Rowe Cohen at pages to <sup>I have now received</sup> ~~Mr Castleton's~~ <sup>Mr Castleton's</sup> ~~that~~ disclosure list, <sup>Mr Castleton's</sup> ~~that~~ disclosure list, being the following:
  1. Daily cash declarations for week 41 (2 January 2004) to week 51 (11 March 2004);
  2. Weekly suspense account reports relating to weeks 47 and 49;

*I have now received Mr Castleton's disclosure list.*

- 58. Letter to Lee Castleton from National Savings and Investments dated 30 December 2004;
- 62. Letter to Mr Castleton dated 12 January 2005;
- 76. Error notice dated 23 May 2004; and
- 77. Marine Drive Post Office account.

9. Rowe Cohen's explanation for failing to provide documents when originally requested is contained in their 11 August letter. Apparently, when Mr Castleton's disclosure list was prepared, some of the documents listed in it were in their possession, but others were in Mr Castleton's possession and there was confusion as to who had them. In any event, we do require copies of the above <sup>remain</sup> documents, so that we can assess their relevance and if necessary deal with them in Witness Statements.

10. Mr Castleton's solicitors requested copies of the Post Office documents on 13 June and they were sent undercover of a letter dated 16 June 2006. I should in fairness state that in accordance with its ongoing duties of disclosure, the Post Office has disclosed various further documents that came to light after exchange <sup>of</sup> and disclosure list, ~~that were not mentioned on the list.~~

#### **Witness Statements**

11. Given the delay to disclosure, the parties agree to initially extend the deadline of Witness Statements exchanged at 15 September 2006. I sent to Court for approval and sealing a Consent Order dealing with this (and other consequential) amendments on 25 July 2006. On 23 August 2006, we wrote to the Court asking for a sealed copy of the Order (page ). On 6 September, we received an amended copy of the Order <sup>(copy)</sup> and on 7 September, e-mailed an amended copy to Mr Castleton's solicitors for signature <sup>(copy)</sup>. At the time of making this statement, I had <sup>we</sup> not yet received the signed copy to enable me to file it at Court.

12. In any event, one of the Post Office potential witnesses, Ruth Simpson, who was the relief sub-postmaster who took over immediately following Mr Castleton's suspension, is currently recovering from an operation and has not been available for ~~us~~ <sup>me</sup> to meet. <sup>to have evidence</sup> Given that and given that disclosure has been protracted, it has not been possible to finalise witness statements in the timetable originally envisaged.

### Expert's Reports

13. ~~In summary, Mr Castleton's case is that any shortfall is entirely the fault of problems with the Horizon Computer and Accounting System at the Marine Drive branch. Although Mr Castleton has made various allegations about the computer system, it is difficult to understand at this stage precisely how he says that any computer errors caused the shortfalls. The cost of expert's reports is likely to be significant. For example, the accountancy expert alone, expert has stated that the anticipated costs could be in the region of £62,000 plus VAT. This is because it would need to cover a substantial amount of ground, rather than respond to specific allegations made by Mr Castleton's experts. In order to help reduce the cost of expert's reports and so that the Post Office's expert's reports can be focused on the particular allegations raised by Mr Castleton, we would prefer there to be a sequential exchange of expert's reports, with Mr Castleton serving any expert evidence in the fields of computing and accountancy first.~~

### Venue

14. Given that the Post Office claim is for £25,858.95 plus interest and costs ~~and that no disclosure has been given on the extent of the counter claim, which currently therefore seems unlikely to reach £250,000,~~ I believe that it would be more appropriate for this case to be tried at the County Court rather than the High Court. Accordingly, on 24 August 2006 I wrote to Mr Castleton's solicitors and

invited them to agree to the transfer of the claim to the Chancery List in the Central London County Court, (page).

**Conclusion**

15. In summary, it would be helpful to have a case management conference to review the timetable and to give further directions to enable the matter to be resolved cost effectively, or brought to trial in a proportionate and fully prepared manner.

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

Signed  
**GRO** caps

Date

DRAFT

Filed on behalf of the: Claimant/Part 20  
Defendant  
Witness: Stephen John Dilley  
Statement: 2  
Exhibits: SJD2  
Date made: 26/09/2006

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 STEPHEN JOHN  
DILLEY

BOND PEARCE LLP

**GRO**

Solicitors for the Claimant/Part 20  
Defendant



Filed on behalf of the: Claimant/Part 20  
Defendant  
Witness: Stephen John Dilley  
Statement: 2  
Exhibits: SJD2  
Date made: 26/09/2006

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No. HQ05X02706**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20  
Defendant**

**- and -**

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

**SECOND WITNESS STATEMENT OF STEPHEN JOHN DILLEY**

This is the exhibit SJD2 referred to in the Witness Statement of Stephen John Dilley dated

*Amedial on 26/9/06  
in view of general in.*

Filed on behalf of the: Claimant  
Witness: Helen Rose  
Statement: 1  
Exhibits: "HR2"  
Date made: 14/09/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No. HQ05X02706**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20  
Defendant**

**- and -**

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

**SECOND WITNESS STATEMENT OF HELEN ROSE**

**I, HELEN ROSE (nee Hollingworth) of Investigation Suite, [GRO]**

**[GRO] WILL SAY AS FOLLOWS:**

1. I am currently an Investigations Manager for the Post Office Limited ("the Post Office") and have been an Investigations Manager since September 2004. Prior to that, I was an auditor at the Post Office for 5 years since August 1999. I have worked for the Post Office for over 9 years since approximately February 1997.
2. I make this Witness Statement from facts within my own knowledge unless otherwise stated. I have had the benefit of reading through the audit papers. References to page numbers in this Witness Statement are to page numbers of Exhibit "HR2" to this Witness Statement.
3. As an Auditor, I was responsible for auditing Post Office Branches. I usually carried out at least 1 audit every day, although sometimes it could be closer to 2 or 3 audits and on 1 occasion I remember that I did 4 audits. I would therefore conservatively estimate that over the 5 years whilst I was an auditor, I carried out well over 1,400 audits.
4. On 23 March 2004, I attended the branch of the Post Office at [GRO] [GRO] (the Marine Drive Branch), together with my

colleague Chris Taylor. We arrived at approximately 8.00 a.m. I had not had any previous involvement with the Marine Drive Branch.

5. The process of carrying out the audit involves physically counting the cash and stock at the Marine Drive branch, checking the paperwork such as Giro deposits and withdrawal receipts, Pensions and Allowances Reports and where appropriate, declared cash receipts.
6. Mr Castleton explained that he had been having problems balancing the books and that those problems had started in the cash account week ending 43 (21 January 2004) with a shortfall of £4,230.97. Mr Castleton was adamant that the misbalances were due to a computer problem and that no members of his staff could be committing theft. In my considerable experience as an auditor, I have never personally come across any computer problem generating cash shortfalls and Mr Castleton's explanation sounded completely implausible to me.
7. The handwritten notes of the audit are at pages 1 to 47 and a typed copy of the audit is at pages 48 to 64. A copy of the conclusion of my report is at page 65. In short, I concluded that there were unauthorised losses of £25,758.75. This was a result of unauthorised losses that had accumulated in the cash account and it had been transferred to the suspense account for many weeks leading up to the audit. (For clarification I should confirm that the report is erroneously dated 25 rather than 23 March 2004. I believe that the audit took place on 23 March 2004 and that this is a typographical error. The report also lists weeks 48 to 43 and their figures twice and this is also simply a typographical error).
8. As part of an audit, we have to complete a procedural security inspection. This was carried out by my colleague Chris Taylor. A typed copy of the procedural and security inspection is at page 63. The inspection revealed that the safe was left open, the safe keys were left in the safe door and it was not secured, that cash and stock were not secured during lunchtime if the Sub-Postmaster was not on the premises, that Travellers Cheques were not kept in the safe and Foreign Currency was not held securely, that standard procedures for adjusting losses and gains were not adhered to (because losses were unauthorised) and personal cheques on hand had been incorrectly treated.
9. I do remember that Mr Castleton left the branch at lunchtime and returned in the afternoon smelling strongly of alcohol.
10. I did not remove any documents from the Marine Drive branch during the audit. If there were any documents that are required, I always ask the Sub-Postmaster to print off his spare copy. I understand that one of the live issues in this case is

whether any balance snapshots were removed. A balance snapshot is a report that contains what the computer believes is the total cash in stock figure. It looks at the previous weeks' declared cash in stock and adjusts items as they are sold, so if someone forgets to enter an item that a customer has purchased, then the balance snapshot figures will be inaccurate. I certainly do not recall removing any daily balance snapshots and for the reason I have explained, they would not have been particularly useful to me.

11. I was not involved with the case any further after completing the audit.
  
12. At page 65 is a Former Subpostmasters Accounts Statement of Outstanding Debt as at 11 February 2005. [***Helen, do you know how these statements are generated?***] This shows that the outstanding indebtedness (excluding interest) is £25,858.95. This is slightly different to the figure of £25,758.75 on the audit because the following error notices (copies attached) that occurred on 23 March 2004 were not issued until after the audit had taken place:
  - (a) £176 lottery charge error (i.e. an error notice against the subpostmaster) (pages ); and
  
  - (b) £75.80 lottery claim error (i.e. an error notice in favour of the subpostmaster) (pages ).

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

Signed .....

**GRO**

Date .....

Filed on behalf of the: Claimant  
Witness: Helen Rose  
Statement: 1  
Exhibits: "HR2"  
Date made: 14/09/06

**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  
HELEN ROSE**

**BOND PEARCE LLP**



**Solicitors for the Claimant**



Filed on behalf of the: Claimant  
Witness: H Rose  
Statement: 1  
Exhibits: "HR2"  
Date made: 14/09/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No.**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant**

**- and -**

**LEE CASTLETON**

**Defendant**

**EXHIBIT "HR2"**

This is the Exhibit marked "HR2" referred to in the Second Witness Statement of Helen Rose dated September 2006.

*A amended after 13/9/06 con with the court  
+ 14/9 con with the court*

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: Elizabeth Morgan  
Statement: 1  
Date made:

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No: HQ05X02706**

**BETWEEN:-**

**POST OFFICE LIMITED**

**Claimant/Part 20 Defendant**

**-and-**

**LEE CASTLETON**

**Defendant/Part 20 Claimant**

**WITNESS STATEMENT OF ELIZABETH MORGAN**

**I, ELIZABETH MORGAN, of [GRO] WILL SAY AS FOLLOWS:**

- 1. I am currently a Rural Support Manager for Post Office Limited (**the Post Office**) and have held this position since January 2005. From May 2002 to March/April 2004, I worked as an advisor in the Post Office Suspense Account team. I have worked for the Post Office for over 27 years and 15 of those were as an auditor.
- 2. I make this Witness Statement from facts within my own knowledge unless otherwise stated.

**The Suspense Account Team**

- 3. The Suspense Account Team's role was to determine whether to permit postmasters to temporarily transfer a shortfall from their cash account to suspense account and to try to reduce across the business the amounts being transferred by post office branches into suspense account.
- 4. If a branch incurs unauthorised losses then at the material time (December 2003 to March 2004) they would have usually called the NBSC helpline and sought permission to transfer the loss into a suspense account. The NBSC would refer the matter to the Suspense Account team who would call the subpostmaster back to ascertain whether they could explain the precise reason for the discrepancy. The subpostmaster might be given permission to transfer the shortfall from the Cash Account to the Suspense Account where it could legitimately remain for up to 8 weeks provided either:
  - (a) they provided a sufficiently detailed and acceptable explanation for the discrepancy;
  - (b) they submitted a hardship form which showed that they could not afford to make good the shortfall in the cash account; or

*who authorised suspense transfer*

(c) exceptionally, their Retail Line Manager (RLM) authorised it.

- 5. If they obtained permission to transfer the loss into suspense account, they were also given an authorisation code (being the NBSC call log number) and were supposed to write that number on their Cash Account.
- 6. There was in fact nothing to prevent the subpostmaster transferring a shortfall in the Cash Account to the Suspense Account without permission, although they were not supposed to do this.
- 7. If a subpostmaster transferred a shortfall into the Suspense Account, the shortfall would still show in any balance snapshot printed after the transfer until after they balanced the following week. This sometimes caused subpostmasters to at first mistakenly believe that they had not transferred the shortfall from the Cash Account to the Suspense Account even though they had.

**My involvement**

- 8. I vaguely remember speaking to Mr Castleton on the telephone probably in or around February or March 2004 and that he stated he did not know "what was going on" (meaning he did not know why he was incurring losses). *Et d's lip.*
- 9. In or around May 2004, I was asked by Catherine Oglesby (who at the time was Mr Castleton's RLM) to examine various Cash Accounts she sent to me for GRO (the Marine Drive branch). Given the amount of time that has passed since I examined them, I cannot now remember which weeks or what specifically it was in the Cash Accounts that I looked at. However, given that at the time I was used to carrying out this exercise for RLMs, I believe that I would have reviewed the figures in the Stock, Receipts and Payments in the Cash Accounts. I would have looked for anything unusual such as at whether particular figures varied significantly from week to week in the Cash Accounts or whether they were unusual for the type of transaction concerned. I do remember asking my colleague Davlyn Cumberland to assist and that we were unable to find anything wrong. I reported this to Catherine Oglesby.

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

Signed GRO

Date.....

*Lot of the ordinary*

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: Elizabeth Morgan  
Statement: 1  
Exhibits:  
Date made:

**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

**WITNESS STATEMENT OF ELIZABETH  
MORGAN**

Bond Pearce LLP

**GRO**

Ref: SJD3/348035.134

**GRO**

**Solicitors for the Claimant/Part 20 Defendant**

*Amended after 13/9/06  
Lee Castleton*

Filed on behalf of the Claimant/Part 20 Defendant  
Witness: D Cumberland  
Statement: 1  
Exhibits:  
Date made:

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

WITNESS STATEMENT OF DAVLYN CUMBERLAND

I, DAVLYN CUMBERLAND, of Post office Limited GRO WILL SAY AS FOLLOWS:

1. I am currently an Area Intervention Manager Area for Post Office Limited (the Post Office) and have held this position since June 2005. From January 2004 I worked on the Network Reinvention programme carrying out general administration duties. From September 2001 to January 2004, I worked as an advisor in the Post Office Suspense Account team. I have worked for the Post Office since 1990. I make this Witness Statement from facts within my own knowledge unless otherwise stated.
2. The Suspense Account Team's role was to determine whether to permit postmasters to temporarily transfer a shortfall from their cash account to suspense account and to try to reduce across the business the amounts being transferred by post office branches into suspense account.
3. In or around May 2004, I was asked by my colleague Elizabeth Morgan to examine various Cash Accounts she had received from Catherine Oglesby (who at the time I am informed was Mr Castleton's Retain Line Manager RLM) for GRO (the Marine Drive branch). Given that 2 and a half years have passed since I examined them, I cannot now remember what exactly it was in the Cash Accounts or which weeks that I looked at. However, at the time I was used to carrying out this exercise for RLMs, so I believe that I would have reviewed the figures in the Stock, Receipts and Payments in the Cash Accounts and looked for anything unusual such as at whether particular figures varied significantly from week to week, or whether they were unusual for the type of transaction concerned. I do remember that we were unable to find anything wrong and Elizabeth Morgan would have reported this to Catherine Oglesby. I was not involved any further.

*don't do any public probs.  
be more precise*

*can you go into more detail?*



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

Signed

**GRO**

Date.....

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: D Cumberland  
Statement: 1  
Exhibits:  
Date made:

**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**

**WITNESS STATEMENT OF DAVLYN CUMBERLAND**

Bond Pearce LLP

**GRO**

Ref. SJD3/348035.134

**GRO**

**Solicitors for the Claimant/Part 20 Defendant**

*Aimed by Gregory Booth*

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: G J Booth  
Statement: 1  
Exhibits:  
Date made:

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

WITNESS STATEMENT OF GREGORY JOHN BOOTH

I, GREGORY JOHN BOOTH, of GRO WILL SAY AS FOLLOWS:

1. I am currently the Manager of the Newby Post Office branch, GRO I have worked at Newby branch for 1 year (the first 6 months as <sup>permanent</sup> ~~temporary~~ Manager, the last 6 months as permanent Manager). I have worked in Post Office branches for the past 8 years. I was subpostmaster of Edgehill branch from October 1998 to September 2003. I was temporary subpostmaster for Southcliff branch from September 2003 to February 2004. Before working in Post Office branches, I was an accountant <sup>including</sup> in audit for Coopers and Lybrand (as PriceWaterhouseCoopers was then known).
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 "GB1" to this Witness Statement.
3. From 21 April 2004 to 28 May 2004 (just over 5 weeks) I was the temporary subpostmaster at 14 GRO (the Marine Drive branch). I was asked by Catherine Oglesby, then the Retail Line Manager, to be the new temporary subpostmaster because Ruth Simpson, who was the temporary subpostmaster before me, could not continue in the position any longer due to other commitments she had.

**Assistant**

4. Subposmasters decide whether they need to employ an assistant. I employed Joan Train as my part time assistant whilst I was the temporary subpostmaster at the Marine Drive branch. Joan Train worked 2 or 3 days per week. As far as I was aware, she had not previously worked at the Marine drive branch, but had just left another branch in Bridlington on Quay Road.
5. Joan Train was coincidentally the mother in law of Mr Castleton's assistant Christine Train. Christine Train had been employed by Mr Castleton to work behind the counter whilst he was subpostmaster,

- CSS period  
(jubilee sweets)  
C.50/week.

but whilst I was there, she worked in the shop rather than behind the Post Office counter. Mr Castleton also worked in the shop ~~[ I think someone else may have worked behind either behind the Post Office counter or shop whilst Mr Castleton was subpostmaster but who was not kept on after he was suspended. [What makes you think this?]]~~ *Not officially sure!*

*reasoning*

6. Whilst Joan Train was working and serving customers we would each use a separate computer terminal. At the Marine Drive branch <sup>operates as</sup> they are a shared stock unit so all the transactions done on the two computers are pooled into one shared stock and cash account. During Joan Train's days off, it would log on to both computer terminals and serve customers from both of them. This enabled me to...**[please insert reason for using both terminals]**

*deal with ~~customers~~ with large quantities of parcels sp. in between other customers for eBay customers*

**Cash accounts**

7. The Cash accounts for the period when I worked as a subpostmaster are at pages [ ]. In summary, they show that:

- (a) Cash Account week 5, week ended 28 April 2004 surplus of £14.26
- (b) Cash Account week 6, week ended 5 May 2004, surplus £103.11 (I will explain the reason for this below)
- (c) Cash Account week [ ], week ended [ ], £  
etc

7	12th May	- shortage	£11.21
8	17th	-	£1.92
9	26th	-	£6.67
10	30th	-	£1.29 (on handover)

**Suspense account**

8. Mr Castleton informed me that he thought that that whilst he was subpostmaster, the suspense account had been "doubling up" the losses. He said that <sup>although</sup> when he had transferred the shortfall in his cash account into the suspense account, ~~although the amount was showing in the suspense account,~~ it was ~~also still showing as a loss in the cash account~~ again the next week. *the system was showing increasing deficits.*

9. Catherine Oglesby contacted me around 5 May 2004 and told me that Mr Castleton had also spoken to her about the suspense account and she wanted to test whether it was in fact doubling up the losses. I told her that I was a few pounds over so far that week. Ms Oglesby asked me to print an office snapshot (pages ) which shows that the cash was £41,777.87. She then asked me to transfer £100 into the shortages line on the suspense account which I did and then to print a second snapshot (pages ) and a suspense account report (pages ). The £100 was in the correct place and the cash figure had reduced by £100 to £41,665.53 (in fact, it had reduced slightly more than this due to an unrelated transaction(s) performed before the snapshot was printed). This appeared to show that the system was working correctly.

10. Ms Oglesby asked me to balance with those amounts still in the account as I should balance £100 over. She said she would then call me a few days later and ask me to transfer the £100 out off the suspense account, to see if the opposite occurred. I balanced later that day and left Ms Oglesby a message on her telephone to confirm that I had balanced £100 over, as expected.





stating how much cash there was: it was simply left to the Marine Drive branch to count and to pay into the customer's girobank account. The paying in book was kept permanently behind the Post Office counter whereas it should have been retained by the customer. Not wanting to upset the relationship with the customer, I did not raise my concerns about this with them or with Mr Castleton. *[Did you ever meet the customer?] - No I never met the customer*

**29 May 2004 onwards**

15. I was unable to continue as temporary subpostmaster at the Marine Drive branch beyond 28 May 2004 because I had prior relief work booked. After I left, Dorothy Day took over as subpostmaster and worked at the branch with her husband.

16. In around late September 2004, Mr Oglesby contacted me to ask me if I would act as relief subpostmaster at the Marine Drive branch again presumably because at the time, it was thought that Dorothy Day was not going to continue in the role. She sent to me the contract papers. After speaking to Ms Oglesby I received 2 or 3 telephone calls from Mr Castleton. He explained that he did not want me to go back to the Marine Drive branch because he wanted to keep Dorothy Day as the customers had become used to her. He said he would make it difficult and very expensive for me if I went back ~~and that something might happen to my car. He was threatening.~~

17. The barrister of Mr Castleton's father in law Allan then telephoned me to say that the business was being purchased by Allan's pension fund and it was therefore his duty to ensure a proper rate of return which in his opinion would require rent for the Marine Drive branch of £1,250 per month. That would make it uneconomic to run. Given that and the problems Mr Castleton said would crop up if I returned, I decided to decline Ms Oglesby's offer. She asked me to confirm this in writing to her which I did on 3 October 2004 (page ). *I do not know what rent Dorothy Day is paying*

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

Signed .....  
**GRO**

Date.....

Filed on behalf of the: Claimant/Part 20 Defendant:  
Witness: G J Booth  
Statement: 1  
Exhibits:  
Date made:

**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**

**WITNESS STATEMENT OF GREGORY JOHN BOOTH**

Bond Pearce LLP

**GRO**

Ref: SJ03/348035.134

DX: **GRO**  
Tel:

**Solicitors for the Claimant/Part 20 Defendant**

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: G J Booth  
Statement: 1  
Exhibits:  
Date made:

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No: HQ05X02706**

**BETWEEN:-**

**POST OFFICE LIMITED**

**Claimant/Part 20 Defendant**

**-and-**

**LEE CASTLETON**

**Defendant/Part 20 Claimant**

**WITNESS STATE OF GREGORY JOHN BOOTH**

This is the exhibit GJB1 referred to in the Witness Statement of Gregory John Booth dated.

*Handed over  
car with  
cash on 13/9/06.*

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: G J Booth  
Statement: 1  
Exhibits:  
Date made:

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION  
BETWEEN:-**

**Claim No: HQ05X02706**

**POST OFFICE LIMITED**

**Claimant/Part 20 Defendant**

**-and-**

**LEE CASTLETON**

**Defendant/Part 20 Claimant**

**WITNESS STATEMENT OF GREGORY JOHN BOOTH**

**I, GREGORY JOHN BOOTH, of [GRO] WILL SAY AS FOLLOWS:**

1. I am currently the Manager of the Newby Post Office branch, [GRO] I have worked at Newby branch for 1 year (the first 6 months as temporary Manager, the last 6 months as permanent Manager). I have worked in Post Office branches for the past 8 years. I was subpostmaster of Edgehill branch from October 1998 to September 2003. I was temporary subpostmaster for Southcliffe branch from September 2003 to February 2004. Before working in Post Office branches, I was an accountant in audit for Coopers and Lybrand (as PriceWaterhouseCoopers was then known).
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 "GB1" to this Witness Statement.
3. From 21 April 2004 to 28 May 2004 (just over 5 weeks) I was the temporary subpostmaster at [GRO] [GRO] (the Marine Drive branch). I was asked by Catherine Oglesby, then the Retail Line Manager, to be the new temporary subpostmaster because Ruth Simpson, who was the temporary subpostmaster before me, could not continue in the position any longer due to other commitments she had.

**Assistant**

4. Subposmasters decide whether they need to employ an assistant. I employed Joan Train as my part time assistant whilst I was the temporary subpostmaster at the Marine Drive branch. Joan Train worked 2 or 3 days per week. As far as I was aware, she had not previously worked at the Marine drive branch, but had just left another branch in Bridlington on Quay Road.
5. Joan Train was coincidentally the mother in law of Mr Castleton's assistant Christine Train. Christine Train had been employed by Mr Castleton to work behind the counter whilst he was subpostmaster,

but whilst I was there, she worked in the shop rather than behind the Post Office counter. Mr Castleton also worked in the shop. I think someone else may have worked ~~behind~~ either behind the Post Office counter or shop whilst Mr Castleton was subpostmaster but who was not kept on after he was suspended. **[what makes you think this?]**

6. Whilst Joan Train was working and serving customers we would each use a separate computer terminal. At the Marine Drive branch they are a shared stock unit so all the transactions done on the two computers are pooled into one shared stock and cash account. During Joan Train's days off, I would log on to both computer terminals and serve customers from both of them. This enabled me to...**[please insert reason for using both terminals]**

#### Cash accounts

7. The Cash accounts for the period when I worked as a subpostmaster are at pages [ ]. In summary, they show that:
- (a) Cash Account week 5, week ended 28 April 2004 surplus of £14.26
  - (b) Cash Account week 6, week ended 5 May 2004, surplus £103.11 (I will explain the reason for this below)
  - (c) Cash Account week [ ], week ended [ ], £
- etc


#### Suspense account

8. *During my time as subpostmaster between 21 April + 25 May*  
Mr Castleton informed me that he thought that that whilst he was subpostmaster, the suspense account had been "doubling up" the losses. He said that when he had transferred the shortfall in his cash account into the suspense account, although the amount was showing in the suspense account, it was also still showing as a loss in the cash account again the next week.
9. Catherine Oglesby contacted me around 5 May 2004 and told me that Mr Castleton had also spoken to her about the suspense account and she wanted to test whether it was in fact doubling up the losses. I told her that I was a few pounds over so far that week. Ms Oglesby asked me to print an office snapshot (pages ) which shows that the cash was £41,777.87. She then asked me to transfer £100 into the shortages line on the suspense account which I did and then to print a second snapshot (pages ) and a suspense account report (pages ). The £100 was in the correct place and the cash figure had reduced by £100 to £41,665.53 (in fact, it had reduced slightly more than this due to an unrelated transaction(s) performed before the snapshot was printed). This appeared to show that the system was working correctly.
10. Ms Oglesby asked me to balance with those amounts still in the account as I should balance £100 over. She said she would then call me a few days later and ask me to transfer the £100 out off the suspense account, to see if the opposite occurred. I balanced later that day and left Ms Oglesby a message on her telephone to confirm that I had balanced £100 over, as expected.

11. On 7 May 2004 Ms Oglesby visited me at the Marine Drive branch. She asked me to firstly print an office snapshot (pages ), then to remove the £100 from the suspense account which I did, then to print a second snapshot (pages ) and a suspense account report (pages ). Again the cash figure in the snapshot had changed by £100 which suggested that the system worked correctly.

### **The two computers**

12. I have been asked to confirm whether I experienced certain problems with the Horizon computer terminals whilst I was the temporary subpostmaster at the Marine Drive branch. Given that it has been over 2 years ago since I worked there, this is difficult to recall, but I do not remember there being anything other than the usual run of the mill problems you tend to experience with computers from time to time. In particular:

- (a) I did not come across instances where the 2 computer terminals did not appear to communicate with each other.
- (b) I cannot recall whether the touch sensitive computer screen ever froze. This is not an uncommon problem, but if it occurs, you can still use the keyboard to input information.
- (c) I cannot remember there being occasions when the screen went blank.
- (d) I cannot recall the card swipe machine being particularly defective, although this  can be a fairly common occurrence in any branch. [*why would it happen, would it be because the magnetic strip on the card was old, dirty or scratched?*]. If the card swipe machine failed to read the card, it would not misread and record erroneous information, rather it would simply not read any information at all. If this happens, you can re-swipe the card or just type in the card number instead.
- (e) I do not recall the Overnight Cash Holding Figures doubling up. [*Do you think you would have remembered something like this if it happened?*]
- (f) I do not remember transactions being entered on the system and being lost. *Do you think you would have remembered something like this if it happened?*

13. I have been asked whether any of the computer equipment was changed whilst I was at the Marine Drive branch. I certainly do not remember any being changed at the time and do not believe that it was.

### **Car auction deposits**

14. There was one thing at the Marine Drive branch that struck me as being highly unusual at the time. A car auction in Bridlington would usually deposit around £15,000 to £20,000 in cash each week in one or two tranches. It was by far the largest amount that the Marine Drive branch would receive in cash deposits each week. The cash would usually be left with Mr Castleton in the shop early in the morning before the Post Office counter opened. It was left in a bag or boxes and there was no covering note



stating how much cash there was: it was simply left to the Marine Drive branch to count and to pay into the customer's girobank account. The paying in book was kept permanently behind the Post Office counter whereas it should have been retained by the customer. Not wanting to upset the relationship with the customer, I did not raise my concerns about this with them or with Mr Castleton. *[Did you ever meet the customer?]*

**29 May 2004 onwards**

15. I was unable to continue as temporary subpostmaster at the Marine Drive branch beyond 28 May 2004 because I had prior relief work booked. After I left, Dorothy Day took over as subpostmaster and worked at the branch with her husband.

16. In around late September 2004, Ms Oglesby contacted me to ask me if I would act as relief subpostmaster at the Marine Drive branch again presumably because at the time, it was thought that Dorothy Day was not going to continue in the role. She sent to me the contract papers. After speaking to Ms Oglesby I received 2 or 3 telephone calls from Mr Castleton. He explained that he did not want me to go back to the Marine Drive branch because he wanted to keep Dorothy Day as the customers had become used to her. He said he would make it difficult and very expensive for me if I went back and that something might happen to my car. He was threatening.

17. The barrister of Mr Castleton's father in law Allan then telephoned me to say that the business was being purchased by Allan's pension fund and it was therefore his duty to ensure a proper rate of return which in his opinion would require rent for the Marine Drive branch of £1,250 per month. That would make it uneconomic to run. Given that and the problems Mr Castleton said would crop up if I returned, I decided to decline Ms Oglesby's offer. She asked me to confirm this in writing to her which I did on 3 October 2004 (page ).

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

Signed .....  
GREGORY JOHN BOOTH

Date.....

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: G J Booth  
Statement: 1  
Exhibits:  
Date made:

**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

**WITNESS STATEMENT OF GREGORY JOHN BOOTH**

Bond Pearce LLP

**GRO**

Ref: SJD3/348035.134

**GRO**

**Solicitors for the Claimant/Part 20 Defendant**

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: G J Booth  
Statement: 1  
Exhibits:  
Date made:

**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**

**WITNESS STATE OF GREGORY JOHN BOOTH**

This is the exhibit GJB1 referred to in the Witness Statement of Gregory John Booth dated.

*Find all other errors per.*

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: Michael Johnson  
Statement: 1  
Exhibit: MJ1  
Date made:

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No: HQ05X02706**

**BETWEEN:-**

**POST OFFICE LIMITED**

**Claimant/Part 20 Defendant**

**-and-**

**LEE CASTLETON**

**Defendant/Part 20 Claimant**

**WITNESS STATEMENT OF MICHAEL JOHNSON**

**I, MICHAEL JOHNSON, of [GRO] WILL SAY AS FOLLOWS:**

1. I am employed by Post Office Limited (**the Post Office**) as a Postal Officer in the Lottery Exceptions Team. I have worked for the Post Office for 17 years and in this particular team for the past 12 years. My role includes recovering money for the Post Office in relation to lottery errors.
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 "MJ1" to this Witness Statement.
3. I do not believe that I was involved with the branch at [GRO] (**the Marine Drive branch**) or this matter at the material time (December 2003 to April 2004). I have been asked simply to provide an overview for the benefit of the Court of what happened at the material time when a Post Office customer buys a National Lottery ticket.
4. I am informed that the National Lottery terminal at the Marine Drive branch is in the shop on the premises as opposed to behind the Post Office counter. Basically, the customer would choose their lottery numbers, select which lottery draws they wished to enter and pay the shop clerk for their lottery ticket, which would be printed by the lottery terminal.
5. Each lottery terminal has its own unique retailer number. Every time a ticket is sold, the details of the transaction at that terminal are automatically downloaded to Camelot within, I am informed, 7 seconds of the transaction taking place.
6. After close of business each day, the branch should print out two summaries from the lottery terminal of all transactions done at that terminal: one is an on-line summary; the other is an instant summary. (The post office branch should keep these for 2 years). The summaries show what the lottery receipts were and any prize money paid out that day. The time and date of the printout is included on the

summaries. In relation to lottery scratchcard packs that are activated on the lottery terminal, a pink activation slip is produced each time a pack is activated. These slips should also be retained by the post office branch for 2 years. Each pack that is activated should be remmed in i.e. recorded by the subpostmaster or their assistant on to their computer, the same day as the activation. Where premises have a Post Office counter within a shop, (and I am informed that the Marine Drive branch does have a shop), the shop will often stay open later than the Post Office counter. In that case, the shop will continue selling lottery tickets after the Post Office counter has closed and consequently, the subpostmaster will use the shop till receipts to simply input the details of the lottery transactions into their Horizon computer terminal the next day before open of business.

7. At the end of the cash account week, the value of all the lottery transactions done through the lottery terminal should agree with the totals shown in the weekly cash account that the subpostmaster completes, signs and sends to Chesterfield. These weekly cash accounts must include all transactions done outside of post office hours, in other words, Thursday morning through to the following Wednesday evening.
8. Camelot electronically send a daily text file to the Post Office, Chesterfield, which contains details of the transactions for every retailer number. Each week those figures are totalled and were at the material time posted automatically by the Post Office into the Counters Business Database. This information is automatically compared to the information received on the Horizon system from each branch to see whether there are any discrepancies between the two.
9. If there was a discrepancy, the computer would have details of the branch code, the week, year, the type of product (i.e. in this case, lottery) and whether it is a claim error (in the branch's favour) or a charge error (against the branch). *Errors occur when postmaster sells tickets but doesn't enter sale on Horizon + explain claim errors*
10. The Lottery Exceptions Team would usually then try to call the branch before issuing an error notice, particularly if there were several discrepancies or a discrepancy for a significant amount, to try to *hear* understand whether there is an explanation that could explain the discrepancy. An error notice is a formal notification to a branch advising of a mistake made and giving instructions on how to rectify the situation in their accounts. The error notice is sent to the branch in question and the postmaster is required to bring the error to account before the end of the next cash account period.
11. I have been shown a spreadsheet for the Marine Drive branch which shows that there were 16 errors brought to account for 2003 to 2004 (page 1). 10 of these were for lottery error notices as follows:

- (a) 3 error notices dated 7 October 2003 which were for £271, £731 and £160 charge errors against the subpostmaster in respect of discrepancies that occurred in cash account weeks 19, 21 and 22 respectively. The schedule shows that errors were all brought to account on 15 October 2003. (*Brought to account* is when the subpostmaster is sent an error notice and enters the details into his Cash Account).
- (b) Error notice dated 7 October 2003 which was for a £160 claim error in favour of the subpostmaster in respect of a discrepancy that occurred in the cash account week 20. The schedule shows that error was brought to account on 15 October 2003.

- (c) 2 error notices dated 8 October 2003 which were for £227 and £628 claim errors in favour of the subpostmaster in respect of discrepancies that occurred in cash account weeks 19 and 21 respectively. The schedule shows that errors were brought to account on 15 October 2003.
- (d) 3 errors notice dated 16 January 2004 which were for £360, £520 and £534 charge errors against the subpostmaster in respect of a discrepancies that occurred in cash account weeks 34, 24 and 25 respectively. The schedule shows that errors were brought to account on 21 January 2004.
- (e) Error notice dated 16 January 2004 which was for a £65 claim error in favour the subpostmaster in respect of a discrepancy that occurred in the cash account week 25. The schedule shows that error was brought to account on 21 January 2004.

12. At pages 2 and 3 are details of a lottery error that occurred on 23 March 2004 for £176 that has not been repaid. *Expire my 23 and 24.*

13. I am informed that Mr Castleton contends that his Horizon computer terminals may not have recorded or accurately recorded all the information inputted into them. If that was the case for the lottery, then:

- (a) the subpostmaster would have been able to see at the time that he prepared his weekly cash account that the lottery information contained in it did not match the summary printed from the lottery terminal; and
- (b) when the text file sent by Camelot to the Post Office, Chesterfield was compared against the information from Horizon, the two would not have matched and I would have expected to see a significantly greater volume of lottery error notices generated for the Marine Drive branch.

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

Signed GRO

Date.....



Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: Michael Johnson  
Statement: 1  
Exhibits:  
Date made:

**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

**WITNESS STATEMENT OF MICHAEL JOHNSON**

Bond Pearce LLP



**Solicitors for the Claimant/Part 20 Defendant**

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: Michael Johnson  
Statement: 1  
Exhibit: MJ1  
Date made:

**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**

**WITNESS STATEMENT OF MICHAEL JOHNSON**

This is the exhibit MJ1 referred to in the Witness Statement of Michael Johnson dated

Document comparison done by Workshare Professional on 14 September 2006 11:59:31

Input:	
Document 1	iManageDeskSite://DMSPLY1/1A-PLYMOUTH/1207763/1
Document 2	iManageDeskSite://DMSPLY1/1A-PLYMOUTH/1207763/2
Rendering set	BP2 - Basic - colour

Legend:	
<b>Insertion</b>	
<b>Deletion</b>	
*Moved from*	
*Moved to*	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	29
Deletions	19
Moved from	2
Moved to	2
Style change	0
Format changed	0
Total changes	52

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: G Hoyland  
Statement: 1  
Exhibits: GH1  
Date made: 14/09/2006

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

WITNESS STATEMENT OF GILLIAN HOYLAND

I, GILLIAN HOYLAND, of GRO WILL SAY AS FOLLOWS:

1. I am employed by Post Office Limited (the Post Office) as a Postal Officer in the Cheques to Processing Team. I have worked for the Post Office for 25 years and in this particular team for the past 7 years. My role includes recovering money for the Post Office in relation to unprocessed cheques.
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 "GH1" to this Witness Statement.
3. I ~~was do~~ not believe that I was involved with the Marine Drive branch or this matter at the material time (December 2003 to April 2004). I have been asked simply to provide an overview for the benefit of the Court of what happened at the material time when a Post Office customer paid for a product or service by cheque.
4. Basically, at the counter the customer would purchase whatever product(s) or service(s) they required, write out a cheque for the appropriate amount and give it to the counter clerk. The counter clerk would input the details of the transaction (including that it had been paid by cheque) on to their computer terminal. They would then supply whatever product(s) and/or services(s) were required and retain the cheque, manually recording what product(s) or service(s) had been supplied on the back (such as a TV licence).
5. At the end of each day, the subpostmaster would print out a cheque listing report from their computer which lists the quantity and amount of each cheque received that day. They would then manually complete a Batch Control Voucher (BCV) ~~(page 1) [Please can you send me a copy of a blank BCV as an example?]~~. An example of a completely blank BCV is at page 1. The ones which the branches are issued with are barcoded under the thick black line with their unique

office FAD code. The BCV states the number of cheques received that day and their total value. It also contains the date stamp, the branch's unique FAD code and address.

6. The branch would then retain their cheque listing report (which ought to be kept for 2 years) and at the material time, send the BCV and cheques to Data Central in London where the BCV and cheques were loaded on to a conveyor belt and automatically counted by machine. (The processing function performed by Data Central was outsourced to the EDS Processing Centre, Shepshed, Leicestershire at about the end March 2004 and Data Central no longer exists). The processed cheques would in due course be sent to the clearing banks.
7. If the information contained in the BCV either:
  - (a) did not match the cheques, there was an "unbalanced match"; or
  - (b) matched the cheques, but the information the counter clerk inputted into Horizon does not match this, there is a "balanced match"

~~8. In those circumstances, I \*understand\* that Data Central's procedure was to\*~~

~~8. (a) check that the machine had correctly scanned the cheques i.e. the words (for example, ten pounds) and figures (for example, £10) on the cheques matched each other, and\*~~  
 those circumstances, I **\*believe\*** that Data Central's procedure was to **\*check that the machine had correctly scanned the cheques i.e. the words (for example, ten pounds) and figures (for example, £10) on the cheques matched each other.**

~~9. Details of cheques processed and scanned by Data Central were recorded automatically into (at the time) the Counters Business Database. This information was automatically compared to the information received from on the Horizon system from each branch to see whether there were any discrepancies between the two.~~

~~10. (b) If there were any discrepancies, the Cheque to Processing team in Chesterfield would send a standard form to the branch to complete setting out their daily and/or weekly figures for the cheques they had received. The form would contain the date, amount of the cheque and number of cheques of that amount. An example of such a the type of form currently in use is at page 2 {Please can you let me have an example of this sort of form?}.2.~~

~~11. 9. If the completed form matched the processed cheques, but not the BCV or the information on Horizon, Data Central the Cheque to Processing team would then complete a form setting out details of the branch, amount of error, BCV date, number of cheques claimed, amount claimed, number of cheques received, amount received and any explanation and would send the form to the Cheques to Processing team to deal with from that point onwards. An example of such a form is at page 3. Please can you let me have an example of this sort of form? The precise form used varies very slightly depending on whether only odd cheques are missing from a branch, or the entire days cheques are missing. Examples of both types of forms are at pages 3 and 4 respectively.~~



~~12. 10.~~ The cheques to processing team would usually then try to call the branch in question and ask for all the branches work the day before the BCV, the day of the BCV and the day after the BCV. If the branch did not reply to the call, we would follow this up by letter. We would review the paperwork received and either:

- (a) If the paper work supplied by the branch supported the quantity and value of cheques received, we would contact the customer and seek a replacement cheque;
- (b) If, for example, the same cheque had been double counted by the branch, we would issue a transaction correction i.e. an error notice; or
- (c) If the evidence was inconclusive, the Post Office would write off the shortfall.

13. There could be a claim error (in favour of the subpostmaster) if, for example, they sent a greater number of cheques and/or or cheques with a greater value to be processed by Data Central, than they had recorded on the Horizon computer system. Conversely, there could be a charge error (against the subpostmaster) if, for example, they sent fewer cheques and/or cheques with a lower value to be processed by Data Central, than they had recorded on the Horizon computer system.

~~14. 11.~~ I have been shown a spreadsheet for the Marine Drive branch which shows that for 2003 to 2004 there were 15 errors that were brought to account (i.e. entered by the subpostmaster into their Cash Account) or cancelled. 14 of those errors were 22 brought to account for 2003 to 2004 (page 3 and 1 was cancelled (page 5). Only 2 of these were cheque error notices, as follows:

- (a) Error notice dated 31 October 2003 which was for £56.94 charge against the subpostmaster in respect of a discrepancy that occurred in the cash account week 13 August 2003. The schedule shows that error was brought to account on 12 November 2003. ("Brought to account" is when the subpostmaster is sent an error notice and enters the details into his Cash Account. As it can take a while for an error notice to be generated, the subpostmaster may not enter the error details into the Cash Account until many weeks after the error occurred).
- (b) Error notice dated 12 February 2004 which was for £862.32 charge against the subpostmaster in respect of a discrepancy that occurred in the cash account week 17 September 2003. The schedule shows that error was brought to account on 25 February 2004.

~~15. 12.~~ I am informed that Mr Castleton contends that his computer may not have recorded or accurately recorded all the information inputted into it. If that was the case for cheques, then:

- (a) the subpostmaster would have been able to see at the time that the daily cheque listing report did not match the actual number and value of cheques they had received; and
- (b) when the cheques and BCVs were processed by Data Central, this would not have matched the information contained in Horizon and I would have expected to see a significant volume of



error notices generated for the Marine Drive branch. There were in fact no error notices generated at all for the cash account period January to March 2004 when I am informed that the losses occurred at the branch.

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

Signed **GRO**

Date.....

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: G Hoyland  
Statement: 1  
Exhibits: GH1  
Date made: 14/09/2006

**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

**WITNESS STATEMENT OF GILLIAN HOYLAND**

Bond Pearce LLP



Ref. SJD3/348035.134

DX:   
Tel:

**Solicitors for the Claimant/Part 20 Defendant**

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: G Hoyland  
Statement: 1  
Exhibits: GH1  
Date made: 14/09/2006

**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**

This is the exhibit ghGH1 referred to in the Witness Statement of Gillian Hoyland dated  
September 2006

*Amended after con with  
counsel  
13/9/06*



Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: G Hoyland  
Statement: 1  
Exhibits:  
Date made:

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

WITNESS STATEMENT OF GILLIAN HOYLAND

I, GILLIAN HOYLAND, of GRO WILL SAY AS FOLLOWS:

1. I am employed by Post Office Limited (**the Post Office**) as a Postal Officer in the Cheques to Processing Team. I have worked for the Post Office for 25 years and in this particular team for the past 7 years. My role includes recovering money for the Post Office in relation to unprocessed cheques.
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 "GH1" to this Witness Statement.
3. I was ~~not~~ *do not believe that* involved with the Marine Drive branch or this matter at the material time (December 2003 to April 2004). I have been asked simply to provide an overview for the benefit of the Court of what happened at the material time when a Post Office customer paid for a product or service by cheque.
4. Basically, at the counter the customer would purchase whatever product(s) or service(s) they required, write out a cheque for the appropriate amount and give it to the counter clerk. The counter clerk would input the details of the transaction (including that it had been paid by cheque) on to their computer terminal. They would then supply whatever product(s) and/or services(s) were required and retain the cheque, manually recording what product(s) or service(s) had been supplied on the back (such as a TV licence).
5. At the end of each day, the subpostmaster would print out a cheque listing report from their computer which lists the quantity and amount of each cheque received that day. They would then manually complete a Batch Control Voucher (BCV) (page 1) [*Please can you send me a copy of a blank BCV as an example?*]. The BCV states the number of cheques received that day and their total value. It also contains the date stamp, the branch's unique FAD code and address.

6. The branch would then retain their cheque listing report (which ought to be kept for 2 years) and at the material time, send the BCV and cheques to Data Central in London where the BCV and cheques were loaded on to a conveyor belt and automatically counted by machine. (The processing function performed by Data Central was outsourced to the EDS Processing Centre, Shepshed, Leicestershire at about the end March 2004 and Data Central no longer exists). The processed cheques would in due course be sent to the clearing banks.
7. If the information contained in the BCV either:
  - (a) did not match the cheques, there was an "unbalanced match"; or
  - (b) matched the cheques, but the information the counter clerk inputted into Horizon does not match this, there is a "balanced match"
8. In those circumstances, I understand that Data Central's procedure was to:
  - (a) check that the machine had correctly scanned the cheques i.e the words (for example, ten pounds) and figures (for example, £10) on the cheques matched each other; and
  - (b) send a standard form to the branch to complete setting out their daily and/or weekly figures for the cheques they had received. The form would contain the date, amount of the cheque and number of cheques of that amount. An example of such a form is at page 2 [*Please can you let me have an example of this sort of form?*].
9. If the completed form matched the processed cheques, but not the BCV or the information on Horizon, Data Central would then complete a form setting out details of the branch, amount of error, BCV date, number of cheques claimed, amount claimed, number of cheques received, amount received and any explanation and would send the form to the Cheques to Processing team to deal with from that point onwards. An example of such a form is at page 3. *Please can you let me have an example of this sort of form?*
10. The cheques to processing team would usually then try to call the branch in question and ask for all the branches work the day before the BCV, the day of the BCV and the day after the BCV. If the branch did not reply to the call, we would follow this up by letter. We would review the paperwork received and either:
  - (a) If the paper work supplied by the branch supported the quantity and value of cheques received, we would contact the customer and seek a replacement cheque;
  - (b) If the same cheque had been double counted by the branch, we would issue a transaction correction i.e. an error notice; or
  - (c) If the evidence was inconclusive, the Post Office would write off the shortfall.
11. I have been shown a spreadsheet for the Marine Drive branch which shows that there were 22 errors brought to account for 2003 to 2004 (page 3). Only 2 of these were cheque error notices as follows:

- (a) Error notice dated 31 October 2003 which was for £56.94 charge against the subpostmaster in respect of a discrepancy that occurred in the cash account week 13 August 2003. The schedule shows that error was brought to account on 12 November 2003. ("Brought to account" is when the subpostmaster is sent an error notice and enters the details into his Cash Account. As it can take a while for an error notice to be generated, the subpostmaster may not enter the error details into the Cash Account until many weeks after the error occurred).
- (b) Error notice dated 12 February 2004 which was for £862.32 charge against the subpostmaster in respect of a discrepancy that occurred in the cash account week 17 September 2003. The schedule shows that error was brought to account on 25 February 2004.

12. I am informed that Mr Castleton contends that his computer may not have recorded or accurately recorded all the information inputted into it. If that was the case for cheques, then:

- (a) the subpostmaster would have been able to see at the time that the daily cheque listing report did not match the actual number and value of cheques they had received; and
- (b) when the cheques and BCVs were processed by Data Central, this would not have matched the information contained in Horizon and I would have expected to see a significant volume of error notices generated for the Marine Drive branch. There were in fact no error notices generated at all for the cash account period January to March 2004 when I am informed that the losses occurred at the branch.

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

Signed .....  
GILLIAN HOYLAND

Date.....



Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: G Hoyland  
Statement: 1  
Exhibits:  
Date made:

**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

**WITNESS STATEMENT OF GILLIAN HOYLAND**

Bond Pearce LLP

**GRO**

Ref. SJD3/348035.134

DX:  
Tel:

**GRO**

**Solicitors for the Claimant/Part 20 Defendant**

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: G Hoyland  
Statement: 1  
Exhibits:  
Date made:

**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**

This is the exhibit gh1 referred to in the Witness Statement of Gillian Hoyland dated

*Amended after*

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: K A Crawley  
Statement: 1  
Exhibits:  
Date made:

*13/9/04 can not be used.*

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

WITNESS STATEMENT OF KENNETH ALLAN CRAWLEY

I, KENNETH ALLAN CRAWLEY, of GRO WILL SAY AS FOLLOWS:

1. I am employed by Post Office Limited (**the Post Office**) as a Postal Officer in the Current Agent Debt Team. I have worked for the Post Office for 35 years and in this particular team for the past 3 years. My role includes dealing with cases remaining from the Pensions and Allowances work carried out for the (now) Department of Work and Pensions.
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 "KAC1" to this Witness Statement.
3. *and not believe that I was*  
I was not involved with the Marine Drive branch or this matter at the material time (December 2003 to April 2004). I have been asked simply to provide an overview for the benefit of the Court of what happened at the material time when a Post Office customer collected their pension and/or allowance.
4. Basically, the customer would present their pension & allowance book to the counter clerk at the branch. The counter clerk would input the details of the transaction on to their computer terminal. They would then tear out the counterfoil from the book, stamp the book and stamp the counterfoil. The stamp contains the branch name and date and often a letter or symbol which would identify the counter clerk who did the transaction. The counter clerk would then pay out the amount in cash to the customer and retain the counterfoil as proof of payment.
5. At the end of each day, the subpostmaster would, at their discretion, print from their computer a daily summary. This is not a procedural requirement but was a facility available to postmasters so they could check their pensions and allowances on a daily basis (or other timescale of their choice) if they so preferred. This would contain a summary of the amount of money that had been paid out to customers by that branch that day for their pensions and allowances. The subpostmaster would check the summary against the counterfoils to ensure they matched. A copy of the daily summary, if printed, was retained in the office. I am informed that Mr Castleton contends that his computer may

not have recorded or accurately recorded all the information inputted into it. If that was the case for pensions and allowances, then if he printed the daily summary, he would have been able to see at the time that it did not match the actual number and value of counterfoils received.

6. The branch also had to print a mandatory weekly summary called form P2311MA and send it each week, together with the counterfoils to the Paid Order Unit (POU) at Lisahally in Northern Ireland. Often bundles of foils would be "add-listed" by the postmaster. The "add-list" print out would be wrapped around the foils to which they related - usually one per day (or other timescale of their choice). The branch also had to send a further copy of the weekly summary form P2311MA to Transaction Processing (now called Product and Branch Accounting) in Chesterfield.

7. The POU is responsible for conducting manual checks of the paid foils received. If these checks reveal any discrepancies (i.e. the amounts in the weekly summary and counterfoils do not match), the POU will notify the Transaction Processing team by entering the details into their computer using software called Pensions and Allowances Checking System (PACSYS). The information will include the branch office code, week number, the week ending date, details of the error including value and category (for example sickness benefit, income support, family credit) and any explanation for the error. The information from PACSYS was downloaded weekly and automatically entered into the Counter Business Database and any supporting documentation, such as the P2311MA form will be amended.

8. Transaction Processing would then arrange for an error notice to be issued. An error notice is a formal notification to a branch advising of a mistake made and giving instructions on how to rectify the situation in their accounts. The error notice is sent to the branch in question and the postmaster is required to bring the error to account before the end of the next cash account period. Once the error notice has been brought to account (i.e. entered by the subpostmaster into their cash account), the error notice should be signed by the postmaster and returned to Transaction processing, together with the weekly cash account. To my knowledge this process has been the same for a considerable number of years.

9. There are however, certain occasions when discrepancies found by the POU are not dealt with in this way. If certain criteria are met (i.e. the error was for over £80) and the discrepancies are not believed to have been caused by genuine mistakes, the relevant documentation is forwarded to the Post Office Limited Investigation Section. An error notice will then not be issued until completion of any investigation.

10. I have been shown a spreadsheet for the Marine Drive branch which shows that there were <sup>16</sup> 22 error notices issued, <sup>20</sup> 20 of which were brought to account and one cancelled for 2003 to 2004 (page 1). During this period, there was only 1 Pensions and Allowance error notice dated 5 September 2003 which was for £119.38 a charge against the subpostmaster in respect of a discrepancy that occurred in the cash account week 30 July 2003. The schedule shows that error was brought to account on 22 September 2003.

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

Signed

**GRO**

Date.....

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: K A Crawley  
Statement: 1  
Exhibits:  
Date made:

**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**

**WITNESS STATEMENT OF KENNETH ALLAN CRAWLEY**

Bond Pearce LLP  
Solicitors

**GRO**

**GRO**

**Solicitors for the Claimant/Part 20 Defendant**



Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: K A Crawley  
Statement: 1  
Exhibits:  
Date made:

**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**

**WITNESS STATEMENT OF KENNETH ALLAN CRAWLEY**

This is the exhibit marked KAC1 referred to in the Witness Statement of Kenneth Allan  
Crawley dated

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: John Howard Jones  
Statement: 2  
Exhibits: JHJ2  
Date made: 4/09/06

**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,

**GRO** **WILL SAY AS**

**FOLLOWS:-**

*Appeals manager  
3/8/05*

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.
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 25 March 2004, the branch of the Post Office at **GRO** **GRO** ("the Marine Drive branch") incurred losses of **£27,115.83**. During this time, Mr Castleton, the Defendant, was the Subpostmaster at the Marine Drive branch, and 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, followed by a full investigation, during which time Mr Castleton was interviewed

*held the cash tak  
electronic  
show  
losses  
or*

by Ms Catherine Oglesby, the Retail Line Manager who was dealing with the matter at that stage. On 17 May 2004, Mr Castleton was dismissed and I was responsible for dealing with Mr Castleton's appeal against the dismissal. *He wrote to CO.*

*↳ re hearing of the 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 1 to 2).

**Pre-Appeal Enquiries**

*→ I confirm that these notes are accurate etc.*

- 6. I attach a typed note of the Case History and the Notes of Appeal at pages 3 to 11. 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 13 to 22. Before hearing the appeal, I took the following action:

*Firstly gets transaction header sheet (checked & disclosed) for actual ranges.*

- 7. I 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 ~~that is a direct result of an incorrect entry being made by the counter clerk on the Horizon Computer system when performing a customer or balancing transaction.~~ 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.

*do that time for weeks 42-51*

*checked*

*→ Mr. Wood had checked that its been covered (attach st. errors).*

- 8. I noted that only one error notice had been received for £1,256.88 for a customer called Dorothy Constable, 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). 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.

*entries on the Cash Account*

- 9. I personally reconstructed and analysed the Marine Drive branch Cash Accounts for the 17 weeks between 24 December 2003 and 14 April 2004 (i.e. account weeks, 39-03 inclusive). I examined every transaction over the critical period when the losses being incurred were at their greatest. The purpose of my analysis was to independently ~~check~~ <sup>check</sup> 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

*Put all figures into a spreadsheet*

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. A spreadsheet showing the results of my analysis is at page 23.

10. I visited the Marine Drive branch on 28 June 2004, to investigate those transactions that I had identified as being outside the average value. I analysed a Giro Business Customer's cash deposits that were made into the branch. 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.

for this period of time which give rise to discrepancy

11. I asked Ms Oglesby, then the Retail Line Manager, why the advice she had given to Mr Castleton 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. I understand that Ms Oglesby 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 problem that could possibly be theft related and persisted with the presumption 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.

(to had note of interview of dismissal) to ask

follow up check

After the visit MDV I received records of large interest.

12. I 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 (page 24). My analysis showed that there were anomalies between the cash declared on each Tuesday of those weeks and the final cash declaration on the Wednesday at the final balance. For example, I evaluated individual transactions between Tuesday 10<sup>th</sup> February 2004 and Wednesday 11<sup>th</sup> 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 that a cash deposit of £16,500 by customer number 685 9461 was received on Wednesday 11<sup>th</sup> February 2004, but this is not reflected in the final cash declaration 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

So far as I read

from information in file suggests had prepared himself.

physically add up to ensure they appear in final a/c.

action here

by ref log giro receipt.

£16500 in system



*my assumption of the time was that*

other words, the Marine Drive branch physically received approximately £15,300 more cash than the amount it actually declared *for that week, in the cash A/c*

*Taking snapshots + aggregating the with deposits from customer it did not appear that these deposits were aggregated*

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 holds the account book for a customer account number 6859461 who regularly deposited significant volumes of cash each Wednesday. 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 false 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 balance. In other words, the cash that the Marine Drive branch physically received from this customer was not reflected in the cash that Mr Castleton declared in each of the weeks examined. The cash physically deposited at the Marine Drive branch should have been accounted for.

14. I made enquiries of Network Business Support Centre (NSBC) and the Horizon Systems Helpline (HSH) 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**

*from feedback - Mr. Chadwick dismissed H.S. case was that losses computer error*

15. I presided over Mr Castleton's Appeal Hearing on 1 July 2004. Mr Castleton had a representative present, Mrs Julie Langham. Miss Paul Carmichael of the Post Office was also there to take a note of the Hearing.

16. 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 - media to* provides the highest level of security and integrity for the Post Office and our clients with those 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.

*- went to branch*

17. 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. 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.

18. However, Mr Castleton was unable to provide any evidence to support his assertion. Furthermore, neither Fujitsu Services (who were responsible for designing, implementing and operating the Horizon system), nor the Horizon System Helpdesk 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.

19. 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 he period in which significant losses occurred, being cash account week 42 (the week ending 14 January 2004) to cash account week 49 (the week ending 4 March 2004) ***(John this is the period referred to in your appeal note as being the period you discussed with Castleton and to which you attribute the figures below, but in your 2 May email to me you said you analysed to the period 17 March 2004. To which period do the figures below relate? 4 or 17 March?)*** 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.

20. I explained to Mr Castleton that between weeks 42 and <sup>51</sup>49 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 <sup>51</sup>49) 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, <sup>51</sup>Mr Castleton had £305,000 cash and of which only £20,000 usable cash was returned.

*weekly requirements*  
*like above*

*from the*



*Small denomination breakfast  
was taken whilst I was at bank branch.*

21. For clarification I should add that during that period 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.

*it appears from the weekly cash file*

22. My analysis of the increases in cash ordered by the branch demonstrated 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.

*suggested*

23. 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 extra cash. 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.

*as mentioned  
suggested amount £265  
on 5/6/25*

24. 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**

25. After the Appeal Hearing, I did a further check with Cheryl Woodward of transaction processing which confirmed that there were no other outstanding error notices in the system. *SS to go back to TP.*

26. 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 28 and 29). 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 32). Her analysis showed that:

*then*

- (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.
- Tebed £10 - 10 - £*
24. In or about late June/early July 2004 and 9 July 2004, Mr Castleton wrote to me again (pages 30 to 31 and 34 to 37). 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**

25. The decision to dismiss Mr Castleton's appeal was not taken lightly. A list of the factors affecting my decision are at pages 9 and 10. 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.
26. 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 be sufficient amounts of cash in the branch to service its requirements. However, Mr Castleton ordered extra cash and it was only this extra cash which enabled the branch to continue to trade and meant that it never ran out. 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.

*a cash back whose use I cannot now recall who told me that*

27. ~~Fujitsu Services' checks indicated that the branch had made false cash declarations and this was further corroborated with the daily account analysis. 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.~~

*I spoke to who told me that*

28. There were and have not been since 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.

29. 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 38).

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

Signed.....

**GRO**

Dated.....2006

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: John Howard Jones  
Statement: 2  
Exhibits: JHJ2  
Date made: 4/09/06

**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**



**Solicitors for the Claimant/Part 20 Defendant**

Filed on behalf of the: Claimant/Part 20 Defendant  
Witness: John Howard Jones  
Statement: 2  
Exhibits: JHJ2  
Date made: 4/09/06

**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**

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

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 22/8/06

IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION

Claim No. HQ05X02706

BETWEEN:

POST OFFICE LIMITED

Claimant/Part 20  
Defendant

- and -

LEE CASTLETON

Defendant/Part  
20 Claimant

WITNESS STATEMENT OF ANDREW WISE

I, ANDREW WISE, of Human Resources,

GRO

GRO

WILL SAY AS FOLLOWS:

1. I am currently a Training Manager employed by Post Office Limited (the Post Office). I have worked for the Post Office since 1999. I am responsible for training sub-postmasters and branch counter staff on Horizon and co-ordinating national training issues. From May 2001 to November 2004, I was a postal officer at the National Business Support Centre (NBSC). However due to my experience and knowledge, I was often asked to stand in as a team leader. My responsibilities included those of a service support advisor involved in answering calls which were generally more complex than the first tier of calls that sub-postmasters make NBSC. Prior to that, I was a Horizon field support officer from 1999 to 2001 and prior to that I spent 8 years as a counter clerk. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by the Post Office.
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 "AW1" to this Witness Statement.



### **National Business Support Centre**

3. The Post Office provides a service to sub-postmasters and clerks called the NBSC, which is a helpline they can call to try to resolve business related queries.
4. There are two tiers of service support at NBSC. Tier one is essentially customer services and is a separate entity. Tier two is run by the Post Office and is for calls that tier one are unable to deal with. I understand that an individual at tier one could take approximately 2,000 calls each day *[is it correct to say that an individual will take 2,000 calls per day or that tier one overall will take 2,000 per day]* and at tier two, an individual could take approximately 30 calls each day. Basically a sub-postmaster would call the NBSC telephone number, select the options to get through to tier one and then explain their problem. It may be a pre-recorded standard response, but if there is none available, the sub-postmaster could get put through to tier two. A lot of time on tier two is spent prompting sub-postmasters and clerks to double check information they should have been checking any way.

### **Double entry accounting and daily reporting procedures**

5. I have been asked to explain what Horizon is and the daily and weekly reporting procedures that sub-postmasters must adhere to.
6. The counter positions in the post office branches each have a computer terminal, a touch sensitive screen, a keyboard, barcode scanner and printer. Once a clerk logs on, any transactions they perform are recorded and entered into the computer. The computer system is called Horizon.
7. Post Office branches operate double entry accounting. Almost every transaction recorded by the clerk on to their computer has a corresponding physical document, such as a TV license counter foil, savings bank deposit, withdrawal slip or cheque.
8. A summary of the prescribed daily procedures that sub-postmasters must follow is at pages 1 to 2. This includes the following:

#### TV Licenses – Non Barcode

9. Each day the sub-postmaster must enter details on the green daily summary form P5744 which is retained at the branch. They have to print a daily report and check that the totals of the counter foils agree with that report *[was this the system in place at the time? Does the daily report info come from*

*Horizon?*]. If they do, they cut off the report on the computer to reset it to zero for the next day. They then paperclip together none barcoded TV and non barcoded over 75 counter foils and send the counter foils EDS Processing Centre. **[did they send them to EDS at the time? For cheques, I understand the migration to EDS took place around Feb 2004.]**

#### Personal Banking

10. The sub-postmaster has to print a report each day and check that the totals on the print out agree with the documents to hand (whether cash deposit, cheque deposit envelope or encashment cheques) if the totals agree, they then have to cut off the report so that it resets for the next day, paperclip the cash deposit slips, check deposit envelopes and then encashed cheques together and place in the envelope to go to the EDS Processing Centre.

#### Cheques, Giro bank deposits and Savings Bank

11. The sub-postmaster then goes through a similar daily procedure for cheques, giro bank deposits and withdrawals, daily cash declaration and Savings Bank Deposits and Withdrawals ie for each of these, the sub-postmaster has to print a report, check that the cheques, giro slips, cash or other documents agree with the report, paperclip the relevant documents together and send them to the correct place such as girobank or the EDS Processing Centre.

**[Andrew, would you feel qualified to be able to summarise what happened to these docs once they arrived at Transaction Processing?]**

#### **Weekly Balance Procedure**

12. Each week the sub-postmaster has to go through a balancing procedure. **[Is this something they do weekly or daily or both?]** A summary of this procedure is at pages 3 to 6. Firstly, they have to check outstanding transaction corrections, which must be resolved before the end of the week's trading period. **[what is a Transaction Correction? Is a trading period from week to week or do you mean each day?]**.
13. They then have to complete the counter daily and counter weekly reports **[are those the reports that are mentioned above or are they something else? What are the daily reports? And what do they look like?]. [what are the weekly reports and what do they look like and what information do they contain?]**. They are then encouraged to print a balance snapshot and use that to ensure that the Horizon system held stock figures matches the actual

stock holdings in their branch. They also have to check all receipt and payment transaction totals with the supporting vouchers/documentation. There are ways in which they can amend any stock discrepancies. They then have to print the mandatory office weekly reports *[what are these?]*.

14. The sub-postmaster then completes all other manual summaries and reconciliations, for example National Savings Weekly Summary, Change Given Return, Electric Tokens, Promotional/Payment Vouchers, MVL Weekly Reconciliation, Rod Licence Reconciliation, Gift Voucher Weekly Reconciliation, DVLA Premium Service Summaries, UK PA Check and Send summaries, Electric Schemes and National Lottery Cheque Prize Payments.
15. The sub-postmaster then prints foreign currency *[what is this? Is it a list of what foreign currency they have?]* and to check the figures against their actual stock holdings. They then make new declarations for cash and stamps, entering on the system the cash nominations they have and a number of each different type of stamps. They then print a report which is kept with their branch. They then print the balance report and have to check that all the totals are correct.
16. On the last Wednesday of the trading period, the lottery figures must be included prior to final rollover into the next trading period.
17. Each week, the sub-postmaster sends to Chesterfield the paid postal and money orders slips, a Giro Bank Change Summary *[what is that?]*, UKPA Check and Send *[what is that?]* a form setting out Redeemed Post Office and TV Savings Stamps? National Lottery prize payments (£500 plus) *[what sort of information would this contain?]* and DVLA premium service forms *[what is that?]*.
18. At the end of the trading period, they also complete the MVL Monthly Stock Report (P6520) *[what is that?]* and the gift voucher, monthly stock report form *[again what is that?]*. The branch then completes the branch trading statement which they have to sign and date stamp and retain in a suitable folder for 6 years.

*[Andrew please can you check that these were the procedures in place in December 2003 to March 2004, which is the period that we are looking at and if they weren't can you amend accordingly and insert what procedures were actually in place at that time].*

#### The Horizon System

19. Accordingly, it can be seen that if the clerk or sub-postmaster makes a mistake when imputing transaction details into their computer, there are a number of points at which this can be picked up, because there are daily and weekly reports that the sub-postmaster have to produce at which stage they have to check and satisfy themselves that the documents eg cheques, cash, giros, they have match what they have entered on the system. In addition to that, there are various teams responsible for different sorts of paperwork, including a giro bank team, cheques team and pension team. For example, if the clerk records an item as a cheque rather than cash, they should pick this up on either their daily or weekly report. However if they fail to do so, this will be picked up at the EDS Processing Centre. Merely because an item has been recorded as a cheque rather than cash (or visa versa) would not of course cause an overall loss to the branch. If an item has been wrongly recorded, an error notice would be generated, although this can easily take up to 12 weeks or so. This will mean that if there has been an over or underpayment there will be either a claim or charge error respectively.

#### **Sub-Postmaster Training**

*[Andrew can you add some details of what the sub-postmasters and clerks have to be trained on when they join the post office.]*

#### **NBSC Review**

20. Around 4 March 2004 Mrs Oglesby asked NBSC to review what could have been causing the errors. Sarah Pennington (who has since left the Post Office) reviewed this and discussed it with me. She then reported to Andrew Price (NBSC) who in turn reported back to Mrs Oglesby on 20 April 2004. (page 13). The e-mail states that Sarah Pennington spoke to the sub-postmaster at Marine Drive who wasn't sure what was causing the errors and that he had been using the slave computer terminal to enter his stock and cash, which he was told would not cause a problem as long as it was attached to the correct stock unit. If there was any communication problem between the two computers, the words "node disconnected" would flash up on screen.
21. The sub-postmaster apparently thought there were some errors relating to the National Lottery. I understand from the e-mail that Sarah phoned the lottery team at transaction processing who confirmed that there were some errors, but for every charge error there was a corresponding claim error as the clerk and/or sub-postmaster had entered the lottery figures in the wrong cash account period. If the cash account period (week number) is wrong one week, the next week this would balance out, hence the sub-postmaster would receive a charge error in the first week and a claim error in the second week.



22. Sarah's e-mail records that the sub-postmaster was also concerned that when entering the lottery figures, the terminals did not appear to be communicating. However if that had been the case, the sub-postmaster would have a very large number of errors on every report and product.
23. I looked at the cash account information that the sub-postmaster sent to me but was unable to find any errors. *[do you still have this or your analysis?]*. The only amount questioned was a large amount on the cheques to Processing Centre, but I was able to confirm that this was a cheque payment for the purchase of the premium bonds. Accordingly, there is nothing more NBSC could do and we suggested he work a manual system at the side of Horizon to see if any problems were highlighted. He was also advised to take a snapshot before and after he did the REMs to see if there were any problems occurring when he did a remittance.
24. We concluded that the Horizon system was working properly and did not appear to be the cause of the unauthorised losses incurred.

#### **NBSC Call Logs**

25. I have been asked to provide an overview of the call logs from the Marine Drive branch and an overview of them from December 2003 to April 2004 are set out below – FAD code 213337. These were compiled during the ordinary course of business from information supplied by persons who have or may reasonably be supposed to have personal knowledge of the matter dealt with in the information supplied, but are unlikely to have any recollection of the information or cannot be traced.
26. **1 December 2003, call reference H12881564** the sub-postmaster wanted to know where they sent their application for telephone claims. The resolution was stated to be KB *[does this mean that a standard answer was given from the knowledge base. If "yes" please can you explain what the knowledge base is?]*.
27. **1 December 2003, call reference H12881573** the caller wanted a telephone number for human resources. An answer was given from the knowledge base.
28. **11 December 2003, call reference H12903595** there was a power failure on the street and the office has electronic shutters so was unable to open. *[what does gave nom offices mean?]*

29. **11 December 2003, call reference H12904136** the clerk called to confirm that the office had been reopened.
30. **12 December 2003, call reference H12906756** the clerk wanted to know what the counter procedure was for a local collect when a customer comes to pick it up. *[what is local collect?]*. They were provided with an answer from the knowledge base.
31. **13 December 2003, call reference H12908771** this was a call because the customer had received a card in the name of Vera instead of Violet. This was resolved by providing the clerk with an answer from the knowledge base.
32. **13 December 2003, call reference H12908772** the office was open but was showing up as closed *[what does this mean? how was this resolved?]*.
33. **22 December 2003, call reference H12925312** the postmaster sent off an application with the PID *[what does that stand for?]* for the opening of an account and identification form which was erroneously rejected by the EDS. They retained the ID form and PID and the application form was represented, but it had been returned again because there was no PID or ID form, although the sub-postmaster said that EDS had retained them. The caller advised the sub-postmaster that as the application had been erroneously rejected, NBSC would pass his comments to our customer relations team to progress as a complaint against EDS.
34. **22 December 2003, call reference H12925361** this is a record of the sub-postmaster's complaint about EDS being forwarded to them.
35. **23 December 2003, call reference H21243010** the postmaster wanted to know if the procedures for printing a postage label had changed and was advised that the pre-paid will be reduced by an amount of extra service (recorded).
36. **30 December 2003, call reference H12937387** the clerk called to say that the customer had changed addresses and also post offices for his card *[what type of card?]*. His new card had been sent to the old office and the clerk wanted to know how he could have had the card directed to the new office. This was resolved by providing the clerk with information from the knowledge base.
37. **30 December 2003, call reference H12937703** the sub-postmaster had received a few enquiries from customers regarding the changes to the National Savings Ordinary Account. The sub-postmaster was advised that we do not have any further information regarding the changes to the Ordinary Saving Account



other than information contained in MBS 453 *[what is MBS 453? Do you have a copy?]*.

38. **14 January 2004, call reference H12971100** the clerk called in relation to a discrepancy ie a loss of £1,103.13. They were provided with an answer from the knowledge base *[do we know what the sub-postmaster said and what answer they were given?]*. ✓
39. **19 January 2004, call reference Q12980113** there was an incorrect cash dispatch *[what does this mean?]* Lisa *[Lisa who?]* was not too sure of the correct procedure, but NBSC informed her what it is.
40. **20 January 2004, call reference H21265950** *[what does 1xweek 41/03 required mean?]*
41. **20 January 2004, call reference H21265965** the sub-postmaster had not received a copy of the sales report for the last period and wanted to know how one could be ordered. The sub-postmaster was advised that the reports were late and he should receive it by the end of the week at the latest as they were being dispatched.
42. **21 January 2004, call reference H12987381** the sub-postmaster called because they had a cash account discrepancy of £4,294.67. The call was logged with the suspense team. (At this time, there was a suspense team to try to ensure that nothing was transferred into the suspense account that was not permitted). ✓
43. **22 January 2004, call reference H12987919** the sub-postmaster reported a loss of £4,000. He said he was in the office until 11pm last night but could not find anything. The NBSC went through all the balanced cheques with him. It appeared that the sub-postmaster had checked the REMs in and out, his cash, stock and profit and Allowances but was unable to find the loss. The sub-postmaster was therefore advised that this matter would be passed through to the suspense team. (When cash or stock goes into a branch, it is "remmed" in ie entered into or out of the system. The sub-postmaster has to check the rem foils to verify that he receives the cash or stock listed on the foil). ✓
44. **22 January 2004, call reference H12987957** the sub-postmaster called. There was a loss in week 43 of £4,230.97. This was an unknown error. That means that the sub-postmaster should not transfer the loss into the suspense account. ✓

45. **22 January 2004, call reference H21268317** a disabled customer's card had arrived in an incorrect name of Bernice instead of Denise and the sub-postmaster wanted to speak to EDS. An answer was given from the knowledge base.
46. **27 January 2004, call reference H12999552** this refers to a training event in Scarborough.
47. **28 January 2004, call reference H13003838** the sub-postmaster enquired whether there was a service available for customers to send money to somebody in another part of the country. That answer was provided from the knowledge base.
48. **28 January 2004, call reference H21272735** the sub-postmaster had called to say that since he had broadband installed, every time he receives stock into his office it was showing short by the same amount. He had checked to make sure that it was remmed in properly but it was still showing £2,500 short. The sub-postmaster was advised that if he felt that that was a technical problem he should call the Horizon System Helpline (HSH) that deals with technical issues. However, after NBSC spoke to the sub-postmaster it appeared that he was entering all the transactions correctly, so this could be the case. *[What does that mean?]* He was advised to balance and roll for a definite figure and to call HSH if he didn't have any success *[again, what does this mean?]*. Bell
49. **29 January 2004, call reference H13005452** the branch called and said they were showing a loss of £2,523.12 and that this was the third discrepancy in as many weeks. NBSC checked through the figures using a transaction log and also looked at the REMs declaration and the cash flow. No trace of the discrepancy was found and this was referred to the suspense account team to review. ✓
50. **29 January 2004, call reference H13005643** the branch called and stated there was an unauthorised or unidentified loss of £6,754.09. *[what was the purpose of the call? Was it just to report that the loss was unauthorised?]*. ✓
51. **29 January 2004, call reference H21274188** the sub-postmaster wanted to have his transactional archives *[What are transactional archives?]* looked at more closely to try to identify what was going wrong with his branch. He was having a lot of losses over the past three weeks and thought that there was a system fault with his remittances. The NBSC followed KB instructions and sent an e-mail to Adele Kilkoynne *[who is she?]* so that the postmaster could study his archives to try to identify what had gone wrong. *[what was the result of this? Please can you follow through with Adele Kilkoynne?]*.

52. **30 January 2004, call reference H13011960** the sub-postmaster called in relation to automated payments: the customer's account had not apparently been credited with payment. An answer was provided to the sub-postmaster from the knowledge base.
53. **30 January 2004, call reference Q13009942** Mrs Catherine Oglesby, the Retail Line Manager reported that the sub-postmaster had authorised losses of £6,754.09 for week 44. Apparently he could not identify what had caused the loss and was unable to make good. The sub-postmaster also stated that he had made good a loss of £1,100 in week 42. Mrs Oglesby asked NBSC to contact the branch to try resolve his query. The sub-postmaster had applied for a hardship form. He was waiting for a return of the I&E form. *[what is the I&E form?]*
54. **30 January 2004**, the customer's account had not been credited with the payment. NBSC provided an answer from the knowledge base.
- HSH called to say that the desk top initialisation had failed and that an operational violation had been detected. This was passed to HSH *[was this a call from the branch or originally from HSH?]*
55. **3 February 2004**, the sub-postmaster called to query whether nominations are being taken for pre-pay mobile phone vouchers *[what does process map mean?]*
56. **3 February 2004**, the branch asked for a telephone number for Girobank.
57. **3 February 2004**, the branch called and asked for the telephone number for Hanco *[what does that stand for?]* helpdesk.
58. **4 February 2004**, the branch called and asked for the procedure for producing an overnight cash holding (ONCH) report.
59. **6 February 2004**, *[this entry just says PID has the old address on. What does that mean?]*
60. **9 February 2004**, the branch called because a customer wished to transfer £3,000 from her ordinary account to open an investments account. The clerk wanted to know which form was used to process this and whether they could process it. An answer was supplied from the knowledge base.

61. **10 February 2004**, the branch called and asked how to ?? out coin *[does this mean change? What do they actually mean here? We need to explain this to a judge who wouldn't understand what remming out means and wouldn't be familiar with the system]*
62. **11 February 2004**, the sub-postmaster called who had a customer who has a disabled son and is an appointee at the moment and had been told that she could not be an appointee for her son *[what is an appointee?]*. An answer was supplied from the knowledge base.
63. **12 February 2004**, the sub-postmaster called and wanted to know the procedure for opening a card account. *[what does com 7 mean?]*
64. **12 February 2004**, the branch reported an unauthorised loss of £8,243.10 in week 46. There was an accumulated loss over the last four weeks. The branch had applied for a hardship form. An amount was entered into the suspense account pending completion of the hardship papers. ✓
65. **13 February 2004**, the branch called and asked how to pay out on a capital bank Lloyds TSB Bank cheque made out to Post Office Limited. The sub-postmaster was advised that he should not pay out cash for this cheque. It should only be used to pay for products or services.
66. **13 February 2004**, *[is this a call from the sub-postmaster?]*. There was a loss of £8,243.10 in week 46 accumulated over the last four weeks. Chased I&E on 27 February *[who is I&E?]*. There was a further loss of £3,509.68 in week 48. This was added to the suspense account and the total loss was now £11,752.78. Mrs Oglesby was aware of this and was visiting to assist the sub-postmaster in completing the form. NBSC spoke to Mrs Oglesby on 25 March. The sub-postmaster had been suspended and the loss transferred to the late account. ✓
67. **13 February 2004**, the sub-postmaster called and wanted to arrange a system check due to small faults he had encountered with the system. He was referred to HSH.
68. **16 February 2004**, the sub-postmaster called and reported that the card could not be read by the system and wanted to know what to do. He was given an answer from the knowledge base.
69. **16 February 2004**, the branch called and stated that the system was unavailable and wanted to know whether they could do a withdrawal. They were given an



answer from the knowledge base *[what sort of answer would they have been given?]*

70. **16 February 2004**, this call simply states Horizon KB0628. *[what does this mean?]*
71. **16 February 2004**, the sub-postmaster wanted to speak to HSH because his screen was frozen. He was given an answer from the knowledge base.
72. **19 February 2004**, the branch called and wanted to know what the telephone numbers were for transaction processing. They were given an answer from the knowledge base.
73. **21 February 2004**, the sub-postmaster called and asked how to deal with the death of the card holder and was given an answer from the knowledge base.
74. **24 February 2004**, the sub-postmaster called asking for Mrs Oglesby to call him regarding the previous conversation about the ongoing system problem. NBSC advised Mrs Oglesby that the sub-postmaster had called.
75. **25 February 2004**, the sub-postmaster called to state that he had been having problems with the system and balance for about six weeks. The sub-postmaster wanted to know whether they have started or completed a system check. Sandra at NBSC spoke to HSH team leader who advised that they were now looking into this for the sub-postmaster. NBSC called the clerk on Tuesday and she confirmed that HSH had been in touch. She was given a call reference and asked to call back if she had any further problems. Buh
76. **25 February 2004**, the sub-postmaster called and wanted to speak to HSH regarding system problems. He was transferred to HSH.
77. **26 February 2004**, the branch reported a discrepancy and wanted a call from service support reference H13071268 because there was a £3,509.68 shortage and they wanted to use the suspense account. The sub-postmaster was advised that the suspense account team would deal with this until the sub-postmaster role had been to the correct cap *[what does that mean?]*. Claire advised that HSH was still investigating the problem. ✓
78. **26 February 2004**, the sub-postmaster called and stated that he was entering into a smart post item on the system and it was an airture going to the USA with the value of £300. The sub-postmaster put the value into the system but the price did not increase and wanted to know why. NBS discussed with the sub-

postmaster and went through the procedure with him. It transpired that the sub-postmaster was *[erroneously?]* entering the high value at the start of the transaction, so it set the price at the high value compensation rate.

79. **26 February 2004**, the sub-postmaster reported £3,509.68 unauthorised losses for week 48. He said that he had an ongoing problem which HSH were investigating. The sub-postmaster was completing an I&E form to start the hardship process for previous discrepancies. Accordingly, although the losses were unauthorised, they were entered into the suspense account pending the hardship process. Blh
80. **3 March 2004**, the branch reported that a customer had called and asked for a change of name on the CAPO card since it had the wrong names *[what does CAPO stand for?]*. The branch was given an answer from the knowledge base.
81. **4 March 2004**, Mrs Oglesby reported that she had called HSH as a branch was constantly showing losses every week and the sub-postmaster thought this may be down to software as the amount was getting worse each week. HSH had put her straight through to NBSC without checking any incidents. This is when Sarah Pennington and myself became involved (as set out in paragraphs 20-24 above). Blh
82. **8 March 2004**, the branch was asking about a cash declaration on the system as he had £7,579. The sub-postmaster was going to send through snapshots from Saturday today. ✓
83. **8 March 2004**, the branch called and asked what to do with impounded DWP pension allowance docketts. The sub-postmaster was advised that DWP *[who are DWP?]* makes the policy, not the Post Office.
84. **8 March 2004**, the branch called and asked who the cheque should be made payable to for premium bonds. An answer from the knowledge base.
85. **9 March 2004**, the branch called and asked what the process was for a buy back pre-order accounting and dispatch. They were given an answer from the knowledge base.
86. **10 March 2004**, the branch called and asked for the telephone number for Chesterfield and were given the answer from the knowledge base.
87. **15 March 2004**, the branch called and stated that the balance on the card account was less than what is in the account and wanted to know what to do. They were given an answer from the knowledge base.



88. **15 March 2004**, the branch called and asked for the address for NAIRN Post Office and were given an answer from the knowledge base.
89. **18 March 2004**, the sub-postmaster called and wanted the branch details for Post Office No. 225840. They were given an answer from the knowledge base.
90. **22 March 2004**, the sub-postmaster wanted to know how to issue a vault card to a customer. *[what does office process map mean?]*
91. **23 March 2004**, the auditor called and wanted to know if the office had had a new base unit. They were told to try calling HSH.
92. **23 March 2004**, the auditor called and wanted to know if there were any losses that had been authorised from about week 40. They were told that there are three losses and all are unauthorised.
93. **23 March 2004**, OSP site down request advised *[what does this mean?]*
94. **23 March 2004**, office closure, advised parties *[what does this mean?]*
95. **23 March 2004**, *[who called to say that the office would be open tomorrow at 9am?]*
96. **23 March 2004**, the auditor wanted to speak to HSH to confirm that the sub-postmaster had a new base unit fitted. The auditor was transferred to HSH.
97. **24 March 2004**, *[what does declare bureau advise to select edit F10 hung up mean?]*
98. **30 March 2004**, NBSC spoke to the new, relief sub-postmaster, Ruth Simpson. They took NS & I details and would pass to the customer when and if they came in *[what does see DD mean?]*.
99. **31 March 2004**, the branch called and asked for what the concession number was for a disabled rod licence. They were given an answer from the knowledge base.
100. **1 April 2004**, the branch called and asked how to correct errors. They were given an answer from the knowledge base.

101. **1 April 2004**, the new sub-postmaster stated that she could not balance a roll over as the system was stating that she had negative/re-valued stock figures. She was advised to complete the re-valuation whilst still in cap 01 [*what is cap 01?*]. This would then permit the system to allow her to roll over into week 02.
102. **2 April 2004**, the branch had received ocean liners stamps with the incorrect price. The sub-postmaster was told to rem in and contact Hemmel [*what is that?*] to notify them.
103. **13 April 2004**, the branch called and wanted the office address [*what does this mean?*]
104. **15 April 2004**, the retail line manager asked NBSC to contact the sub-postmaster urgently and was left a voicemail.
105. **19 April 2004**, the branch called and asked for the telephone number of National Savings and was given an answer from the knowledge base.
106. **19 April 2004**, the branch called and asked for a telephone number of TP [*what does this mean? Is it transaction processing?*] and was given an answer from the knowledge base.
107. **20 April 2004**, the sub-postmaster called and wanted to speak to the retail line manager regarding a problem that she is already dealing with. Mrs Oglesby left a message on voicemail [*whose voicemail? NBSC's? the sub-postmaster's?*]
108. **21 April 2004**, the branch called to report a change in the opening hours and the details were logged.
109. **22 April 2004**, the branch called and asked the retail line manager to contact the branch regarding a problem that they were all dealing with. The message was passed on by NBSC to Mrs Oglesby.
110. **22 April 2004**, Mr Castleton's father-in-law called and stated that his son-in-law and daughter had been suspended and somebody else had been put in and was losing business. He wanted to speak to somebody more senior to Mrs Oglesby. His message was passed to the area office for HOA to get in touch with Mr Franks [*what is HOA?*]
111. **22 April 2004**, a call was taken from the sub-postmaster's father-in-law and he was given an answer from the knowledge base.

112. 23 April 2004, Mr Castleton wanted to know if there was any way of printing out all the calls he had made to NBSC and for them to be sent to him. He was advised that if he wanted information regarding calls made to NBSC, he should make his request in writing to Adele Kilcoyne of NBSC.

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

Signed .....

**GRO**

Date .....

DRAFT

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 22/8/06

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

WITNESS STATEMENT OF ANDREW  
WISE

BOND PEARCE LLP

**GRO**

Solicitors for the Claimant/Part 20  
Defendant

Filed on behalf of the: Claimant  
Witness: A Wise  
Statement: 1  
Exhibits: "GJ1"  
Date made: 22/08/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No.**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant**

**- and -**

**LEE CASTLETON**

**Defendant**

**EXHIBIT "AW1"**

This is the Exhibit marked "AW1" referred to in the Witness Statement of Andrew Wise dated August 2006.

**DRAFT**

*Q. 12pm - 4.25pm each AW1/23/06  
9/25 Andrew Wise and  
9.34*

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 22/11/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No. HQ05X02706**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20  
Defendant**

**- and -**

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

**WITNESS STATEMENT OF ANDREW WISE**

I, **ANDREW WISE**, of Human Resources, **GRO**  
**GRO** **WILL SAY AS FOLLOWS:**

1. I am currently a Training Manager employed by Post Office Limited (**the Post Office**). I have worked for the Post Office since 1999. I am responsible for training sub-postmasters and branch counter staff on Horizon and co-ordinating national training issues. From May 2001 to November 2004, I was a postal officer at the National Business Support Centre (**NBSC**). However due to my experience and knowledge, I was often asked to stand in as a team leader. My responsibilities included those of a service support advisor involved in answering calls which were generally more complex than the first tier of calls that sub-postmasters make NBSC. Prior to that, I was a Horizon field support officer from 1999 to 2001 and prior to that I spent 8 years as a counter clerk. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by the Post Office.
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 "AW1" to this Witness Statement. ~~Set out in client para 76.~~



### National Business Support Centre

3. The Post Office provides a service to sub-postmasters and clerks called the NBSC, which is a helpline they can call to try to resolve business related queries.
4. There are two tiers of service support at NBSC. Tier one is essentially customer services and is a separate entity. Tier two is run by the Post Office and is for calls that tier one are unable to deal with. I understand that an individual at tier one could take approximately 2,000 calls each day *[is it correct to say that an individual will take 2,000 calls per day or that tier one overall will take 2,000 per day]* and at tier two, an individual could take approximately 30 calls each day. Basically a sub-postmaster would call the NBSC telephone number, select the options to get through to tier one and then explain their problem. It may be a pre-recorded standard response, but if there is none available, the sub-postmaster could get put through to tier two. A lot of time on tier two is spent prompting sub-postmasters and clerks to double check information they should have been checking any way.

### Double entry accounting and daily reporting procedures

5. I have been asked to explain what Horizon is and the daily and weekly reporting procedures that sub-postmasters must adhere to.
6. The counter positions in the post office branches each have a computer terminal, a touch sensitive screen, a keyboard, barcode scanner and printer. Once a clerk logs on, any transactions they perform are recorded and entered into the computer. The computer system is called Horizon.
7. Post Office branches operate double entry accounting. <sup>Almost</sup> Every transaction recorded by the clerk on to their computer has a corresponding <sup>ne</sup> physical document, such as a TV license counter foil, savings bank deposit, withdrawal slip or cheque.
8. A summary of the prescribed daily procedures that sub-postmasters must follow is at pages 1 to 2. This includes the following:

### TV Licenses – Non Barcode

9. Each day the sub-postmaster must enter details on the green daily summary form P5744 which is retained at the branch. They have to print a daily report and check that the totals of the counter foils agree with that report *[was this the system in place at the time? Does the daily report info come from*

*Horizon?*]. If they do, they cut off the report on the computer to reset it to zero for the next day. They then paperclip together none barcoded TV and non barcoded over 75 counter foils and send the counter foils EDS Processing Centre. **[did they send them to EDS at the time? For cheques, I understand the migration to EDS took place around Feb 2004.]**

#### Personal Banking

10. The sub-postmaster has to print a report each day and check that the totals on the print out agree with the documents to hand (whether cash deposit, cheque deposit envelope or encashment cheques) if the totals agree, they then have to cut off the report so that it resets for the next day, paperclip the cash deposit slips, check deposit envelopes and then encashed cheques together and place in the envelope to go to the EDS Processing Centre.

#### Cheques, Giro bank deposits and Savings Bank

11. The sub-postmaster then goes through a similar daily procedure for cheques, giro bank deposits and withdrawals, daily cash declaration and Savings Bank Deposits and Withdrawals ie for each of these, the sub-postmaster has to print a report, check that the cheques, giro slips, cash or other documents agree with the report, paperclip the relevant documents together and send them to the correct place such as girobank or the EDS Processing Centre.

**[Andrew, would you feel qualified to be able to summarise what happened to these docs once they arrived at Transaction Processing?]**

#### **Weekly Balance Procedure**

12. Each week the sub-postmaster has to go through a balancing procedure. **[Is this something they do weekly or daily or both?]**. A summary of this procedure is at pages 3 to 6. Firstly, they have to check outstanding transaction corrections, which must be resolved before the end of the week's trading period. **[what is a Transaction Correction? Is a trading period from week to week or do you mean each day?]**.
13. They then have to complete the counter daily and counter weekly reports **[are those the reports that are mentioned above or are they something else? What are the daily reports? And what do they look like?]**. **[what are the weekly reports and what do they look like and what information do they contain?]**. They are then encouraged to print a balance snapshot and use that to ensure that the Horizon system held stock figures matches the actual

stock holdings in their branch. They also have to check all receipt and payment transaction totals with the supporting vouchers/documentation. There are ways in which they can amend any stock discrepancies. They then have to print the mandatory office weekly reports *[what are these?]*.

14. The sub-postmaster then completes all other manual summaries and reconciliations, for example National Savings Weekly Summary, Change Given Return, Electric Tokens, Promotional/Payment Vouchers, MVL Weekly Reconciliation, Rod Licence Reconciliation, Gift Voucher Weekly Reconciliation, DVLA Premium Service Summaries, UK PA Check and Send summaries, Electric Schemes and National Lottery Cheque Prize Payments.
15. The sub-postmaster then prints foreign currency *[what is this? Is it a list of what foreign currency they have?]* and to check the figures against their actual stock holdings. They then make new declarations for cash and stamps, entering on the system the cash nominations they have and a number of each different type of stamps. They then print a report which is kept with their branch. They then print the balance report and have to check that all the totals are correct.
16. On the last Wednesday of the trading period, the lottery figures must be included prior to final rollover into the next trading period.
17. Each week, the sub-postmaster sends to Chesterfield the paid postal and money orders slips, a Giro Bank Change Summary *[what is that?]*, UKPA Check and Send *[what is that?]* a form setting out Redeemed Post Office and TV Savings Stamps? National Lottery prize payments (£500 plus) *[what sort of information would this contain?]* and DVLA premium service forms *[what is that?]*.
18. At the end of the trading period, they also complete the MVL Monthly Stock Report (P6520) *[what is that?]* and the gift voucher, monthly stock report form *[again what is that?]*. The branch then completes the branch trading statement which they have to sign and date stamp and retain in a suitable folder for 6 years.

*[Andrew please can you check that these were the procedures in place in December 2003 to March 2004, which is the period that we are looking at and if they weren't can you amend accordingly and insert what procedures were actually in place at that time].*

#### **The Horizon System**

19. Accordingly, it can be seen that if the clerk or sub-postmaster makes a mistake when imputing transaction details into their computer, there are a number of points at which this can be picked up, because there are daily and weekly reports that the sub-postmaster have to produce at which stage they have to check and satisfy themselves that the documents eg cheques, cash, giros, they have match what they have entered on the system.

In addition to that, there are various teams responsible for different sorts of paperwork, including a giro bank team, cheques team and pension team. For example, if the clerk records an item as a cheque rather than cash, they should pick this up on either their daily or weekly report. However if they fail to do so, this will be picked up at the EDS Processing Centre. Merely because an item has been recorded as a cheque rather than cash (or visa versa) would not of course cause an overall loss to the branch. If an item has been wrongly recorded, an error notice would be generated, although this can easily take up to 12 weeks or so. This will mean that if there has been an over or underpayment there will be either a claim or charge error respectively.

#### **Sub-Postmaster Training**

*[Andrew can you add some details of what the sub-postmasters and clerks have to be trained on when they join the post office.]*

#### **NBSC Review**

20. Around 4 March 2004 Mrs Oglesby asked NBSC to review what could have been causing the errors. Sarah Pennington (who has since left the Post Office) reviewed this and discussed it with me. She then reported to Andrew Price (NBSC) who in turn reported back to Mrs Oglesby on 20 April 2004. (page 13). The e-mail states that Sarah Pennington spoke to the sub-postmaster at Marine Drive who wasn't sure what was causing the errors and that he had been using the slave computer terminal to enter his stock and cash, which he was told would not cause a problem as long as it was attached to the correct stock unit. If there was any communication problem between the two computers, the words "node disconnected" would flash up on screen.
21. The sub-postmaster apparently thought there were some errors relating to the National Lottery. I understand from the e-mail that Sarah phoned the lottery team at transaction processing who confirmed that there were some errors, but for every charge error there was a corresponding claim error as the clerk and/or sub-postmaster had entered the lottery figures in the wrong cash account period. If the cash account period (week number) is wrong one week, the next week this



would balance out, hence the sub-postmaster would receive a charge error in the first week and a claim error in the second week.

22. Sarah's e-mail records that the sub-postmaster was also concerned that when entering the lottery figures, the terminals did not appear to be communicating. However if that had been the case, the sub-postmaster would have a very large number of errors on every report and product.
23. I looked at the cash account information that the sub-postmaster sent to me but was unable to find any errors. *[do you still have this or your analysis?]*. The only amount questioned was a large amount on the cheques to Processing Centre, but I was able to confirm that this was a cheque payment for the purchase of the premium bonds. Accordingly, there is nothing more NBSC could do and we suggested he work a manual system at the side of Horizon to see if any problems were highlighted. He was also advised to take a snapshot before and after he did the REMs to see if there were any problems occurring when he did a remittance.
24. We concluded that the Horizon system was working properly and did not appear to be the cause of the unauthorised losses incurred.

#### NBSC Call Logs

25. ~~Details~~ of the call logs from the Marine Drive branch and an overview of them from December 2003 to April 2004 are set out below – FAD code 213337 ~~(there were no calls recorded for February and March 2004)~~. These were compiled during the ordinary course of business from information supplied by persons who have or may reasonably be supposed to have personal knowledge of the matter dealt with in the information supplied, but are unlikely to have any recollection of the information or cannot be traced. I have been asked to provide an overview of these call logs which is set out below.
26. **1 December 2003, call reference H12881564** the sub-postmaster wanted to know where they sent their application for telephone claims. The resolution was stated to be KB *[does this mean that a standard answer was given from the knowledge base. If "yes" please can you explain what the knowledge base is?]*.
27. **1 December 2003, call reference H12881573** the caller wanted a telephone number for human resources. An answer was given from the knowledge base.

28. **11 December 2003, call reference H12903595** there was a power failure on the street and the office has electronic shutters so was unable to open. *[what does gave nom offices mean?]*
29. **11 December 2003, call reference H12904136** the clerk called to confirm that the office had been reopened.
30. **12 December 2003, call reference H12906756** the clerk wanted to know what the counter procedure was for a local collect when a customer comes to pick it up. *[what is local collect?]*. They were provided with an answer from the knowledge base.
31. **13 December 2003, call reference H12908771** this was a call because the customer had received a card in the name of Vera instead of Violet. This was resolved by providing the clerk with an answer from the knowledge base.
32. **13 December 2003, call reference H12908772** the office was open but was showing up as closed *[what does this mean? how was this resolved?]*.
33. **22 December 2003, call reference H12925312** the postmaster sent off an application with the PID *[what does that stand for?]* for the opening of an account and identification form which was erroneously rejected by the EDS. They retained the ID form and PID and the application form was represented, but it had been returned again because there was no PID or ID form, although the sub-postmaster said that EDS had retained them. The caller advised the sub-postmaster that as the application had been erroneously rejected, NBSC would pass his comments to our customer relations team to progress as a complaint against EDS.
34. **22 December 2003, call reference H12925361** this is a record of the sub-postmaster's complaint about EDS being forwarded to them.
35. **23 December 2003, call reference H21243010** the postmaster wanted to know if the procedures for printing a postage label had changed and was advised that the pre-paid will be reduced by an amount of extra service (recorded).
36. **30 December 2003, call reference H12937387** the clerk called to say that the customer had changed addresses and also post offices for his card *[what type of card?]*. His new card had been sent to the old office and the clerk wanted to know how he could have had the card directed to the new office. This was resolved by providing the clerk with information from the knowledge base.



37. **30 December 2003, call reference H12937703** the sub-postmaster had received a few enquiries from customers regarding the changes to the National Savings Ordinary Account. The sub-postmaster was advised that we do not have any further information regarding the changes to the Ordinary Saving Account other than information contained in MBS 453 *[what is MBS 453? Do you have a copy?]*.
38. **14 January 2004, call reference H12971100** the clerk called in relation to a discrepancy ie a loss of £1,103.13. They were provided with an answer from the knowledge base *[do we know what the sub-postmaster said and what answer they were given?]*.
39. **19 January 2004, call reference Q12980113** there was an incorrect cash dispatch *[what does this mean?]* Lisa *[Lisa who?]* was not too sure of the correct procedure, but NBSC informed her what it is.
40. **20 January 2004, call reference H21265950** *[what does 1xweek 41/03 required mean?]*
41. **20 January 2004, call reference H21265965** the sub-postmaster had not received a copy of the sales report for the last period and wanted to know how one could be ordered. The sub-postmaster was advised that the reports were late and he should receive it by the end of the week at the latest as they were being dispatched.
42. **21 January 2004, call reference H12987381** the sub-postmaster called because they had a cash account discrepancy of £4,294.67. The call was logged with the suspense team. (At this time, there was a suspense team to try to ensure that nothing was transferred into the suspense account that was not permitted).
43. **22 January 2004, call reference H12987919** the sub-postmaster reported a loss of £4,000. He said he was in the office until 11pm last night but could not find anything. The NBSC went through all the balanced cheques with him. It appeared that the sub-postmaster had checked the REMs in and out, his cash, stock and profit and Allowances but was unable to find the loss. The sub-postmaster was therefore advised that this matter would be passed through to the suspense team. (When cash or stock goes into a branch, it is "remmed" in ie entered into or out of the system. The sub-postmaster has to check the rem foils to verify that he receives the cash or stock listed on the foil).

44. **22 January 2004, call reference H12987957** the sub-postmaster called. There was a loss in week 43 of £4,230.97. This was an unknown error. That means that the sub-postmaster should not transfer the loss into the suspense account.
45. **22 January 2004, call reference H21268317** a disabled customer's card had arrived in an incorrect name of Bernice instead of Denise and the sub-postmaster wanted to speak to EDS. An answer was given from the knowledge base.
46. **27 January 2004, call reference H12999552** this refers to a training event in Scarborough.
47. **28 January 2004, call reference H13003838** the sub-postmaster enquired whether there was a service available for customers to send money to somebody in another part of the country. That answer was provided from the knowledge base.
48. **28 January 2004, call reference H21272735** the sub-postmaster had called to say that since he had broadband installed, every time he receives stock into his office it was showing short by the same amount. He had checked to make sure that it was remmed in properly but it was still showing £2,500 short. The sub-postmaster was advised that if he felt that that was a technical problem he should call the Horizon System Helpline (HSH) that deals with technical issues. However, after NBSC spoke to the sub-postmaster it appeared that he was entering all the transactions correctly, so this could be the case. *[What does that mean?]* He was advised to balance and roll for a definite figure and to call HSH if he didn't have any success *[again, what does this mean?]*.
49. **29 January 2004, call reference H13005452** the branch called and said they were showing a loss of £2,523.12 and that this was the third discrepancy in as many weeks. NBSC checked through the figures using a transaction log and also looked at the REMs declaration and the cash flow. No trace of the discrepancy was found and this was referred to the suspense account team to review.
50. **29 January 2004, call reference H13005643** the branch called and stated there was an unauthorised or unidentified loss of £6,754.09. *[what was the purpose of the call? Was it just to report that the loss was unauthorised?]*.
51. **29 January 2004, call reference H21274188** the sub-postmaster wanted to have his transactional archives *[What are transactional archives?]* looked at more closely to try to identify what was going wrong with his branch. He was

having a lot of losses over the past three weeks and thought that there was a system fault with his remittances. The NBSC followed KB instructions and sent an e-mail to Adele Kilkoynne *[who is she?]* so that the postmaster could study his archives to try to identify what had gone wrong. *[what was the result of this? Please can you follow through with Adele Kilkoynne?]*.

52. **30 January 2004, call reference H13011960** the sub-postmaster called in relation to automated payments: the customer's account had not apparently been credited with payment. An answer was provided to the sub-postmaster from the knowledge base.
53. **30 January 2004, call reference Q13009942** Mrs Catherine Oglesby, the Retail Line Manager reported that the sub-postmaster had authorised losses of £6,754.09 for week 44. Apparently he could not identify what had caused the loss and was unable to make good. The sub-postmaster also stated that he had made good a loss of £1,100 in week 42. Mrs Oglesby asked NBSC to contact the branch to try resolve his query. The sub-postmaster had applied for a hardship form. He was waiting for a return of the I&E form. *[what is the I&E form?]*.
54. **30 January 2004**, the customer's account had not been credited with the payment. NBSC provided an answer from the knowledge base.

HSH called to say that the desk top initialisation had failed and that an operational violation had been detected. This was passed to HSH *[was this a call from the branch or originally from HSH?]*

55. **3 February 2004**, the sub-postmaster called to query whether nominations are being taken for pre-pay mobile phone vouchers *[what does process map mean?]*
56. **3 February 2004**, the branch asked for a telephone number for Girobank.
57. **3 February 2004**, the branch called and asked for the telephone number for Hanco *[what does that stand for?]* helpdesk.
58. **4 February 2004**, the branch called and asked for the procedure for producing an overnight cash holding (ONCH) report.
59. **6 February 2004**, *[this entry just says PID has the old address on. What does that mean?]*

60. **9 February 2004**, the branch called because a customer wished to transfer £3,000 from her ordinary account to open an investments account. The clerk wanted to know which form was used to process this and whether they could process it. An answer was supplied from the knowledge base.
61. **10 February 2004**, the branch called and asked how to ?? out coin *[does this mean change? What do they actually mean here? We need to explain this to a judge who wouldn't understand what remming out means and wouldn't be familiar with the system]*
62. **11 February 2004**, the sub-postmaster called who had a customer who has a disabled son and is an appointee at the moment and had been told that she could not be an appointee for her son *[what is an appointee?]*. An answer was supplied from the knowledge base.
63. **12 February 2004**, the sub-postmaster called and wanted to know the procedure for opening a card account. *[what does com 7 mean?]*
64. **12 February 2004**, the branch reported an unauthorised loss of £8,243.10 in week 46. There was an accumulated loss over the last four weeks. The branch had applied for a hardship form. An amount was entered into the suspense account pending completion of the hardship papers.
65. **13 February 2004**, the branch called and asked how to pay out on a capital bank Lloyds TSB Bank cheque made out to Post Office Limited. The sub-postmaster was advised that he should not pay out cash for this cheque. It should only be used to pay for products or services.
66. **13 February 2004**, *[is this a call from the sub-postmaster?]*. There was a loss of £8,243.10 in week 46 accumulated over the last four weeks. Chased I&E on 27 February *[who is I&E?]*. There was a further loss of £3,509.68 in week 48. This was added to the suspense account and the total loss was now £11,752.78. Mrs Oglesby was aware of this and was visiting to assist the sub-postmaster in completing the form. NBSC spoke to Mrs Oglesby on 25 March. The sub-postmaster had been suspended and the loss transferred to the late account.
67. **13 February 2004**, the sub-postmaster called and wanted to arrange a system check due to small faults he had encountered with the system. He was referred to HSH.



68. **16 February 2004**, the sub-postmaster called and reported that the card could not be read by the system and wanted to know what to do. He was given an answer from the knowledge base.
69. **16 February 2004**, the branch called and stated that the system was unavailable and wanted to know whether they could do a withdrawal. They were given an answer from the knowledge base *[what sort of answer would they have been given?]*
70. **16 February 2004**, this call simply states Horizon KB0628. *[what does this mean?]*
71. **16 February 2004**, the sub-postmaster wanted to speak to HSH because his screen was frozen. He was given an answer from the knowledge base.
72. **19 February 2004**, the branch called and wanted to know what the telephone numbers were for transaction processing. They were given an answer from the knowledge base.
73. **21 February 2004**, the sub-postmaster called and asked how to deal with the death of the card holder and was given an answer from the knowledge base.
74. **24 February 2004**, the sub-postmaster called asking for Mrs Oglesby to call him regarding the previous conversation about the ongoing system problem. NBSC advised Mrs Oglesby that the sub-postmaster had called.
75. **25 February 2004**, the sub-postmaster called to state that he had been having problems with the system and balance for about six weeks. The sub-postmaster wanted to know whether they have started or completed a system check. Sandra at NBSC spoke to HSH team leader who advised that they were now looking into this for the sub-postmaster. NBSC called the clerk on Tuesday and she confirmed that HSH had been in touch. She was given a call reference and asked to call back if she had any further problems.
76. **25 February 2004**, the sub-postmaster called and wanted to speak to HSH regarding system problems. He was transferred to HSH.
77. **26 February 2004**, the branch reported a discrepancy and wanted a call from service support reference H13071268 because there was a £3,509.68 shortage and they wanted to use the suspense account. The sub-postmaster was advised that the suspense account team would deal with this until the sub-postmaster role

had been to the correct cap [*what does that mean?*]. Claire advised that HSH was still investigating the problem.

78. **26 February 2004**, the sub-postmaster called and stated that he was entering into a smart post item on the system and it was an airsure going to the USA with the value of £300. The sub-postmaster put the value into the system but the price did not increase and wanted to know why. NBSC discussed with the sub-postmaster and went through the procedure with him. It transpired that the sub-postmaster was [*erroneously?*] entering the high value at the start of the transaction, so it set the price at the high value compensation rate.
79. **26 February 2004**, the sub-postmaster reported £3,509.68 unauthorised losses for week 48. He said that he had an ongoing problem which HSH were investigating. The sub-postmaster was completing an I&E form to start the hardship process for previous discrepancies. Accordingly, although the losses were unauthorised, they were entered into the suspense account pending the hardship process.
80. **3 March 2004**, the branch reported that a customer had called and asked for a change of name on the CAPO card since it had the wrong names [*what does CAPO stand for?*]. The branch was given an answer from the knowledge base.
81. **4 March 2004**, Mrs Oglesby reported that she had called HSH as a branch was constantly showing losses every week and the sub-postmaster thought this may be down to software as the amount was getting worse each week. HSH had put her straight through to NBSC without checking any incidents. This is when Sarah Pennington and myself became involved (as set out in paragraphs 20-21 above)
82. **8 March 2004**, the branch was asking about a cash declaration on the system as he had £7,579. The sub-postmaster was going to send through snapshots from Saturday today.
83. **8 March 2004**, the branch called and asked what to do with impounded DWP pension allowance dockets. The sub-postmaster was advised that DWP [*who are DWP?*] makes the policy, not the Post Office.
84. **8 March 2004**, the branch called and asked who the cheque should be made payable to for premium bonds. An answer from the knowledge base.
85. **9 March 2004**, the branch called and asked what the process was for a buy back pre-order accounting and dispatch. They were given an answer from the knowledge base.



86. **10 March 2004**, the branch called and asked for the telephone number for Chesterfield and were given the answer from the knowledge base.
87. **15 March 2004**, the branch called and stated that the balance on the card account was less than what is in the account and wanted to know what to do. They were given an answer from the knowledge base.
88. **15 March 2004**, the branch called and asked for the address for NAIRN Post Office and were given an answer from the knowledge base.
89. **18 March 2004**, the sub-postmaster called and wanted the branch details for Post Office No. 225840. They were given an answer from the knowledge base.
90. **22 March 2004**, the sub-postmaster wanted to know how to issue a vault card to a customer. *[what does office process map mean?]*
91. **23 March 2004**, the auditor called and wanted to know if the office had had a new base unit. They were told to try calling HSH.
92. **23 March 2004**, the auditor called and wanted to know if there were any losses that had been authorised from about week 40. They were told that there are three losses and all are unauthorised.
93. **23 March 2004**, OSP site down request advised *[what does this mean?]*
94. **23 March 2004**, office closure, advised parties *[what does this mean?]*
95. **23 March 2004**, *[who called to say that the office would be open tomorrow at 9am?]*
96. **23 March 2004**, the auditor wanted to speak to HSH to confirm that the sub-postmaster had a new base unit fitted. The auditor was transferred to HSH.
97. **24 March 2004**, *[what does declare bureau advise to select edit F10 hung up mean?]*
98. **30 March 2004**, NBSC spoke to the new, relief sub-postmaster, Ruth Simpson. They took NS & I details and would pass to the customer when and if they came in *[what does see DD mean?]*.

99. **31 March 2004**, the branch called and asked for what the concession number was for a disabled rod licence. They were given an answer from the knowledge base.
100. **1 April 2004**, the branch called and asked how to correct errors. They were given an answer from the knowledge base.
101. **1 April 2004**, the new sub-postmaster stated that she could not balance a roll over as the system was stating that she had negative/re-valued stock figures. She was advised to complete the re-valuation whilst still in cap 01 [*what is cap 01?*]. This would then permit the system to allow her to roll over into week 02.
102. **2 April 2004**, the branch had received ocean liners stamps with the incorrect price. The sub-postmaster was told to rem in and contact Hemmel [*what is that?*] to notify them.
103. **13 April 2004**, the branch called and wanted the office address [*what does this mean?*]
104. **15 April 2004**, the retail line manager asked NBSC to contact the sub-postmaster urgently and was left a voicemail.
105. **19 April 2004**, the branch called and asked for the telephone number of National Savings and was given an answer from the knowledge base.
106. **19 April 2004**, the branch called and asked for a telephone number of TP [*what does this mean? Is it transaction processing?*] and was given an answer from the knowledge base.
107. **20 April 2004**, the sub-postmaster called and wanted to speak to the retail line manager regarding a problem that she is already dealing with. Mrs Oglesby left a message on voicemail [*whose voicemail? NBSC's? the sub-postmaster's?*]
108. **21 April 2004**, the branch called to report a change in the opening hours and the details were logged.
109. **22 April 2004**, the branch called and asked the retail line manager to contact the branch regarding a problem that they were all dealing with. The message was passed on by NBSC to Mrs Oglesby.
110. **22 April 2004**, Mr Castleton's father-in-law called and stated that his son-in-law and daughter had been suspended and somebody else had been put in and was

losing business. He wanted to speak to somebody more senior to Mrs Oglesby. His message was passed to the area office for HOA to get in touch with Mr Franks *[what is HOA?]*

111. **22 April 2004**, a call was taken from the sub-postmaster's father-in-law and he was given an answer from the knowledge base.

112. **23 April 2004**, Mr Castleton wanted to know if there was any way of printing out all the calls he had made to NBSC and for them to be sent to him. He was advised that if he wanted information regarding calls made to NBSC, he should make his request in writing to Adele Kilcoyne of NBSC.

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

Signed .....

**GRO**

Date .....

DRAFT

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 22/1/8/06

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

WITNESS STATEMENT OF ANDREW  
WISE

BOND PEARCE LLP

**GRO**

Solicitors for the Claimant/Part 20  
Defendant

Filed on behalf of the: Claimant  
Witness: A Wise  
Statement: 1  
Exhibits: "GJ1"  
Date made: 20/08/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No.**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant**

**- and -**

**LEE CASTLETON**

**Defendant**

**EXHIBIT "AW1"**

This is the Exhibit marked "AW1" referred to in the Witness Statement of Andrew Wise dated August 2006.

**DRAFT**



Filed on behalf of the: Claimant/Part 20  
Defendant  
Witness: C OGLESBY  
Statement: 1  
Exhibits: CO 1  
Date made: 6/9/2006

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No: HQ05X02706**

**BETWEEN:-**

**POST OFFICE LIMITED**  
Claimant/Part 20 Defendant

**-and-**

**LEE CASTLETON**  
Defendant/Part 20 Claimant

**SECOND WITNESS STATEMENT OF CATHERINE OGLESBY**

**I, CATHERINE OGLESBY of [GRO]**

**I AM WILL SAY AS FOLLOWS:**

1. Since April 2005, I have been a Sales Account Manager for the Post Office Limited (the Post Office) with responsibility for ensuring that 24 directly managed post office branches achieve their sales targets. Before that, I was a Retail Line Manager (RLM) for approximately 8 years. As an RLM, I was responsible for ensuring that sub postmasters in 85 sub post offices properly carried out their duties to maintain service standards (for example, in relation to waiting times and office appearance) and reach sales targets. I have worked for the Post office for 23 years.
2. I make this witness statement from facts within my own knowledge unless otherwise stated. I have had the benefit of reading through my correspondence and papers. References to page numbers in this witness statement are to page numbers of Exhibit CO2 to this witness statement.

**Post Office branch at [GRO]**

3. I have been asked to give a brief overview of the layout of [GRO] [GRO] (the Marine Drive branch) and describe how the business works, for the benefit of the Court. At pages 1 to 3 are office copy entries which show that Mr Lee Castleton and Mrs Lisa Marie Castleton have been the registered

proprietors of the freehold since 17 October 2003 and that they bought the freehold on 18 July 2003. At page 4 is a rough plan I have drawn from memory of the interior of the Marine Drive branch [***Cath, please can you draw and send to me a rough plan of the ground floor?***]. The ground floor of the freehold contains a rectangular shaped shop and from the entranceway, the Post Office counter is in the far left hand corner of the shop. The shop counter and National Lottery till are on the right as you enter the shop. [***Are there living quarters upstairs for Castleton?***]

4. From 18 July 2003 to 23 March 2004 Mr Castleton was subpostmaster of the Marine Drive branch. His contract for services was in the standard format used for subpostmasters at the time and a copy of that contract together with the signed page is at pages [ ] (the Contact).

5. Section 1, paragraph 3 of the Contract provides that the subpostmaster must provide and maintain at his own expense, reasonable office accommodation required by the Post Officer and pay, also at his own expense, any assistants he may need to carry on post Office business. At the material time, Mr Castleton retained Christine Train as his assistant who work behind the Post Office counter and I believe that she had worked at the Marine Drive branch for many years. [***Do you remember whether anyone else worked behind the P.O counter too?*** Mrs Castleton's wife, Lisa-Marie, worked in the shop. [***Do you remember whether anyone else worked in the shop?***]

6. There are 2 Post Office counter positions at the Marine Drive branch, each with its own computer terminal, barcode scanner and printer. Before open of business each day, the subpostmaster and any assistant logs on to their computer. They must record all transactions they perform on their computer. They can record transactions either by using their touch sensitive screen or keyboard. The computer system in the branches is called Horizon. Horizon is in effect, a sophisticated computerised calculator.

So far as I recall

7. ~~Almost~~ every transaction recorded by the subpostmaster and his assistant on to their computer has one or sometimes more corresponding physical documents. For example, when a customer pays their TV license, the subpostmaster will retain the TV licence counter foil. If that customer paid for their licence by cheque, the subpostmaster will also have the cheque.

paper from stock transactions

Every transaction but ABS  
ABS can't be done if Horizon not working

As for  
as to whether

8. [Do you feel comfortable saying this para?] At the end of each day, the subpostmaster prints from their computer various reports. The procedure is slightly different for different products, but broadly speaking, they then compare these reports against the physical documents they have (such as cheques or licence counterfoils) to ensure they match. They then send the reports and accompanying documents off to be processed. When these are processed, if the covering report printed out from the branch's computer does not match the accompanying physical documents, an error notice is generated. An error notice is a correction statement. Its creation would help explain whether there was any legitimate reason for an error having been made (for example, because subpostmaster or his assistant made an incorrect entry into the computer when recording a transaction).

9. At the material time, the subpostmaster also had to balance on a weekly basis and produce a cash account. The cash account contained information such as cash and stock in hand at the end of that week, receipts, payments, the balance due to the Post Office and whether there were any discrepancies such as a surplus or shortfall. The subpostmasters had to sign the cash account to certify that it is accurate.

physical cash  
stock as Horizon  
Stephan to find  
out where it  
says that  
Frank, treat

**December 2003**

10. Between approximately Christmas 2003 and the New Year, I was contacted by telephone by Mr Castleton who told me that on week 39 (the week ending 23 December 2003), he had been £1,100 short in his cash account. We discussed what might be the usual explanation for this, for example the Giro Bank error or cheque deposits going through as cash. I suggested that he contact Giro Bank and National Savings to see if there were any problems. I also asked him to make good the sum of £1,100, because a Giro Bank error notice may take up to 8 weeks to arrive. Mr Castleton said that he could make the amount good and we left things at that.

11. This had been the first time since Mr Castleton took over the Post Office in July 2003 that he had any major problems in balancing. Copies of the Cash Accounts signed by Mr Castleton for the weeks ending 23 December 2003 (cash account week 39), 30 December 2003 (cash account week 40), 7 January 2004 (cash

account week 41) and 14 January 2004 (cash account week 42) are at pages 53 to 91.

**Shortfalls in January 2004**

12. In accordance with my normal visiting plan, I visited the Marine Drive Branch on Friday 16 January 2004. At the time, no reason had come to light to explain the loss of £1,100. The previous 3 weeks' balances seemed to be fine.

*Deferring back to note I'm reminded that*

*of cash + stock vs Horizon*

13. On or around 21 January 2004 (cash account week 43) Mr Castleton contacted me because his balance was over £4,000 short. A copy of the Cash Account he signed for that week is at page 92. I again asked him to contact Giro Bank and National Savings to see whether there were any problems. I also asked him whether the cash was kept secure and who had access to it. Mr Castleton did not believe that any of his staff could have taken the money. He stated that on this occasion, he was unable to make good the shortfall. I advised him to contact the helpline to get a hardship form. (A sub postmaster is contractually obliged to make good any shortfalls without delay. However if a sub postmaster cannot immediately make good the shortfalls, he may complete and submit a hardship form setting out details of his earnings and other relevant information to seek the Post Office's permission to make good the shortfalls by instalment payments rather than immediately).

*CO to look at*

14. We also discussed at length ways for him to double check all of the paperwork leaving the Marine Drive Branch (for example, the giro paying in slips, pension and allowance dockets and certain types of cheques) and to perform a snapshot each evening to check the cash. (Effectively, the balance snapshot is just a facility to allow the sub postmaster to quickly check transactions through the week. It is a report that contains what the computer believes *should be* the total cash in stock figure, not what cash the branch *actually does* have. It looks at the previous week's declared cash in stock and adjusts items as they are sold, so if someone forgets to enter an item that a customer has purchased, then the balance snapshot figure will be inaccurate).

*If snapshot doesn't reflect what's been used, it should prompt steps to do further investigation*

15. I contacted Mr Castleton by telephone on or around 28 January 2004 (cash account week 44). After he said he was a further £2,500 short, again, we had a lengthy discussion to discuss all the daily workings. A copy of the Cash Account for that week signed by Mr Castleton is at pages 102 to 111. I brought up in the



conversation the possibility that somebody might be taking the cash, but Mr Castleton discounted that possibility. I suggested that he carry out individual stock unit balancing. Small post offices such as the Marine Drive Branch which has 2 cashier positions run a shared stock system: All the cash and stock is contained on 1 balance sheet. However, with individual stock balancing, each computer has its own separate stock and cash balance. Mr Castleton did not wish to do this, as he felt that Marine Drive Branch did not lend itself to doing this sort of balancing. I was surprised that Mr Castleton did not take up my suggestion because although there is some work involved setting up individual stock balancing, it would have enabled us to identify whether the losses were caused by any individual cashier.

**Shortfalls in February 2004**

16. The next week ended 5 February 2005, (cash account week 45) the Marine Drive Branch was only £25 short (pages 112 to 123) [***Cath can you check this because looking at the cash account, I think it was £25 over this week, not short***]. However, the week after ending 11 February 2004 (cash account week 46) the Marine Drive Branch was £1,500 short (pages 124 to 135). By now, after just 4 weeks, the Marine Drive Branch was a total of £8,243.10 short, not counting the sum of £1,100 that Mr Castleton had made good to start with. I visited the Marine Drive branch around this time and asked Mr Castleton whether he had obtained a Hardship Form. He said that he hadn't and I advised him to obtain one. I understand that he did, and he placed the sum of £8,243.10 into the suspense account. Sub postmasters are contractually obliged to make good all losses without delay and Mr Castleton should not have been rolling them over each week. The purpose of having a suspense account was simply so that a shortfall that a subpostmaster does not immediately made good could be temporarily moved to the suspense account rather than being left in the cash account. By this time, I was very concerned and contacted the investigations team and asked them to carry out an audit.

made a bank entry which transferred the loss

what was the bank I did the balance sheet cash a/c.

→ told him to get it together.

17. In cash account week 48 (the week ending 25 February 2004) the short fall for that week alone was £3,509.18 (pages 148 to 159). Mr Castleton informed me that he and his assistant Mrs Christine Train spent many hours double checking the transaction logs to try to prove that it was the computer equipment that was changing the figures. I asked him if he had found anything, but he had not. However, he was convinced that since he had a processor changed about the time the losses started occurring that it was the processor that was causing the losses.



I asked Mr Castleton to contact Fujitsu services (who were responsible for designing, implementing and operating the Horizon system) to obtain a system check. He did this and the system check came back fine. I asked Mr Castleton to contact the Horizon system helpline (HSH) which he did and I understand that he sent cash accounts to the National Business Support Centre (NBSC) to review. I also asked Mr Castleton to contact the Post Office's Transaction Processing section to see whether there were any error notices pending.

ways a spm called minor snapshots

18. On 27 February 2004, I visited the Marine Drive Branch and we discussed the losses shown in the various cash account figures again. Mr Castleton became distressed and angry and Mrs Train was also upset. I asked them what else I could do to help, <sup>given their need previously</sup> We had discussed all the usual possibilities. Mr Castleton and Mrs Train repeated that they had not taken the money and that it must be the Horizon system. Mr Castleton stated that HSH had confirmed that the Horizon system was working correctly, but he was not sure precisely what HSH had checked. *So far as I'm aware, nothing entered by*

19. Mr Castleton thought that the 2 computer processors were not communicating with each other <sup>He also thought</sup> and that when he remmed in the stock the Horizon system altered the figures. <sup>?</sup> (When stock or cash ("a remittance") is delivered to a branch, the sub postmaster is obliged to physically check that the stock and cash matches that which the Post Office say is delivered **[do they get a covering note or stock list with the delivery? If not, how does the sbpmr know what the P.O says is being delivered?]** and enters the details of the remittance into the branch's computer, which is called "remming in"). To prove whether or not the Horizon system had changed anything I suggested that he:

Appreciate of business

- a. firstly print out an end of day snapshot;
- b. remmed in; and then
- c. print out a second snapshot.

I advised that if the 2 computer processors were not communicating, then work done on the second machine would not show up on the summary sheets. However, all the Pensions and Allowances reports and the Giro Bank receipts agreed with the information from the computer, which to me suggested that there was no computer error.

*At some point over  
March 2004 I looked  
at the cash a/c notes  
[ ] + noted that*

**Shortfalls in March 2004**

- 20. In the week ending 3 March 2004 (cash account week 49), Mr Castleton transferred the previous weeks balance to the suspense account. The suspense account then totalled £11,752.78. In addition, the Marine Drive Branch Cash Account showed a further shortage of £3,512.26 (pages 160 to 171). Mr Castleton did not make good this amount.
- 21. In the week ending 10 March 2004 (cash account week 50) the previous week's shortage of £3,512.26 was rolled over and the shortage in the cash account increased to £10,653.11 (pages 172 to 183).
- 22. In the week ending 17 March 2004 (cash account week 51), the Marine Drive Branch showed a shortage in the cash account of £11,210.56 plus a shortage in the suspense account of £11,752.78 (pages 184 to 189).

**Audit on 23 March 2004**

- 23. On 23 March 2004, Helen Rose (nee Hollingworth) of the Post Office carried out an audit of the Marine Drive Branch together with Chris Taylor. The audit concluded that there was a total unauthorised shortfall of £25,758.75 (page 1).
- 24. I arrived at the Marine Drive Branch in the afternoon of 23 March 2004 and took Mr Castleton into the back room to speak to him. I told him that as a precautionary measure, and with his permission, I would like to remove him and his staff from the Marine Drive Branch and to operate the branch with a temporary post master to see how it would balance. I wanted the temporary subpostmaster to retain the same Horizon system that Mr Castleton and his team had been working with to try and keep everything the same. Mr Castleton and his assistant Mrs Train were both angry. Mr Castleton said that he could not wait until the temporary sub postmaster was "thousands short next week" and that "heads will roll" for the distress that he had suffered.
- 25. On the same day, Lesley Joyce (the Post Office's contract manager) wrote to Mr Castleton to confirm that he was suspended as a precautionary measure pending further investigations (page 3).

*(This was  
the first date  
this short fall  
could take place due  
to the way the  
original audit)*

**Events following Mr Castleton's suspension**

26. I asked a very experienced post master, Mrs Ruth Simpson, from the First Lane Post Office in Hull if she would run the Marine Drive Branch on a temporary basis. Mrs Simpson agreed, but was only able to run the Marine Drive Branch for a few weeks as she had other commitments. She opened the Marine Drive Branch on the morning of Wednesday 24 March 2004 and balanced £2.14 short on that night. She brought with her a part time assistant to help out on Mondays. On the close of business on the first Monday (the week ending 31 March 2004), she was £100 short and explained that <sup>she thought this</sup> this was because her assistant had left something in the stack and erroneously paid this amount twice. (The stack is an on screen list of transactions for the individual customer that is being served at the time. Each time a new customer is served, the stack should be cleared so that it starts from zero). A copy of the Cash Account for that week is at pages 196 to 201.

27. I telephoned Mr Castleton to see what his reaction would be. He stated that Mrs Simpson was only using 1 computer rather than 2 as he had done, so it was not a true reflection of how he ran the Marine Drive Branch. He also stated that Mrs Simpson had misbalanced (i.e there was a shortfall of £100). I said that I would speak with Mrs Simpson regarding his concerns. I contacted her and asked her to use both machines. She stated that on a Monday she had 2 people working all day, so 2 machines were used. The rest of the week she was on her own, but logged on to the system with 2 usernames and had 2 machines running, she was serving customers from both machines, remming in on both and putting the lottery cash on both.

28. On the week ending 7 April 2004 (cash account week 02), Mrs Simpson was £19.38 over (pages 202 to 207). We discussed how she was getting on every other day and she would text me to confirm that she was okay. On her next balance for the week ending 14 April 2004 (cash account week 03) she was £10.76 short (pages 208 to 213).

29. On 16 April 2004, I visited the Marine Drive Branch and spoke to Mr Castleton away from the counter. He was distressed. We discussed Mrs Simpson's balancing results. Mrs Train wanted to know where the £100 shortage had gone in Mrs Simpson's first full week and I explained what she had thought. Mrs Train became aggressive and threatening. I said that I felt the balance reflected any normal

*PO + shop  
still open.*

Sub-Post Office. Mr Castleton again stated that it was the computer that was making the losses. I told Mr Castleton that Mrs Simpson would be finishing on Wednesday 21 April 2004 due to other commitments and said that I wanted more time and more balance results and wanted another temporary subpostmaster to take over. Mr Castleton said that he did not wish to go back on the counter as things stood anyway.

30. On the week ending Wednesday 21 April 2004, (cash account week 04) there was a surplus for the week of £0.02 (pages 214 to 219). Mr Greg Booth took over as temporary Sub-Postmaster on the same day. He completed his first week on Wednesday 28 April 2004 and declared a gain of £14.76 (pages 220 to 225).
31. On 23 April, Mr Franks (Mr Castleton's father-in-law) contacted me by telephone to discuss the way in which Mr and Mrs Castleton had been treated. I explained the situation and told him that the suspension was a precaution and that I was hoping that by having a temporary Sub-Postmaster in the office, that if there were any problems with the computer equipment, this would come to light. Mr Franks demanded that Mr Castleton be reinstated immediately. I referred him to the Post Office Head of Area, David Mellows-Facer and told him that I could not agree to reinstate Mr Castleton at the time. I understand that Mr Franks spoke with David Mellows-Facer and asked for a speedy conclusion to the situation. David Mellows-Facer spoke to me and asked me whether Mr Castleton could be interviewed as soon as possible.
32. On 26 April 2004, I wrote to Mr Castleton and stated that there was a shortage of £25,758.75 and that he had reported large, unexplained losses over the preceding 12 weeks. I asked him to explain the reasons why his contract should not be terminated summarily (pages 4 and 5).
33. On 28 April 2004, Mr Castleton replied and queried whether the losses existed or whether they were "a figment of a computer's imagination". He asked me to send to him various documents and information (pages 6 and 9).
34. I contacted the Transactions Processing Department again on 29 April 2004 to see whether there were any outstanding error notices. There was an error for the National Lottery that had yet to be investigated for £125. There had also been an error for cheques that later cleared and did not generate an error notice. There was also an error for an Easy Access Account that had been processed incorrectly.

*to be interviewed  
summary  
reasons*



I contacted Girobank to see whether there were any errors outstanding with them. I asked them to look back to week 43. They looked back as far as week 43 and came forward to week 02. There was a small error of £1.43, but that would not be reported. Everything else was fine.

*↳ small error*

- girobank*
35. Mr Castleton telephoned me on 4 May 2004 and stated that he had found £15,000 of the losses. I asked him where he had found the cash. He stated that the suspense account had doubled the figures. When he had put the cash into the suspense account, although the amount was showing in the suspense account, it was also still showing as a loss in the cash account again the next week. Mr Castleton asked for the suspense account software to be checked. I again contacted the NBSC to request this.
36. To test whether the suspense account was having any effect on the balance, I contacted the temporary Sub-Postmaster, Greg Booth on or around 5 May 2004. I asked him how he was balancing that week on his snapshots. He told me that he had a few pounds over. I told Mr Booth what Mr Castleton had said about the suspense account. I asked Mr Booth to put £100 into the shortages line on the suspense account. First he ran an office snapshot (pages 232 to 233), then he placed the £100 into the account, then he ran a second snapshot (pages 234 and 235) and a suspense account report (236 and 237). During this time, the same Horizon kit was still being used by the assistant. The £100 was in the correct place and the cash figure on the snapshot had changed by £100. This demonstrated that the system worked correctly. I asked Mr Booth to balance with those amounts still in the account. He should balance £100 over. I would then call into the Marine Drive branch on 7 May 2004 and we would take the amount out, to see if the opposite occurred. Mr Booth left me a message on my telephone later that evening to state that he had balanced over, just as we had expected.
37. For the week ending 5 May 2004 (cash account week 06), the Marine Drive branch declared a small gain of £103.11 (pages 226 to 231).
38. On 6 May 2004, I wrote to Mr Castleton and sent to him a copy of an email from Fujitsu and logs of calls to the NBSC and HSH (pages 10 to 20). I also sent to him a copy of the Horizon System User Guide, System Failure Sub-Sections 12 and 13 and a copy of the Audit Report (pages 21 to 37). The email from Andrew Price at the NBSC dated 20 April 2004 to me stated:
- letter written on my biz*



"The PM sent cash account information to NBSC and it was looked at by Andrew Wise, he was unable to find any errors. The only amount questioned was a large amount on the cheques to processing centre which Andrew was able to confirm was a cheque for the purchase of Premium Bonds. The PM was advised there was nothing more we could do and we suggested that he works on a manual system at the side of Horizon to see if any problems were highlighted. Also, when doing the REMS the PM should take a snapshot before and after to see if any problems were occurring when doing a remittance. Andrew Wise and I both feel that the Horizon system is working properly and we are unable to help the PM any further."

39. The email from Julie Welsh, Service Delivery Manager HSH Fujitsu Services stated:

"There is no evidence whatsoever of any system problem... please tell the PM that we have investigated and the discrepancies are caused by the difference between the transactions they have recorded on the system and the cash they have declared, and are not being caused by the software or hardware." (page 42).

40. On 6 May 2004, I also contacted the Transaction Processing Department at Chesterfield again to check whether there were any outstanding errors. Only the easy access error was still showing. I also contacted Mr Castleton by telephone and informed him that I had received his letter and was doing all I could to get him the information he had requested. I said that I would probably not be able to obtain everything that he had asked for.

41. On 7 May 2004, I visited Greg Booth at the Marine drive branch, as arranged. First he ran an office snapshot (pages 238 to 239), then he removed the £100 from the suspense account and ran a second snapshot (pages 240 to 241) and a suspense account report (242 to 243). Again, the cash figure in the snapshot and the suspense account had changed by £100 which demonstrated that the system worked correctly.

#### **Interview with Mr Castleton on 10 May 2004**

42. On 10 May 2004, I interviewed Mr Castleton. Ms Lesley Joyce (Contract Manager) and Mrs Train were also present. A copy of the Minutes of the interview meeting are at pages 43 to 45. At the interview, I explained that it was his opportunity to

for reasons  
spec in  
my letter  
whistle

give any explanation as to why his contract for services should not be terminated. I summarised the events which lead to his suspension on 23 March 2004 due to an unexplained shortage at that time of £25,758.75. During the 12 weeks prior to this audit, the Marine Drive Branch had several large unexplained losses. The figure for cash on the system was not the same as the physical amount of cash at the Marine Drive Branch. Mr Castleton stated that the Horizon system was to blame.

43. I informed Mr Castleton that since he had been suspended, the same Horizon system had remained in place and that there had not been any further complaints about it from the Marine Drive Branch and that the cash account showed no large losses. The Horizon system did crash whilst Mrs Simpson was running the branch, but when she rebooted it, this did not effect the balance. When Mrs Simpson had finished, Mr Booth was appointed as a temporary sub postmaster, and again, he had no problems.

44. Mr Castleton stated that he had not taken any money and that he trusted his staff not to have taken anything. Mr Castleton said that he had asked for 10 pieces of information and I explained that I had only received his letter 2 working days prior to the interview and that I was working on obtaining this.

45. I checked that Mr Castleton understood how the cash account worked with regards to balances and losses and gains and he confirmed he understood it. I then went into detail with balances, error notices, losses etc and the evidence I had with the snapshots and declared cash. I provided all of this information to Mr Castleton, together with a list of the results of the balance.

46. At the end of each day the subpostmaster is supposed to count their cash [*is that right?*], type the details into their computer stating the quantity of each denomination they have and then print a cash declaration [*is this exactly the same thing as the ONCH report?*] to declare the quantity of cash in the tills overnight. I referred Mr Castleton to some of the cash declarations which had been manually altered or written on. Specifically I referred him to week 47 and also the declaration on 12 February 2004 which had a figure of approximately £7,000 written onto the bottom of the cash declaration. Mr Castleton thought it was Mrs Train's writing, but she was not sure. I said this was very important because although the cash account for week 46 showed a loss of £8,243.10, the following snapshots and declared cash did not match. For example:

week ending

*Branch*

(a) The balance snapshot timed at 5.27p.m. on 13 February 2004 (page ) showed that the Marine Drive Branch needed £92,095.36 cash to achieve a perfect balance. The cash declaration shows that the branch had cash of £99,128.40 (page ), an apparent gain of £7,033.44. *me than Horizon they had*

*should have had*

(b) The balance snapshot at 14 February 2004 showed that the Marine Drive Branch needed £95,896.59 to achieve a perfect balance (page ), but the cash declaration showed that it actually had £102,706.10 (page ), an apparent gain of £6,809.51.

(c) The balance snapshot of Monday 16 February 2004 showed that the Marine Drive Branch needed £77,958.28 to achieve a perfect balance (page ), but the cash declaration showed that it had £84,909.54 (page ), an apparent gain of £6,951.26.

(d) The balance snapshot dated Tuesday 17 February 2004 showed that the Marine Drive Branch needed £68,163.08 to achieve a perfect balance (page ), but the cash declaration showed that he actually had £74,939.85 (page ), an apparent gain of £6,776.77.

In other words, according to the cash declarations, the Marine Drive branch had more cash than it required to balance.

47. Crucially, the cash account on Wednesday 18 February 2004 showed that the cash is an exact match for the cash required on the balance. I asked Mr Castleton where the surplus had gone. He had no explanation and stated that it was something to do with Horizon. I gave Mr Castleton other examples where there were shortages in subsequent weeks and that they did not match the snapshot in the cash declaration.

48. I explained to Mr Castleton that the Horizon system is a double entry accounting system and that everything I had checked worked through. The evidence does not support Mr Castleton's theory that the Horizon system went wrong when he entered the stock remittances on to the system.

**Post interview**

49. After the interview, I sent copies of the cash and suspense accounts to Elizabeth Morgan and Davlyn Cumberland in Leeds who were two people very experienced in dealing with the suspense accounts. Neither of them could see anything wrong with the way that the computers were working.
50. On 14 May 2004, I wrote to Mr Castleton to clarify the entries at the top of the final balance that he had queried and to explain why the 2 final balances he had mentioned did not look similar (page 46). I also sent him a copy of the interview notes.

#### **Mr Castleton's dismissal**

51. Mr Castleton did not provide any evidence of a computer problem. All the entries in his cash accounts were double checked. The figure declared for cash on the system did not match the physical amount of cash he had in his office. This showed that there was an actual loss, rather than a computer problem.
52. Mr Castleton denied taking the cash, but he would not take my advice to try individual balancing, or listen to my suggestion that a member of his staff might be taking the money.
53. The Transaction Processing Department at Chesterfield and Girobank have stated that they had no outstanding error notices to issue. Fujitsu Services had checked the software and could not find any problems.
54. Since Mr Castleton had been suspended, the temporary sub postmasters had worked with exactly the same Horizon kit and the balance had continued to be fine each day. In the circumstances, I decided to terminate summarily Mr Castleton's Contract, ~~due to the large unexplained losses that he had failed to make good in breach of his Contract.~~ I wrote to Mr Castleton on 17 May 2004 to confirm that I had decided to terminate summarily the Contract effective from 23 March 2004, the date of his suspension (pages 47 to 48).

*Given Mr C had not  
possible explanation*

#### **Events following Mr Castleton's dismissal**

55. On 23 May 2004, Mr Castleton wrote to me to confirm that he wished to appeal against my decision (page 49). He also stated that he was seeking further information relating to the computer fault. On 1 June 2004 he wrote directly to

David Mellows-Facer for this information (page 50). On 2 June 2004, David Mellows-Facer replied to Mr Castleton (page 51). I understand that Mr Castleton's appeal was dealt with by Mr John Jones, Area Development Manager, which upheld my decision.

56. In the circumstances, I believed (and still believe) that my decision to dismiss Mr Castleton was entirely justified.

**Outstanding indebtedness**

57. At page ( ) is a Former Subpostmasters Accounts Statement of Outstanding Debt. This shows that the outstanding indebtedness (excluding interest) is £25,858.95. I should perhaps clarify that the following error notices were not issued until 24 March 2006, but that they relate to 23 March 2006, when Mr Castleton was still in office.

- (a) £176 of this relates to a lottery charge error (i.e. an error notice against the subpostmaster) (pages ); and
- (b) £75.80 relates to a lottery claim error (i.e. an error notice in favour of the subpostmaster) (pages ).

I believe that the facts stated in this Witness Statement are true.

Signed.....

**GRO**

Dated.....2006



Filed on behalf of the: Claimant/Part 20  
Defendant  
Witness: C OGLESBY  
Statement: 1  
Exhibits: CO 1  
Date made: 06/09/2006

**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  
CATHERINE OGLESBY**

**BOND PEARCE LLP  
Ballard House**



**Solicitors for the Claimant/Part 20  
Defendant**

Filed on behalf of the:	Claimant/Part 20
	Defendant
Witness:	C OGLESBY
Statement:	1
Exhibits:	CO 1
Date made:	06/09/2006

**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 CATHERINE OGLESBY**

This is the Exhibit CO2 referred to in the Witness statement of Catherine Oglesby  
dated

Filed on behalf of the: Claimant  
Witness: Anne Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 22/8/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No. HQ05X02706**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20  
Defendant**

**- and -**

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

**WITNESS STATEMENT OF ANNE CHAMBERS**

I, ANNE CHAMBERS of

**GRO**

**8SN WILL SAY AS FOLLOWS:**

1. I am a System Specialist employed by Fujitsu. I have worked for Fujitsu (previously ICL) since 1978. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by Post Office Limited (**Post Office**). I am responsible for investigation of problems which are, or are suspected to be, caused by software or hardware errors anywhere in the Horizon system. I am authorised by Fujitsu Services to view extractions of audit data held on the Horizon system and to obtain system transaction information from the live Horizon system.
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 "AC1" to this Witness Statement.
3. Any records to which I refer in my statement form part of the records relating to the business of Fujitsu Services. These were compiled during the ordinary course of business from information supplied by persons who have or may reasonably be supposed to have personal knowledge of the matter dealt with in the information

supplied, but are unlikely to have any recollection of the information or cannot be traced. As part of my duties, I have access to these records.

*I have reported my very own item.*

**System Support Centre**

- 4. Calls from Post Masters relating to potential system problems are initially taken and logged by the Horizon System Helpdesk (HSH). Business issues, which include problems with discrepancies when balancing the branch accounts, are expected to be handled in the first instance by the National Business Support Centre (NBSC), run by the Post Office. If these helpdesks are unable to resolve the problem, calls may be passed to the System Support Centre (SSC), the unit in which I work. I have access to much more detailed system information than do the other units.
- 5. My initial involvement with the investigation was on 26<sup>th</sup> February 2004, when call reference e-0402251077 was assigned to SSC (pages ). The call cross-referred several other closed calls at pages, {do they need to be included explicitly here? - We should exhibit them but Andy Dunks can explain them in his statement. Please can you tell me what the calls were you read so we can exhibit them} e-0401280325, e-0401290358, e-0402130267, e-e-0402250454, 0402250553 and so I read those too, to get a better idea of the problems being reported by the branch.
- 6. e-0402251011 Critical event seen @13..00.36 18/02/04 (page ) - the call was raised several days after the event occurred. The Known Error Log entry quoted did not match the specific symptoms of this instance. Upon checking further, I found that hundreds of branches had had the same event at the same time. The cause had already been investigated by another member of the SSC on [insert date and call reference and exhibit call] 18/02/2004 e-0402180803 and was benign. The event would not have been seen by users at the branches, and in no way affected the branch accounts.

**Continuing discrepancies (several calls)**

*if any probs eg things partially entered, they'd show up in the 9 user reports.*

- 7. I checked for any central reconciliation report entries for the branch which might indicate a system problem. Various built in checks occur at the end of each day. For example, the gateway terminal (i.e. the particular computer at the branch through which data is uploaded to the central data centre) will total all the transactions completed on both terminals during the day. The total is transmitted to the central data centre and compared with the total transactions received at the data centre from the branch, to ensure that all transactions recorded at the

*On day I handled call 26/2*

*2 weeks reports, FAD code of what*

branch have reached the data centre. If the gateway terminal is not in communication with the second terminal, the totals are not calculated until communications are restored.

8. Further checks are made when the sub-postmaster has produced the weekly cash account at the end of the financial week – normally Wednesday. The cash account lines are produced by processing the entire week's transactions as recorded at the branch, the paper copies of the cash account are printed, and the electronic copy is sent to the data centre. Each day, the gateway terminal has added up the day's transactions according to where they should appear in the cash account, and summarises them at the end of the week. The data centre also produces a weekly cash account based on all the transactions received from the branch during the week. There are therefore effectively three weekly cash accounts:
  - a) The official branch weekly cash account;
  - b) The branch daily account, summarised at the end of the week; and
  - c) The data centre weekly cash account.

Any differences between any of these will result in one or more reconciliation report entries. Report entries are only produced if there are differences.

9. I found no reconciliation report entries relating to this branch, indicating that all transactions recorded at the branch had reached the data centre and had been included in the official branch cash account. My checks covered at least two weeks prior to the investigation, i.e. weeks 47 and 48.
10. I examined the branch messagestore as at 26<sup>th</sup> February 2004. This contained, among other things, all the transactions completed in the previous 34 days, and any cash, stamp and stock declarations or adjustments made at the branch. I looked primarily at one of the latest financial weeks – I cannot remember now whether I checked week 47 or 48.
11. Cheques were handled correctly as far as the system was concerned. I checked the remittance out of the cheques, which is normally done several times a week, as the sub-postmaster had reported a problem with this on 10<sup>th</sup> February (call reference e-0402130267) (page ). I found that on that one day, the cheque listing report was not cut off after the day's cheques had been remmed out. 'Cut off' involves pressing a button on the system to confirm that you have completed processing of the report, so that when the report is next printed, it will include



only transactions done after the cut-off point. Since the report was not cut off, when next printed, it still included the cheques that had already been despatched. I confirmed that the total value of cheques remmed out of the system equalled the values of cheques received, and so the failure in process did not cause any financial discrepancy.

*If you make 2 declarations*

12. Following up a further point from call reference e-0402130267, I noticed that occasionally, when they declared the cash held in the office at the end of the working day, they did not always use the same declaration identification number. For example if a sub-postmaster uses number 01 and enters £10,000 and then changes their number and uses 11 to record it elsewhere, the system will think that, at that point, the branch has £20,000 whereas it only has £10,000. I checked to make sure this had not been done when they declared the cash at the end of the financial week, and it had not.

*ONCH*

*from the message sheet*

13. I went through the cash elements of transactions day by day and compared them with the overnight cash declarations (ignoring any duplicated declarations as described in paragraph 12 above). I expected to find that the cash holding declared by the sub-postmaster at the end of a day was reasonably close to what he had declared the previous day, adjusted by the value of the cash transactions recorded on the system during the day. For example, if at the end of day 1 he was holding £50,000 cash, and during day 2 recorded transactions showing £6,000 cash received and £5,000 cash paid out, the net cash for the day would be £1,000 received, and so the cash holding at the end of day 2 should be £51,000. The main reason for making this check was to see if I could narrow down the source of the discrepancy to a particular day.

*Also looked in particular to see if there was a link with days when stock was moved in in call 454 he reported this was a problem.*

*days when there was a mistake*

14. I was surprised to discover that at the end of each day, the cash the branch declared in the drawer was tens, hundreds or thousands of pounds astray from what they had recorded on the system. This meant that it was possible that the sub-postmaster was not accurately recording all transactions on the system at the time the cash was physically being put into or taken out of the till. This is not necessarily a problem, as long as everything is entered and declared correctly by the end of the financial week, but does suggest that they are not working accurately, and it meant I could not link the weekly loss to any particular day.

*(combined up sometimes down)*

15. There was no evidence whatsoever of any system problem, but the continuing losses and calls suggested they needed some business assistance. I therefore contacted a colleague, Julie Welsh, in Fujitsu Customer Services, and asked her to

inform Post Office (page ). I updated the call with a summary of my investigation and returned it to HSH, requesting they contact the sub-postmaster and explain that we had investigated and the discrepancies were caused by the difference between the transactions they had recorded on the system and the cash they declared, and were not being caused by the software or hardware. I was unable to identify any basis upon which the Horizon system could be causing the losses.

**Conclusion**

- 16. There are no reasonable grounds for believing that the information recorded and stored on the Horizon system would subsequently become inaccurate because of improper use of the computer terminal. To the best of my knowledge and belief, during the material time, the Horizon system was operating properly at the Marine Drive branch or if not, any respect in which it was not operating properly was not such as to affect the production of cash account or audit record, or accuracy of their contents.

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

Signed .....

**GRO**

Date .....

I had examined spec issues raised did not appear to be easily inaccuracies not repeatable to discrepancy cash bank couldn't take it any further no explanation I could find to link shortfalls to spec issues I did.

Filed on behalf of the: Claimant  
Witness: Anne Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 22/8/06

Claim No. HQ05X02706

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BETWEEN:

POST OFFICE LIMITED

Claimant/Part 20  
Defendant

- and -

LEE CASTLETON

Defendant/Part 20  
Claimant

WITNESS STATEMENT OF ANNE  
CHAMBERS

BOND PEARCE LLP

**GRO**

Solicitors for the Claimant/Part 20  
Defendant

Filed on behalf of the: Claimant  
Witness: A Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 22/8/06

IN THE HIGH COURT OF JUSTICE  
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Claim No.

BETWEEN:

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- and -

LEE CASTLETON

Defendant/Part  
20 Claimant

EXHIBIT "AC1"

This is the Exhibit marked "AC1" referred to in the Witness Statement of Anne  
Chambers dated August 2006.

DRAFT





3. An important element of the support provided to subpostmasters and Counter Clerks is the Horizon System Helpdesk (**HSH**). The HSH is the Horizon user's first 'port of call' in the event of their experiencing a problem with the Horizon system or requiring advice and guidance. If the system were to malfunction, upon discovery the Horizon users (i.e. the sub-postmaster or counter clerk) would raise a call to the HSH seeking clarification or advice. HSH is a service run by Fujitsu for the Post Office. I have been asked to provide details and information on the calls for advice and guidance logged by HSH recorded during the period 1 December 2003 to 23 April 2004 for the 14 Marine Drive South, Bridlington Post Office - FAD (Financial Accounting Division) Code 213337 (**the Marine Drive branch**)
4. I have reviewed the HSH calls pertaining to the Marine Drive branch and during the period 1 December 2003 to 23 April 2004 there were 23 calls from the Marine Drive branch to HSH (5 of which occurred after 23 March 2004 when I am informed that Mr Castleton was suspended). I am of the opinion that none of these calls relate to faults which would have had an effect on the integrity of the information held on the system. Details and an overview of the calls are given in date order below:

#### **HSH Call Logs**

5. **9 December 2003, 9.54am, call reference e-0312090261** The sub-postmaster had a power blip following which, the keyboard was not accepting the PMMC card, which is used by sub-postmasters to log onto their terminal. The Post Master was advised to reboot his terminal. He rebooted, inserted his PMMC/pin and was happy to continue. The call was then closed.
6. **20 January 2004, 2.05pm, call reference e-0401200574** - this is a log simply to record that there was an ASDL update from ISDN [*please explain what ASDL and ISDN stand for*]. This was a scheduled visit to the Marine Drive branch to install broadband. The upgrade was completed, but the broadband was not turned on at that time.
7. **28 January 2004, 11.13am, call reference e-0401280325** - the call was taken by Dane Meah at HSH from the caller who stated that there were discrepancies going through the system for three weeks in a row. The caller was advised that the problem would need to be thoroughly investigated by the National Business Support Centre (**NBSC**) before the issue could be investigated

because a software problem and the caller was transferred to the NBSC and the call closed.

8. **29 January 2004, 10.26am, call reference e-04012903568** – a call was taken by Mary Rainbow at HSH. The sub-postmaster reported that he was having problems on his system connected to remittances (REMs). The Sub-postmaster has to enter a remittance when he receives a delivery of new stock. He stated that every time he entered in the new stock, it left him with a discrepancy. The Sub Post master was transferred to the NBSC, since this was a business issue and the call was closed.
9. **2 February 2004, 8.49am, call reference e-0402020111** – Ben Horseman at HSH took a call from Cath at NBSC who stated that terminal (node) 2 had failed to initialise and that he also has "operational integrity violation has been detected" and "unable to connect to the repost service". The sub-postmaster was advised that he would be called back whilst the counter is reviewed. Both counters had been upgraded with ADSL (Broadband). The Sub-postmaster called back at 9.18am and was advised to reboot. It was recommended that an engineer swap or adjust the base unit on terminal 2. At approximately 3.30am, the PCs do a refresh [*what does this mean?*] and occasionally this can cause an installation failure. An un-operational integrity violation points to a refresh not starting up properly. An engineer was sent out to sort out the base unit and node. The engineer arrived on site at 1.30pm, replaced the node and the call was closed.
10. **13 February 2004, 10.41am, call reference e-0402130261** – call was taken by John Lockyear at HSH. The sub-postmaster had stated that he had a rem issue and this was referred to NBSC. The call was then closed.
11. **13 February 2004, 10.46am, call reference e-0402130267** – this call was taken by Tony Law at HSH, referred from Marie at NBSC. The sub-postmaster had stated that his system was doubling up cash declarations and cutting off cheques, yet they still apparently appeared the next day. NBSC advised that they had checked that he was cutting everything off properly and that the catch figures were being done correctly. The sub-postmaster had insisted on a system check being carried out. He said that the problem had been happening for five weeks and that every time stock had been remmed in, they had a loss that night. The sub-postmaster also stated that the cheques he had recorded on the 10<sup>th</sup> were showing on the 11<sup>th</sup> February as well.

12. The call was escalated to Heather Dryden at HSH. As a sub-postmaster is supposed to send cheques to the EDS Processing Centre each evening, the next day you would expect to see the cheque figures cleared to zero on the Horizon system. The sub-postmaster, initially stated that this had happened more than once, but when Heather went through his cheques, it had happened just the once. It appears that the sub-postmaster forgot to cut off and the cheque listing had two days worth of cheques in it. There is no option to cut off retrospectively ie if the sub-postmaster reveals that he has not cut off the previous days cheques, they will show up the next day and a failure to cut off previously cannot be corrected later. However, the point is that the system will not put the cheques in the balance and process them twice. It will reconcile each cheque against the transaction.
13. **16 February 2004, 8.32am, call reference e-0402160081** – David Lawrence at HSH took a call from Marie at NBSC. The sub-postmaster had called NBSC to state that both his terminals were at Post Office Log On (**POLO**), but were rebooting ok subsequently. The call was therefore closed.
14. **16 February 2004, 11.12am, call reference e-0402160628** – Tony Law took a call from Pat at NBSC. The sub-postmaster had stated that he needed an OBCS check. This is the bar code reader that each sub-postmaster has at their terminal and was used for pension books. The OBCS was checked and the results given [*do we know what the result was?*]. The call was then closed.
15. **25 February 2004, 11.03am, call reference e-0402250454** – A call was taken by Mary Rainbow. The clerk reported that they had been having problems on the system with balancing that week, which seemed to be related to stock being remmed in through the week. The clerk reported that over the past 7 weeks, they have had losses every week and at one point they had a problem with cash on hand, but they found that this was an issue with ID numbers that had been resolved. The clerk also reported that last week when they rolled over they put a loss into the suspense account and then took the computer terminal back to the trial balance which came out with a zero net discrepancy to start the new week with. The clerk reported that she had printed out a balance snapshot on Monday and that looked OK, but since then they had remmed in some stock which appears to have given them a loss.

16. The clerk was advised that she would need to check her stock position for last week and then check her rems in summary. This would show the stock that she should be holding and that figure could be compared with the stock showing in the adjust stock [*what does this mean?*] and this would highlight any problems with the stock on hand. The clerk was advised that we would need her to take her computer terminal to trial balance this evening and come back to us before she rolls over so that we can take down any details she can give us. The clerk confirmed that they are working on a shared stock unit and would call back if further assistance was required. The balance sheet would show the old discrepancy until they can do a trial balance. The call was then closed.
17. **25 February 2004, 12.03pm, call reference e-0402250553** – a call was taken by Robert Congerton. [*Is he at the NBSC?*]. The clerk had told the NBSC she had problems regarding the balance. The NBSC were advised that HSH had told the PM to call back tonight when they had a net discrepancy on the cash account. The call was then closed.
18. **25 February 2004, 12.12pm, call reference e-0402250565** – Call was taken by Nicola Goodson at HSH. Jane at the NBSC had a call in relation to a call that had been closed.
19. **25 February 2004, 4.56pm, call reference e-0402251011**- Call was taken by Niall Vincent, because a critical event was seen stating "error message. An error has occurred = see the audit log". This call was not generated by the sub-postmaster calling the help desk, but by the System Management Centre (SMC) which automatically triggers a call when there is an unusual event. The call was referred to the System Support Centre (SSC), so the SMC closed their call. The term critical is the comparative level of attention required to generate remedial action. It refers to the level of attention required on a grading system for example critical high level of attention or warning would be medium level of attention.
20. **25 February 2004, 5.33pm, call reference e-0402251077** – Call was taken by Kuljinder Bhachu at HSH. The sub-postmaster reported that the branch was getting large discrepancies for the past few weeks. The closed calls were reviewed and it was noted that a number of calls had been logged regarding discrepancies and that the NBSC had been in contact with the sub-postmaster could not find any user error. Kuljinder spoke to Sandra at NBSC. They checked the Tivoli events and the system appeared to be OK. Given that a critical event had been noted earlier that day, the event logs were downloaded for review. The



sub-postmaster advised that the problem had started ever since the BT engineer came to move the BT box for preparation for the installation of the ADSL. Kuljinder recommended that SSC investigate why the sub-postmaster is experiencing large discrepancies. A known error log (KEL) reference was given and the problem was re-assigned within HSH to group EDSC1 [*what does this stand for?*]. At this point Anne Chambers of SSC investigated the matter. I note from the log that she found that there was no evidence whatsoever of any system problem.

21. **4 March 2004, 8.42am, call reference e-0403040165** – A call was taken by Hayley Minnis, a HSH retail line manager. The caller reported discrepancies in the office and was advised to speak to NBSC about this, since it was not a HSH issue. The call was then closed.
22. **4 March 2004, 11.28am, call reference e-0403040524**- A call was taken by Elspeth Neilson. The sub-postmaster's line manager stated that the sub-postmaster was getting large discrepancies. They were advised that the discrepancies are caused by the difference between the transactions they have recorded on the system and the cash they have declared and are not being caused by the software or hardware. The call was then closed.
23. **23 March 2004, 11.44pm, call reference e-0403230583** – Call was taken by Jacqueline Wilcock at HSH. The auditor wanted to know when the base unit had been exchanged at the Marine Drive branch. They were advised that it was exchanged on 2 February 2004. The call was then closed.
24. **23 March 2004, 2.20pm, call reference e-0403230628** – Call was taken by David Dawe at HSH. Brett from the NBSC asked for a One Shot Password (OSP) for the auditor. An OSP is issued so that the auditor can log on to the sub-postmaster's system. An OSP was given and the call was closed.
25. **1 April 2004, 12.45pm, call reference e-0404010718** – A call was taken by Adam Goldstein at HSH. The new sub-postmaster stated that the screen had frozen. A check was carried out which showed the events were normal [*what does this mean?*] and the sub-postmaster was advised to reboot. The call was then closed.



26. **19 April 2004, 9.57am, call reference e-0404190387** – A call was taken by Elspeth Neilson at HSH. The Retail Line Manager (RLM) stated that there had been discrepancies on the system since the base unit was swapped in February and wanted to know why. The RLM was advised that events appeared to be normal and that a health check had been passed. The sub-postmaster was happy to continue unassisted. The RLM stated that the new sub-postmaster had been in the office and there had not been any discrepancies in the balance. The RLM was advised to contact NBSC for advice on balancing. The call was closed.
27. **21 April 2004, 9.10am, call reference e-0404210187** – A call was taken by David Dawe. The sub-postmaster stated that the gateway was saying to enter the PMMC and that the screen had been blue for 10 minutes. The sub-postmaster had to wait for the screen to clear. The sub-postmaster was told to wait for 20 minutes and as that screen was normal and the sub-postmaster was told to call back if this had not changed within the next 20 minutes. The call was then closed.
28. **21 April 2004, 1.32pm, call reference e-0404210701** – A call was taken from Bernard Michael at SMC. This was an SMC call and related to a software upgrade. It was when ADSL (broadband), that had been installed in 20 January 2004, was actually switched on. The call was then closed once the switch over to ADSL had been successful.
29. **23 April 2004, 3pm, call reference e-0404230660** – A call was taken by Jason Lockyear. The sub-postmaster wanted to know if he could get a list of his calls and of software. The sub-postmaster was advised to contact NBSC for a full list and the call was then closed.

#### Conclusion

30. I should add that this area is not my particular area of expertise. I have a general knowledge of these procedures and have made the comments above to aid the court. ***Do you feel able to say this:*** On the basis of my overview of the call logs there does not appear to be any reasonable grounds for believing that the information stored on the Horizon system would be inaccurate because of improper use of the computer terminal.

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

Signed .....

**GRO**

Date .....

DRAFT

Filed on behalf of the: Claimant  
Witness: Andrew Paul Dunks  
Statement: 1  
Exhibits: "APD1"  
Date made: 22/8/06

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WITNESS STATEMENT OF ANDREW  
PAUL DUNKS

BOND PEARCE LLP

**GRO**

Solicitors for the Claimant/Part 20  
Defendant

Filed on behalf of the: Claimant  
Witness: A P Dunks  
Statement: 1  
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**EXHIBIT "APD1"**

This is the Exhibit marked "AD1" referred to in the Witness Statement of Andrew Paul Dunks dated August 2006.

**DRAFT**

Filed on behalf of the: Claimant  
Witness: Ann Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 22/8/06

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**WITNESS STATEMENT OF ANNE CHAMBERS**

**I, ANNE CHAMBERS of Fujitsu Services,  
GRO WILL SAY AS FOLLOWS:**

**GRO**

1. I am a System Specialist employed by Fujitsu. I have worked for Fujitsu (previously ICL) since 1978. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by Post Office Limited (**Post Office**). I am responsible for investigation of problems which are, or are suspected to be, caused by software or hardware errors anywhere in the Horizon system. I am authorised by Fujitsu Services to view extractions of audit data held on the Horizon system and to obtain system transaction information from the live Horizon system.
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supplied, but are unlikely to have any recollection of the information or cannot be traced. As part of my duties, I have access to these records.

#### **System Support Centre**

4. Calls from Post Masters relating to potential system problems are initially taken and logged by the Horizon System Helpdesk (**HSH**). Business issues, which include problems with discrepancies when balancing the branch accounts, are expected to be handled in the first instance by the National Business Support Centre (**NBSC**), run by the Post Office. If these helpdesks are unable to resolve the problem, calls may be passed to the System Support Centre (**SSC**), the unit in which I work. I have access to much more detailed system information than do the other units.
5. My initial involvement with the investigation was on 26<sup>th</sup> February 2004, when call reference e-0402251077 was assigned to SSC (pages ). The call cross-referred several other closed calls, *{do they need to be included explicitly here?}* and so I read those too, to get a better idea of the problems being reported by the branch.
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#### **Continuing discrepancies (several calls)**

7. I checked for any central reconciliation report entries for the branch which might indicate a system problem. Various built in checks occur at the end of each day. For example, the gateway terminal (i.e the particular computer at the branch through which data is uploaded to the central data centre) will total all the transactions completed on both terminals during the day. The total is transmitted to the central data centre and compared with the total transactions received at the data centre from the branch, to ensure that all transactions recorded at the branch have reached the data centre. If the gateway terminal is not in communication with the second terminal, the totals are not calculated until communications are restored.

8. Further checks are made when the sub-postmaster has produced the weekly cash account at the end of the financial week – normally Wednesday. The cash account lines are produced by processing the entire week's transactions as recorded at the branch, the paper copies of the cash account are printed, and the electronic copy is sent to the data centre. Each day, the gateway terminal has added up the day's transactions according to where they should appear in the cash account, and summarises them at the end of the week. The data centre also produces a weekly cash account based on all the transactions received from the branch during the week. There are therefore effectively three weekly cash accounts:

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10. I examined the branch messagestore as at 26<sup>th</sup> February 2004. This contained, among other things, all the transactions completed in the previous 34 days, and any cash, stamp and stock declarations or adjustments made at the branch. I looked primarily at one of the latest financial weeks – I cannot remember now whether I checked week 47 or 48.

11. Cheques were handled correctly as far as the system was concerned. I checked the remittance out of the cheques, which is normally done several times a week, as the sub-postmaster had reported a problem with this on 10<sup>th</sup> February (call reference e-0402130267) (page ). I found that on that one day, the cheque listing report was not cut off after the day's cheques had been remmed out. 'Cut off' involves pressing a button on the system to confirm that you have completed processing of the report, so that when the report is next printed, it will include only transactions done after the cut-off point. Since the report was not cut off, when next printed, it still included the cheques that had already been despatched. I confirmed that the total value of cheques remmed out of the system equalled

the values of cheques received, and so the failure in process did not cause any financial discrepancy.

12. Following up a further point from call reference e-0402130267, I noticed that occasionally, when they declared the cash held in the office at the end of the working day, they did not always use the same declaration identification number. For example if a sub-postmaster uses number 01 and enters £10,000 and then changes their number and uses 11 to record it elsewhere, the system will think that, at that point, the branch has £20,000 whereas it only has £10,000. I checked to make sure this had not been done when they declared the cash at the end of the financial week, and it had not.
13. I went through the cash elements of transactions day by day and compared them with the overnight cash declarations (ignoring any duplicated declarations as described in paragraph 12 above). I expected to find that the cash holding declared by the sub-postmaster at the end of a day was reasonably close to what he had declared the previous day, adjusted by the value of the cash transactions recorded on the system during the day. For example, if at the end of day 1 he was holding £50,000 cash, and during day 2 recorded transactions showing £6,000 cash received and £5,000 cash paid out, the net cash for the day would be £1,000 received, and so the cash holding at the end of day 2 should be £51,000. The main reason for making this check was to see if I could narrow down the source of the discrepancy to a particular day.
14. I was surprised to discover that at the end of each day, the cash the branch declared in the drawer was tens, hundreds or thousands of pounds astray from what they had recorded on the system. This meant that it was possible that the sub-postmaster was not accurately recording all transactions on the system at the time the cash was physically being put into or taken out of the till. This is not necessarily a problem, as long as everything is entered and declared correctly by the end of the financial week, but does suggest that they are not working accurately, and it meant I could not link the weekly loss to any particular day.
15. There was no evidence whatsoever of any system problem, but the continuing losses and calls suggested they needed some business assistance. I therefore contacted a colleague, Julie Welsh, in Fujitsu Customer Services, and asked her to inform Post Office. I updated the call with a summary of my investigation and returned it to HSH, requesting they contact the sub-postmaster and explain that we had investigated and the discrepancies were caused by the difference between

the transactions they had recorded on the system and the cash they declared, and were not being caused by the software or hardware.

**Conclusion**

16. There are no reasonable grounds for believing that the information recorded and stored on the Horizon system would subsequently become inaccurate because of improper use of the computer terminal. To the best of my knowledge and belief, during the material time, the Horizon system was operating properly at the Marine Drive branch or if not, any respect in which it was not operating properly was not such as to affect the production of cash account or audit record, or accuracy of their contents.

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

Signed .....

**GRO**

Date .....

DRAFT

Filed on behalf of the: Claimant  
Witness: Ann Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 22/8/06

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

WITNESS STATEMENT OF ANN  
CHAMBERS

BOND PEARCE LLP

**GRO**

Solicitors for the Claimant/Part 20  
Defendant



Filed on behalf of the: Claimant  
Witness: A Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 22/8/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No.**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20  
Defendant**

**- and -**

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

**EXHIBIT "AC1"**

This is the Exhibit marked "AC1" referred to in the Witness Statement of Ann Chambers dated August 2006.

**DRAFT**

Filed on behalf of the: Claimant  
Witness: Ann Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 22/8/06

IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION

Claim No. HQ05X02706

BETWEEN:

POST OFFICE LIMITED

Claimant/Part 20  
Defendant

- and -

LEE CASTLETON

Defendant/Part  
20 Claimant

WITNESS STATEMENT OF ANNE CHAMBERS

I, ANNE CHAMBERS of Fujitsu Services,  
8SN WILL SAY AS FOLLOWS:

GRO

1. I am a System Specialist employed by Fujitsu. I have worked for Fujitsu (previously ICL) since 1978. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by Post Office Limited (Post Office). I am responsible for investigation of problems which are, or are suspected to be, caused by software or hardware errors anywhere in the Horizon system. I am authorised by Fujitsu Services to view extractions of audit data held on the Horizon system and to obtain system transaction information from the live Horizon system.
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 "AC1" to this Witness Statement.
3. Any records to which I refer in my statement form part of the records relating to the business of Fujitsu Services. These were compiled during the ordinary course of business from information supplied by persons who have or may reasonably be supposed to have personal knowledge of the matter dealt with in the information

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supplied, but are unlikely to have any recollection of the information or cannot be traced. As part of my duties, I have access to these records.

System Support Centre

4. Calls from Post Masters relating to potential system problems are initially taken and logged by the Horizon System Helpdesk (HSH). Business issues, which include problems with discrepancies when balancing the branch accounts, are expected to be handled in the first instance by the National Business Support Centre (NBSC), run by the Post Office. If these helpdesks are unable to resolve the problem, calls may be passed to the System Support Centre (SSC), the unit in which I work. I have access to much more detailed system information than do the other units.

5. My initial involvement with the investigation was on 26<sup>th</sup> February 2004, when call reference e-0402251077 was assigned to SSC. The call cross-referred several other closed calls. *{do they need to be included explicitly here?}* and so I read those too, to get a better idea of the problems being reported by the branch.

6. e-0402251011 Critical event seen @13.00.36 18/02/04 - the call was raised several days after the event occurred. The Known Error Log entry quoted did not match the specific symptoms of this instance. Upon checking further, I found that hundreds of branches had had the same event at the same time. The cause had already been investigated by another member of the SSC and was benign *{I can provide a call reference and copy of the call if required}*. The event would not have been seen by users at the branches, and in no way affected the branch accounts.

Continuing discrepancies (several calls)

7. I checked for any central reconciliation report entries for the branch which might indicate a system problem. Various built in checks occur at the end of each day. For example, the gateway terminal will total all the transactions completed on both terminals during the day. The total is transmitted to the central data centre and compared with the total transactions received at the data centre from the branch, to ensure that all transactions recorded at the branch have reached the data centre. If the gateway terminal is not in communication with the second terminal, the totals are not calculated until communications are restored.

*(i.e. the particular computer at the branch through which data is transmitted is uploaded to the central data centre)*

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¶  
4. An important element of the support provided to subpostmasters and Counter Clerks is the Horizon System Helpdesk (HSH). The HSH is the Horizon user's first 'port of call' in the event of their experiencing a problem with the Horizon system or requiring advice and guidance. If the system were to malfunction, upon discovery Horizon users (Post Master, Counter Clerk) would raise a call to the HSH seeking clarification or advice. Comprehensive processes and procedures exist to manage the receipt, analysis and final disposition of calls made to the HSH. All calls to the HSH are captured by the Audit Server and stored as part of the overall Audit Trail. HSH is a service run by Fujitsu for the Post Office.¶

¶  
5. The Post Office also provides a service to subpostmasters and Counter Clerks called the National Business Support Centre (NBSC). This has a helpline which subpostmasters can call to try to resolve any business related queries.¶

... [1]

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8. Further checks are made when the sub-postmaster has produced the weekly cash account at the end of the financial week - normally Wednesday. The cash account lines are produced by processing the entire week's transactions as recorded at the branch, the paper copies of the cash account are printed, and the electronic copy is sent to the data centre. Each day, the gateway terminal has added up the day's transactions according to where they should appear in the cash account, and summarises them at the end of the week. The data centre also produces a weekly cash account based on all the transactions received from the branch during the week. There are therefore effectively three weekly cash accounts:

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- a) The official branch weekly cash account;
- b) The branch daily account, summarised at the end of the week; and
- c) The data centre weekly cash account.

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Any differences between any of these will result in one or more reconciliation report entries. Report entries are only produced if there are differences.

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9. I found no reconciliation report entries relating to this branch, indicating that all transactions recorded at the branch had reached the data centre and had been included in the official branch cash account. My checks covered at least two weeks prior to the investigation, i.e. weeks 47 and 48.

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10. I examined the branch messagstore as at 26<sup>th</sup> February 2004. This contained, among other things, all the transactions completed in the previous 34 days, and any cash, stamp and stock declarations or adjustments made at the branch. I looked primarily at one of the latest financial weeks - I cannot remember now whether I checked week 47 or 48.

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(page)

11. Cheques were handled correctly as far as the system was concerned. I checked the remittance out of the cheques, which is normally done several times a week, as the sub-postmaster had reported a problem with this on 10<sup>th</sup> February (call reference e-0402130267). I found that on that one day, the cheque listing report was not cut off after the day's cheques had been remmed out. 'Cut off' involves pressing a button on the system to confirm that you have completed processing of the report, so that when the report is next printed, it will include only transactions done after the cut-off point. Since the report was not cut off, when next printed, it still included the cheques that had already been despatched. I confirmed that the total value of cheques remmed out of the system equalled the values of cheques received, and so the failure in process did not cause any financial discrepancy.

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12. Following up a further point from call reference e-0402130267, I noticed that occasionally, when they declared the cash held in the office at the end of the working day, they did not always use the same declaration identification number. For example if a sub-postmaster uses number 01 and enters £10,000 and then changes their number and uses 11 to record it elsewhere, the system will think that, at that point, the branch has £20,000 whereas it only has £10,000. I checked to make sure this had not been done when they declared the cash at the end of the financial week, and it had not.

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13. I went through the cash elements of transactions day by day and compared them with the overnight cash declarations (ignoring any duplicated declarations as described in paragraph 12 above). I expected to find that the cash holding declared by the sub-postmaster at the end of a day was reasonably close to what he had declared the previous day, adjusted by the value of the cash transactions recorded on the system during the day. For example, if at the end of day 1 he was holding £50,000 cash, and during day 2 recorded transactions showing £6,000 cash received and £5,000 cash paid out, the net cash for the day would be £1,000 received, and so the cash holding at the end of day 2 should be £51,000. The main reason for making this check was to see if I could narrow down the source of the discrepancy to a particular day.

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b) Transaction; and¶  
c) A system cash figure which should be close to the actual cash holding.¶

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14. I was surprised to discover that at the end of each day, the cash the branch declared in the drawer was tens, hundreds or thousands of pounds astray from what they had recorded on the system. This meant that it was possible that the sub-postmaster was not accurately recording all transactions on the system at the time the cash was physically being put into or taken out of the till. This is not necessarily a problem, as long as everything is entered and declared correctly by the end of the financial week, but does suggest that they are not working accurately, and it meant I could not link the weekly loss to any particular day.

15. There was no evidence whatsoever of any system problem, but the continuing losses and calls suggested they needed some business assistance. I therefore contacted a colleague, Julie Welsh, in Fujitsu Customer Services, and asked her to inform Post Office. I updated the call with a summary of my investigation and returned it to HSH, requesting they contact the sub-postmaster and explain that we had investigated and the discrepancies were caused by the difference between the transactions they had recorded on the system and the cash they declared, and were not being caused by the software or hardware.

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¶  
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**Conclusion**

16. There are no reasonable grounds for believing that the information recorded and stored on the Horizon system would ~~be~~ subsequently become inaccurate because of improper use of the computer terminal. To the best of my knowledge and belief, during the material time, the Horizon system was operating properly at the Marine Drive branch or if not, any respect in which it was not operating properly was not such as to affect the production of cash account or audit record, or accuracy of their contents.

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

Signed .....

GRO

Date .....

DRAFT

Deleted: 31. 4 March 2004, 8.42am, call reference e-0403040165 - A call was taken by Hayley Minnis, a HSH retail line manager. The caller reported discrepancies in the office and was advised to speak to NBSC about this, since it was not a HSH issue. The call was then closed.¶

¶  
32. 4 March 2004, 11.28am, call reference e-0403040524- A call was taken by Elspeth Neilson. The sub-postmaster's line manager stated that the sub-postmaster was getting large discrepancies. They were advised that the discrepancies are caused by the difference between the transactions they have recorded on the system and the cash they have declared and are not being caused by the software or hardware. The call was then closed. ¶

¶  
33. 23 March 2004, 11.44pm, call reference e-0403230583 - Call was taken by Jacqueline Wilcock at HSH. The auditor wanted to know when the base unit had been exchanged at the Marine Drive branch. They were advised that it was exchanged on 2 February 2004. The call was then closed. ¶

¶  
34. 23 March 2004, 2.20pm, call reference e-0403230628 - Call was taken by David Dawe at HSH. Brett from the NBSC asked for a One Shot Password (OSP) for the auditor. An OSP is issued so that the auditor can log on to the sub-postmaster's system. An OSP was given and the call was closed.¶

¶  
35. 1 April 2004, 12.45pm, call reference e-0404010718 - A call was taken by Adam Goldstein at HSH. The new sub-postmaster stated that the screen had frozen. A check was carried out which showed the events were normal [*what does this mean?*] and the ... [4]

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Filed on behalf of the: Claimant  
Witness: Ann Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 22/8/06

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

WITNESS STATEMENT OF ANN  
CHAMBERS

BOND PEARCE LLP

**GRO**

Solicitors for the Claimant/Part 20  
Defendant

Filed on behalf of the: Claimant  
Witness: A Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 22/8/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No.**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20  
Defendant**

**- and -**

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

**EXHIBIT "AC1"**

This is the Exhibit marked "AC1" referred to in the Witness Statement of Ann Chambers dated August 2006.

**DRAFT**

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 11/8/06

IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION

Claim No. HQ05X02706

BETWEEN:

POST OFFICE LIMITED Claimant/Part 20  
Defendant  
- and -  
LEE CASTLETON Defendant/Part  
20 Claimant

WITNESS STATEMENT OF ANDREW WISE

I, ANDREW WISE, of Human Resources, GRO  
GRO WILL SAY AS FOLLOWS:

1. I am currently a Training Manager employed by Post Office Limited (the Post Office). I have worked for the Post Office since 1999. I am responsible for training sub-postmasters and branch counter staff and co-ordinating national training issues. From May 2001 to November 2004, I was a postal officer at the National Business Support Centre (NBSC). However due to my experience and knowledge, I was often asked to stand in as a team leader. My responsibilities included those of a service support advisor involved in answering calls which were generally more complex than the first tier of calls that sub-postmasters make NBSC. Prior to that, I was a Horizon field support officer from 1999 to 2001 and prior to that I spent 8 years as a counter clerk. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by the Post Office.

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 "AW1" to this Witness Statement.

National Business Support Centre //

*on Horizon*  
*Set at incident para 76*

- The Post Office provides a service to sub-postmasters and clerks called the NBSC, which is a helpline they can call to try to resolve business related queries.
- There are two tiers of service support at NBSC. Tier one is essentially customer services and is a separate entity. Tier two is run by the Post Office and is for calls that tier one are unable to deal with. I understand that an individual at tier one could take approximately 2,000 calls each day **[is it correct to say that an individual will take 2,000 calls per day or that tier one overall will take 2,000 per day]** and at tier two, an individual could take approximately 30 calls each day. Basically a sub-postmaster would call the NBSC telephone number, select the options to get through to tier one and then explain their problem. It may be a pre-recorded standard response, but if there is none available, the sub-postmaster could get put through to tier two. A lot of time on tier two is spent prompting sub-postmasters and clerks to double check information they should have been checking any way.

**Double entry accounting and daily reporting procedures**

*daily and weekly reporting*  
*I have been asked to explain what Horizon is and the procedures that sub-postmasters must go through each adhere to*

- The counter positions in the post office branches each have a computer terminal, a touch sensitive screen, a keyboard, barcode scanner and printer. Once a clerk logs on, any transactions they perform are recorded and entered into the computer. *The system computer system is called Horizon.*
- Post Office branches operate double entry accounting. Every transaction recorded by the clerk on to their computer has a corresponding physical document, such as a TV license counter foil, savings bank deposit and withdrawal slips or cheques.
- A summary of the prescribed daily procedures that sub-postmasters must follow is at pages 1 to 2. This includes the following:

TV Licenses - Non Barcode

- Each day the sub-postmaster must enter details on the green daily summary form P5744 which is retained at the branch. They have to print a daily report and check that the totals of the counter foils agree with that report. If they do, they cut off the report on the computer to reset it to zero for the next day. They then paperclip together none barcoded TV and non barcoded over 75 counter foils and send them to the counter foils EDS Processing Centre.

*[Was this the system in place at the time? Does the daily report info come from Horizon?]*

*bcdl, talia*

*[Did they send them to EDS at the time? For cheques, I understand the migration to EDS took place around Feb 2004.]*

*bcdl, talia*



Personal Banking

9. The sub-postmaster has to print a report each day and check that the totals on the print out agree with the documents to hand (whether cash deposit, cheque deposit envelope or encashment cheques) if the totals agree, they then have to cut off the report so that it resets for the next day, paperclip the cash deposit slips, check deposit envelopes and then encashed cheques together and place in the envelope to go to the EDS Processing Centre.

// Cheques, Giro bank deposits and Savings Bank

10. The sub-postmaster then goes through a similar daily procedure for cheques, giro bank deposits and withdrawals, daily cash declaration and Savings Bank Deposits and Withdrawals ie for each of these, the sub-postmaster has to print a report, check that the cheques, giro slips, cash or other documents agree with the report, paperclip the documents together and send them to the EDS Processing Centre.

relevant such as giro bank etc. EDS Processing Centre. // [Andrew, would you feel qualified to be able to summarise what happened to these docs once they arrived at Transaction Processing?]

**Weekly Balance Procedure**

11. Each week the sub-postmaster has to go through a balancing procedure. **[Is this something they do weekly or daily or both?]** A summary of this procedure is at pages 3 to 6. Firstly, they have to check outstanding transaction corrections, which must be resolved before the end of the week's trading period. **[what is a Transaction Correction? Is a trading period from week to week or do you mean each day?]**

held .kalis & whole set type circled.

12. They then have to complete the counter daily reports **[are those the reports that are mentioned above or are they something else? What are the daily reports? And what do they look like?]** They then have to complete counter weekly reports **[what are these and what do they look like and what information do they contain?]** They are then encouraged to print a balance snapshot and use that to check against the actual stock in their branch, to ensure that the system held stock figures matches the actual stock holdings in their branch. They also have to check all receipt and payment transaction totals with the supporting vouchers/documentation. There are ways in which they can amend any stock discrepancies. They then have to print the mandatory office weekly reports **[what are these?]**.

and counter weekly

weekly reports

in their branch

13. The sub-postmaster then completes all other manual summaries and reconciliations, for example National Savings Weekly Summary, Change Given Return, Electric Tokens, Promotional/Payment Vouchers, MVL Weekly Reconciliation, Rod Licence Reconciliation, Gift Voucher Weekly Reconciliation, DVLA Premium Service Summaries, UK PA Check and Send summaries, Electric Schemes and National Lottery Cheque Prize Payments.

check these

14. The sub-postmaster then prints foreign currency *[what is this? Is it a list of what foreign currency they have?]* and to check the figures against their actual stock holdings. They then make new declarations for cash and stamps, entering on the system the cash nominations they have and a number of each different type of stamps. They then print a report which is kept with their branch. They then print the balance report and have to check that all the totals are correct.
15. On the last Wednesday of the trading period, the lottery figures must be included prior to final rollover into the next trading period.
16. Each week, the sub-postmaster sends to Chesterfield the paid postal and money orders slips, a Giro Bank Change Summary *[what is that?]*, UKPA Check and Send *[what is that?]* a form setting out Redeemed Post Office and TV Savings Stamps? National Lottery prize payments (£500 plus) *[what sort of information would this contain?]* and DVLA premium service forms *[what is that?]*.
17. At the end of the trading period, they also complete the MVL Monthly Stock Report (P6520) *[what is that?]* and the gift voucher, monthly stock report form *[again what is that?]*. The branch then completes the branch trading statement which they have to sign and date stamp and retain in a suitable folder for 6 years.

*[Andrew please can you check that these were the procedures in place in December 2003 to March 2004, which is the period that we are looking at and if they weren't can you amend accordingly and insert what procedures were actually in place at that time].*

#### **The Horizon System**

18. Accordingly, it can be seen that if the clerk or sub-postmaster makes a mistake when imputing transaction details into their computer, there are a number of points at which this can be picked up, because there are daily and weekly reports that the sub-postmaster have to produce at which stage they have to check and satisfy themselves that the documents eg cheques, cash, giros, they have match what they have entered on the system.
- A , In addition to that, there are various teams responsible for different sorts of paperwork, including a giro bank team, cheques team and pension team. For example, if the clerk records an item as a cheque rather than cash, they should pick this up on either their daily or weekly report. However if they fail to do so, this will be picked up at the EDS Processing Centre. Merely because an item has

been recorded as a cheque rather than cash (or visa versa) would not of course cause an overall loss to the branch. If an item has been wrongly recorded, an error notice would be generated, although this can easily take up to 12 weeks or so. This will mean that if there has been an over or underpayment there will be either a claim or charge error respectively.

**Sub-Postmaster Training**

**[Andrew can you add some details of what the sub-postmasters and clerks have to be trained on when they join the post office.]**

// \*// - See pages 12+13  
NBSC Call Logs

- 21. Details of the call logs from the Marine Drive branch and an overview of them from December 2003 to April 2004 are set out below - FAD code 213337 (there were no calls recorded for February and March 2004). These were compiled during the ordinary course of business from information supplied by persons who have or may reasonably be supposed to have personal knowledge of the matter dealt with in the information supplied, but are unlikely to have any recollection of the information or cannot be traced. *I have been asked to help ~~they~~ provide an overview of these call logs which is set out below.*
- 20. 1 December 2003, call reference H12881564 the sub-postmaster wanted to know where they sent their application for telephone claims. The resolution was stated to be KB. *[does this mean that a standard answer was given from the knowledge base ie an automated answer?]* *↳ If "yes" please can you explain what the knowledge base is..*
- 22. 1 December 2003, call reference H12881573 the caller wanted a telephone number for human resources. An answer was given from the knowledge base.
- 23. 11 December 2003, call reference H12903595 there was a power failure on the street and the office has electronic shutters so was unable to open. *[what does gave nom offices mean?]*
- 28. 11 December 2003, call reference H12904136 the clerk called to confirm that the office had been reopened.
- 24. 12 December 2003, call reference H12906756 the clerk wanted to know what the counter procedure was for a local collect when a customer comes to pick it up. *[what is local collect?]*. They were provided with an answer from the knowledge base.



25. **13 December 2003, call reference H12908771** this was a call because the customer had received a card in the name of Vera instead of Violet. This was resolved by providing the clerk with an answer from the knowledge base.
26. **13 December 2003, call reference H12908772** the office was open but was showing up as closed *[what does this mean? how was this resolved?]*.
27. **22 December 2003, call reference H12925312** the postmaster sent off an application with the PID *[what does that stand for?]* for the opening of an account and identification form which was erroneously rejected by the EDS. They retained the ID form and PID and the application form was represented, but it had been returned again because there was no PID or ID form, although the sub-postmaster said that EDS had retained them. The caller advised the sub-postmaster that as the application had been erroneously rejected, NBSC would pass his comments to our customer relations team to progress as a complaint against EDS.
28. **22 December 2003, call reference H12925361** this is a record of the sub-postmaster's complaint about EDS being forwarded to them.
29. **23 December 2003, call reference H21243010** the postmaster wanted to know if the procedures for printing a postage label had changed and was advised that the pre-paid will be reduced by an amount of extra service (recorded).
30. **30 December 2003, call reference H12937387** the clerk called to say that the customer had changed addresses and also post offices for his card *[what type of card?]*. His new card had been sent to the old office and the clerk wanted to know how he could have had the card directed to the new office. This was resolved by providing the clerk with information from the knowledge base.
31. **30 December 2003, call reference H12937703** the sub-postmaster had received a few enquiries from customers regarding the changes to the National Savings Ordinary Account. The sub-postmaster was advised that we do not have any further information regarding the changes to the Ordinary Saving Account other than information contained in MBS 453 *[what is MBS 453? Do you have a copy?]*.
32. **14 January 2004, call reference H12971100** the clerk called in relation to a discrepancy ie a loss of £1,103.13. They were provided with an answer from the knowledge base *[do we know what the sub-postmaster said and what answer they were given?]*.

33. **19 January 2004, call reference Q12980113** there was an incorrect cash dispatch [*what does this mean?*] Lisa [*Lisa who?*] was not too sure of the correct procedure, but NBSC informed her what it is.
34. **20 January 2004, call reference H21265950** [*what does 1xweek 41/03 required mean?*]
35. **20 January 2004, call reference H21265965** the sub-postmaster had not received a copy of the sales report for the last period and wanted to know how one could be ordered. The sub-postmaster was advised that the reports were late and he should receive it by the end of the week at the latest as they were being dispatched.
36. **21 January 2004, call reference H12987381** the sub-postmaster called because they had a cash account discrepancy of £4,294.67. The call was logged with the suspense team. (At this time, there was a suspense team to try to ensure that nothing was transferred into the suspense account that was not permitted).
37. **22 January 2004, call reference H12987919** the sub-postmaster reported a loss of £4,000. He said he was in the office until 11pm last night but could not find anything. The NBSC went through all the balanced cheques with him. It appeared that the sub-postmaster had checked the REMs in and out, his cash, stock and profit and Allowances but was unable to find the loss. The sub-postmaster was therefore advised that this matter would be passed through to the suspense team. (When cash or stock goes into a branch, it is remmed in or out to the system. The sub-postmaster has to check the REM foils to verify that he receives the cash or stock listed on the foil). *extract into file*
38. **22 January 2004, call reference H12987957** the sub-postmaster called. There was a loss in week 43 of £4,230.97. This was an unknown error. That means that the sub-postmaster should not transfer the loss into the suspense account.
39. **22 January 2004, call reference H21268317** a disabled customer's card had arrived in an incorrect name of Bernice instead of Denise and the sub-postmaster wanted to speak to EDS. An answer was given from the knowledge base.
40. **27 January 2004, call reference H12999552** this refers to a training event in Scarborough.



41. **28 January 2004, call reference H13003838** the sub-postmaster enquired whether there was a service available for customers to send money to somebody in another part of the country. That answer was provided from the knowledge base.
42. **28 January 2004, call reference H21272735** the sub-postmaster had called to say that since he had broadband installed, every time he receives stock into his office it was showing short by the same amount. He had checked to make sure that it was remmed in properly but it was still showing £2,500 short. The sub-postmaster was advised that if he felt that that was a technical problem he should call the Horizon System Helpline (HSH) that deals with technical issues. However, after NBSC spoke to the sub-postmaster it appeared that he was entering all the transactions correctly, so this could be the case. *[What does that mean?]* He was advised to balance and roll for a definite figure and to call HSH if he didn't have any success *[again, what does this mean?]*.
43. **29 January 2004, call reference H13005452** the branch called and said they were showing a loss of £2,523.12 and that this was the third discrepancy in as many weeks. NBSC checked through the figures using a transaction log and also looked at the REMs declaration and the cash flow. No trace of the discrepancy was found and this was referred to the suspense account team to review.
44. **29 January 2004, call reference H13005643** the branch called and stated there was an unauthorised or unidentified loss of £6,754.09. *[what was the purpose of the call? Was it just to report that the loss was unauthorised?]* *[what are transactional archives?]*
45. **29 January 2004, call reference H21274188** the sub-postmaster wanted to have his <sup>at</sup> transaction ~~an~~ archives looked at more closely to try to identify what was going wrong with his branch. He was having a lot of losses over the past three weeks and thought that there was a system fault with his remittances. The NBSC followed KB instructions and sent an e-mail to Adele Kilkoynne *[who is she?]* so that the postmaster <sup>could</sup> ~~can~~ study his archives to try to identify what had gone wrong. *[what was the result of this? Please can you follow through with Adele Kilkoynne?]*
46. **30 January 2004, call reference H13011960** the sub-postmaster called in relation to automated payments: the customer's account had not apparently been credited with payment. An answer was provided to the sub-postmaster from the knowledge base.

47. **30 January 2004, call reference Q13009942** Mrs Catherine Oglesby, the Retail Line Manager reported that the sub-postmaster had authorised losses of £6,754.09 for week 44. Apparently he could not identify what had caused the loss and was unable to make good. The sub-postmaster also stated that he had made good a loss of £1,100 in week 42. Mrs Oglesby asked NBSC to contact the branch to try resolve his query. The sub-postmaster had applied for a hardship form. He was waiting for a return of the I&E form. *[what is the I&E form?]*.
48. **30 January 2004**, the customer's account had not been credited with the payment. NBSC provided an answer from the knowledge base.
- HSH called to say that the desk top initialisation had failed and that an operational violation had been detected. This was passed to HSH *[was this a call from the branch or originally from HSH?]*
49. **3 February 2004**, the sub-postmaster called to query whether nominations are being taken for pre-pay mobile phone vouchers *[what does process map mean?]*
50. **3 February 2004**, the branch asked for a telephone number for Girobank.
51. **3 February 2004**, the branch called and asked for the telephone number for Hanco *[what does that stand for?]* helpdesk.
52. **4 February 2004**, the branch called and asked for the procedure for producing an overnight cash holding (ONCH) report.
53. **6 February 2004**, *[this entry just says PID has the old address on. What does that mean?]*
54. **9 February 2004**, the branch called because a customer wished to transfer £3,000 from her ordinary account to open an investments account. The clerk wanted to know which form was used to process this and whether they could process it. An answer was supplied from the knowledge base.
55. **10 February 2004**, the branch called and asked how to ?? out coin *[does this mean change? What do they actually mean here? We need to explain this to a judge who wouldn't understand what ~~rem~~ming out means and wouldn't be familiar with the system]*
56. **11 February 2004**, the sub-postmaster called who had a customer who has a disabled son and is an appointee at the moment and had been told that she could

not be an appointee for her son *[what is an appointee?]*. An answer was supplied from the knowledge base.

57. **12 February 2004**, the sub-postmaster called and wanted to know the procedure for opening a card account. *[what does com 7 mean?]*
58. **12 February 2004**, the branch reported an unauthorised loss of £8,243.10 in week 46. There was an accumulated loss over the last four weeks. The branch had applied for <sup>a hardship</sup> forms. An amount was entered into the suspense account pending completion of the hardship papers.
59. **13 February 2004**, the branch called and asked how to pay out on a capital bank Lloyds TSB Bank cheque made out to Post Office Limited. The sub-postmaster was advised that he should not pay out cash for this cheque. It should only be used to pay for products or services.
60. **13 February 2004**, *[is this a call from the sub-postmaster?]*. There was a loss of £8,243.10 in week 46 accumulated over the last four weeks. Chased I&E on 27 February *[who is I&E?]*. There was a further loss of £3,509.68 in week 48. This was added to the suspense account and the total loss was now £11,752.78. Mrs Oglesby was aware of this and was visiting to assist the sub-postmaster in completing the form. NBSC spoke to Mrs Oglesby on 25 March. The sub-postmaster had been suspended and the loss transferred to the late account.
61. **13 February 2004**, the sub-postmaster called and wanted to arrange a system check due to small faults he had encountered with the system. He was referred to HSH.
62. **16 February 2004**, the sub-postmaster called and reported that the card could not be read by the system and wanted to know what to do. He was given an answer from the knowledge base.
63. **16 February 2004**, the branch called and stated that the system was unavailable and wanted to know whether they could do a withdrawal. They were given an answer from the knowledge base *[what sort of answer would they have been given?]*
64. **16 February 2004**, this call simply states Horizon KB0628. *[what does this mean?]*

65. **16 February 2004**, the sub-postmaster wanted to speak to HSH because his screen was frozen. He was given an answer from the knowledge base.
66. **19 February 2004**, the branch called and wanted to know what the telephone numbers were for transaction processing. They were given an answer from the knowledge base.
67. **21 February 2004**, the sub-postmaster called and asked how to deal with the death of the card holder and was given an answer from the knowledge base.
68. **24 February 2004**, the sub-postmaster called asking for Mrs Oglesby to call him regarding the previous conversation about the ongoing system problem. NBSC advised Mrs Oglesby that the sub-postmaster had called.
69. **25 February 2004**, the sub-postmaster called to state that he had been having problems with the system and balance for about six weeks. The sub-postmaster wanted to know whether they have started or completed a system check. Sandra at NBSC spoke to HSH team leader who advised that they were now looking into this for the sub-postmaster. NBSC called the clerk on Tuesday and she confirmed that HSH had been in touch. She was given a call reference and asked to call back if she had any further problems.
70. **25 February 2004**, the sub-postmaster called and wanted to speak to HSH regarding system problems. He was transferred to HSH.
71. **26 February 2004**, the branch reported a discrepancy and wanted a call from service support reference H13071268 because there was a £3,509.68 shortage and they wanted to use the suspense account. The sub-postmaster was advised that the suspense account team would deal with this until the sub-postmaster role had been to the correct cap [*what does that mean?*]. Claire advised that HSH was still investigating the problem.
72. **26 February 2004**, the sub-postmaster called and stated that he was entering into a smart post item on the system and it was an ~~ASSURE~~ <sup>assurance</sup> going to the USA with the value of £300. The sub-postmaster put the value into the system but the price did not increase and wanted to know why. NBSC discussed with the sub-postmaster and went through the procedure with him. It transpired that the sub-postmaster was [*erroneously?*] entering the high value at the start of the transaction, so it set the price at the high value compensation rate.
73. **26 February 2004**, the <sup>sub-postmaster</sup> ~~branch~~ reported £3,509.68 unauthorised losses for week 48. He said that he had an ongoing problem which HSH were investigating. The



sub-postmaster was completing an I&E form to start the hardship process for previous discrepancies. Accordingly, although the losses were unauthorised, they were entered into the suspense account pending the hardship process.

74. **3 March 2004**, the branch reported that a customer had called and asked for a change of name on the CAPPO card since it had the wrong names [*what does CAPPO stand for?*]. The branch was given an answer from the knowledge base.

75. **4 March 2004**, Mrs Oglesby reported that she had called HSH as a branch was constantly showing losses every week and the sub-postmaster thought this may be down to software as the amount was getting worse each week. HSH had put her straight through to NBSC without checking any incidents.

*This is when Sarah Pennington and myself became involved (as per paragraphs 20-23 above).*

**NBSC Review**

*Arnd 4 March 2004*

76. Mrs Oglesby asked NBSC to review what could have been causing the errors. Sarah Pennington (who has since left the Post Office) reviewed this and discussed it with me. She then reported to Andrew Price (NBSC) who in turn reported back to Mrs Oglesby. *on 20 April 2004 email state* (page 13). This shows that Sarah Pennington spoke to the sub-postmaster at Marine Drive who wasn't sure what was causing the errors and that he had been using the slave computer terminal to enter his stock and cash, which he was told would not cause a problem as long as it was attached to the correct stock unit. If there was any communication problem between the two computers, the words "node disconnected" would flash up on screen.

*I understood from the email that*

77. The sub-postmaster apparently thought there were some errors relating to the National Lottery. Sarah phoned the lottery team at transaction processing who confirmed that there were some errors, but for every charge error there was a corresponding claim error as the clerk and/or sub-postmaster had entered the lottery figures in the wrong cash account period. If the cash account period (week number) is wrong one week, the next week this would balance out, hence the sub-postmaster would receive a charge error in the first week and a claim error in the second week.

*Sarah's email records that*

78. The sub-postmaster was also concerned that when entering the lottery figures, the terminals did not appear to be communicating. However if that had been the case, the sub-postmaster would have a very large number of errors on every report and product.

*original analysis*

79. I looked at the cash account information that the sub-postmaster sent to me but was unable to find any errors. [*do you still have this?*]. The only amount questioned was a large amount on the cheques to Processing Centre, but I was

*Move to page 5 at*

*\**



We concluded that the Horizon system was working properly and did not appear to be the cause of the

able to confirm that this was a cheque payment for the purchase of the premium bonds. Accordingly, there is nothing more NBSC could do and we suggested he work a manual system at the side of Horizon to see if any problems were highlighted. He was also advised to take a snapshot before and after he did the REMs to see if there were any problems occurring when he did a remittance. //

enabled  
losses  
incurred  
//

80. **8 March 2004**, the branch was asking about a cash declaration on the system as he had £7,579. The sub-postmaster was going to send through snapshots from Saturday today.
81. **8 March 2004**, the branch called and asked what to do with impounded DWP pension allowance docketts. The sub-postmaster was advised that DWP *[who are DWP?]* makes the policy, not the Post Office.
82. **8 March 2004**, the branch called and asked who the cheque should be made payable to for premium bonds. An answer from the knowledge base.
83. **9 March 2004**, the branch called and asked what the process was for a buy back pre-order accounting and dispatch. They were given an answer from the knowledge base.
84. **10 March 2004**, the branch called and asked for the telephone number for Chesterfield and were given the answer from the knowledge base.
85. **15 March 2004**, the branch called and stated that the balance on the card account was less than what is in the account and wanted to know what to do. They were given an answer from the knowledge base.
86. **15 March 2004**, the branch called and asked for the address for NAIRN Post Office and were given an answer from the knowledge base.
87. **18 March 2004**, the sub-postmaster called and wanted the branch details for Post Office No. 225840. They were given an answer from the knowledge base.
88. **22 March 2004**, the sub-postmaster wanted to know how to issue a vault card to a customer. *[what does office process map mean?]*
89. **23 March 2004**, the auditor called and wanted to know if the office had had a new base unit. They were told to try calling Horizon. HS H.

90. **23 March 2004**, the auditor called and wanted to know if there were any losses that had been authorised from about week 40. They were told that there are three losses and all are unauthorised.
91. **23 March 2004**, OSP site down request advised *[what does this mean?]*
92. **23 March 2004**, office closure, advised parties *[what does this mean?]*
93. **23 March 2004**, *[who called to say that the office would be open tomorrow at 9am?]*
94. **23 March 2004**, the auditor wanted to speak to HSH to confirm that the sub-postmaster had a new base unit fitted. The auditor was transferred to HSH.
95. **24 March 2004**, *[what does declare bureau advise to select edit F10 hung up mean?]*
96. **30 March 2004**, NBSC spoke to the new, relief sub-postmaster, Ruth Simpson. They took NS <sup>+</sup> and I details and would pass to the customer when and if they came in *[what does see DD mean?]*.
97. **31 March 2004**, the branch called and asked for what the concession number was for a disabled rod licence. They were given an answer from the knowledge base.
98. **1 April 2004**, the branch called and asked how to correct errors. They were given an answer from the knowledge base.
99. **1 April 2004**, the new sub-postmaster stated that she could not balance a roll over as the system was stating that she had negative/re-valued stock figures. She was advised to complete the re-valuation whilst still in cap 01 *[what is cap 01?]*. This would then permit the system to allow her to roll over into week 02.
100. **2 April 2004**, the branch had received ocean liners stamps with the incorrect price. The sub-postmaster was told to <sup>rem</sup> ~~to~~ in and contact Hemel <sup>M</sup> ~~to~~ <sub>A</sub> *[what is that?]* to notify them.
101. **13 April 2004**, the branch called and wanted the office address *[what does this mean?]*
102. **15 April 2004**, the retail line manager asked NBSC to contact the sub-postmaster urgently and was left a voicemail.

103. **19 April 2004**, the branch called and asked for the telephone number of National Savings and was given an answer from the knowledge base.
104. **19 April 2004**, the branch called and asked for a telephone number of TP [*what does this mean? Is it transaction processing?*] and was given an answer from the knowledge base.
105. **20 April 2004**, the sub-postmaster called and wanted to speak to the retail line manager regarding a problem that she is already dealing with. Mrs Oglesby left a message on voicemail [*whose voicemail? NBSC's? the sub-postmaster's?*]
106. **21 April 2004**, the branch called to report a change in the opening hours and the details were logged.
107. **22 April 2004**, the branch called and asked the retail line manager to contact the branch regarding a problem that they were all dealing with. The message was passed on by NBSC to Mrs Oglesby.
108. **22 April 2004**, Mr Castleton's father-in-law called and stated that his son-in-law and daughter had been suspended and somebody else had been put in and was losing business. He wanted to speak to somebody more senior to Mrs Oglesby. His message was passed to the area office for HOA to get in touch with Mr Franks [*what is HOA?*]
109. **22 April 2004**, a call was taken from the sub-postmaster's father-in-law and he was given an answer from the knowledge base.
110. **23 April 2004**, Mr Castleton wanted to know if there was any way of printing out all the calls he had made to NBSC and for them to be sent to him. He was advised that if he wanted information regarding calls made to NBSC, he should make his request in writing to Adele Kilcoyne of NBSC.

~~111. In summary, we considered that the Horizon system was working properly and did not appear to be the cause of the unauthorised losses incurred.~~

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

Signed .....

**GRO**

Date .....

DRAFT

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 11/8/06

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

WITNESS STATEMENT OF ANDREW  
WISE

BOND PEARCE LLP

**GRO**

Solicitors for the Claimant/Part 20  
Defendant



Filed on behalf of the: Claimant  
Witness: A Wise  
Statement: 1  
Exhibits: "GJ1"  
Date made: 11/08/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No.**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant**

**- and -**

**LEE CASTLETON**

**Defendant**

**EXHIBIT "AW1"**

This is the Exhibit marked "AW1" referred to in the Witness Statement of Andrew Wise dated August 2006.

**DRAFT**

Filed on behalf of the: Claimant  
Witness: Ann Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 2/8/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No. HQ05X02706**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20  
Defendant**

**- and -**

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

**WITNESS STATEMENT OF ANN CHAMBERS**

I, ANN CHAMBERS of Fujitsu Services,

GRO

GRO WILL SAY AS FOLLOWS:

1. I am a *[insert job title]* employed by Fujitsu. I have worked for Fujitsu since *[insert date]*. I am responsible for *[insert details]*. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by Post Office Limited (**Post Office**). I am authorised by Fujitsu Services to undertake extractions of audit data held on the Horizon system and to obtain information regarding system transaction information processed on the Horizon system.
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 "AC1" to this Witness Statement.
3. Any records to which I refer in my statement form part of the records relating to the business of Fujitsu Services. These were compiled during the ordinary course of business from information supplied by persons who have or may reasonably be supposed to have personal knowledge of the matter dealt with in the information

supplied, but are unlikely to have any recollection of the information or cannot be traced. As part of my duties, I have access to these records.

#### **Horizon System Helpdesk and National Business Support Centre**

4. An important element of the support provided to subpostmasters and Counter Clerks is the Horizon System Helpdesk (**HSH**). The HSH is the Horizon user's first 'port of call' in the event of their experiencing a problem with the Horizon system or requiring advice and guidance. If the system were to malfunction, upon discovery Horizon users (Post Master, Counter Clerk) would raise a call to the HSH seeking clarification or advice. Comprehensive processes and procedures exist to manage the receipt, analysis and final disposition of calls made to the HSH. All calls to the HSH are captured by the Audit Server and stored as part of the overall Audit Trail. HSH is a service run by Fujitsu for the Post Office.
5. The Post Office also provides a service to subpostmasters and Counter Clerks called the National Business Support Centre (**NBSC**). This has a helpline which subpostmasters can call to try to resolve any business related queries.
6. I have been asked to provide details and confirmation on the reports that monitor faults, polling failures, equipment failures and calls for advice and guidance logged by the Horizon System Helpdesk recorded during the period December 2003 to April 2004 for the Marine Drive branch - FAD Code 213337.

#### **Tivoli Event Logs**

7. Horizon operates under the Microsoft Windows NT operating system. In this operating system an event is any significant occurrence in the system or in an application that requires users to be notified. For critical events such as a server breakdown or an interrupted power supply, there may be an Alert message on a control screen. For many other events that do not require immediate attention, this operating system adds information to an event-log file to provide information without disturbing normal work. This event logging service starts automatically each time a computer running Windows NT is started. In the Horizon system these events are collected by the Tivoli Event Monitor and are captured by the Audit Server and stored as part of the overall Audit Trail.

#### **Non Polling Reports**

8. A daily report is produced that lists those branches that have not polled for 24 hours, and the number of days they have been 'out of contact'. Polling : Branches

are 'contacted' periodically by the Correspondence Layer (where all transactions for all branches are stored prior to despatch to other systems) to deposit and collect information pertinent to that branch. This reduces the telephony costs incurred were branches to be permanently connected to the Correspondence Layer. Branches can operate in a disconnected state for up to 27 days.

} size

### HSH Call Logs

9. The Tivoli Event Logs and Non Polling Reports for the period December 2003 to April 2004 are contained in the call logs at pages [ ]. **[Ann is this correct, or are these different from the attached logs?]** Details of the calls and an overview of them is set out in date order below:
  
10. **9 December 2003, 9.54am, call reference e-0312090261** The sub-postmaster had a power blip following which, the keyboard was not accepting the PPMC card, which is used by sub-postmasters to log onto their terminal. The Post Master was advised to reboot his terminal. He rebooted, inserted his PPMC/pin and was happy to continue. The call was then closed.
  
11. **20 January 2004, 2.05pm, call reference e-0401200574** - this is a log simply to record that there was an ASDL update from ISDN [please explain what **ASDL** and **ISDN** stand for]. This was a scheduled visit to the Marine Drive branch to install broadband. The upgrade was completed, but the broadband was not turned on at that time.
  
12. **28 January 2004, 11.13am, call reference e-0401280325** - the call was taken by Dane Meah at HSH from the caller who stated that there were discrepancies going through the system for three weeks in a row. The caller was advised that the problem would need to be thoroughly investigated by the National Business Support Centre (**NBSC**) before the issue could be investigated because a software problem and the caller was transferred to the NBSC and the call closed.
  
13. **29 January 2004, 10.26am, call reference e-04012903568** - a call was taken by Mary Rainbow at HSH. The sub-postmaster reported that he was having problems on his system connected to remittances (**REMs**). The Sub-postmaster has to enter a remittance when he receives a delivery of new stock. He stated that every time he entered in the new stock, it left him with a discrepancy. The

bold italics

Sub Post master was transferred to the NBSC, since this was a business issue and the call was closed.

14. **2 February 2004, 8.49am, call reference e-0402020111** – Ben Horseman at HSH took a call from Cath at NBSC who stated that terminal (node) 2 had failed to initialise and that he also has "operational integrity violation has been detected" and "unable to connect to the repost service". The Post Master was advised that he would be called back whilst the counter is reviewed.
15. Both counters had been upgraded with ADSL (Broadband). The Sub-postmaster called back at 9.18am and was advised to reboot. It was recommended that an engineer swap or adjust the base unit on terminal 2. At approximately 3.30am, the PCs do a refresh [what does this mean?] and occasionally this can cause an installation failure. An un-operational integrity violation points to a refresh not starting up properly. An engineer was sent out to sort out the base unit and node. The engineer arrived on site at 1.30pm, replaced the node and the call was closed. *bold italics*
16. **13 February 2004, 10.41am, call reference e-0402130261** – call was taken by John Lockyear at HSH. The sub-postmaster had stated that he had a rem issue and this was referred to NBSC. The call was then closed. *Sub-postmaster*
17. **13 February 2004, 10.46am, call reference e-0402130267** – this call was taken by Tony Law at HSH, referred from Marie at NBSC. The Post Master had stated that his system was doubling up cash declarations and cutting off cheques, yet they still apparently appeared the next day. NBSC advised that they had checked that he was cutting everything off properly and that the catch figures were being done correctly. The sub-postmaster had insisted on a system check being carried out. He said that the problem had been happening for five weeks and that every time stock had been remmed in, they had a loss that night. The sub-postmaster also stated that the cheques he had recorded on the 10<sup>th</sup> were showing on the 11<sup>th</sup> February as well.
18. The call was escalated to Heather Dryden at HSH. As a sub-postmaster is supposed to send cheques to the EDS Processing Centre each evening, the next day you would expect to see the cheque figures cleared to zero on the Horizon system. The sub-postmaster, ~~he~~ initially stated that this had happened more than once, but when Heather went through his cheques, it had happened just the once. It appears that the sub-postmaster forgot to cut off and the cheque listing had



two days worth of cheques in it. There is no option to cut off retrospectively ie if the sub-postmaster reveals that he has not cut off the previous days cheques, they will show up the next day and a failure to cut off previously cannot be corrected later. However, the point is that the system will not put the cheques in the balance and process them twice. It will reconcile each cheque against the transaction.

19. **16 February 2004, 8.32am, call reference e-0402160081** – David Lawrence at HSH took a call from Marie at NBSC. The sub-postmaster had called NBSC to state that both his terminals were at Post Office Log On (POLO), but were rebooting ok subsequently. The call was therefore closed.
20. **16 February 2004, 11.12am, call reference e-0402160628** – Tony Law took a call from Pat at NBSC. The sub-postmaster had stated that he needed an OBCS check. This is the bar code reader that each sub-postmaster has at their terminal and was used for pension books. The OBCS was checked and the results given [*do we know what the result was?*]. The call was then closed.
21. **25 February 2004, 11.03am, call reference e-0402250454** – A call was taken by Mary Rainbow. The clerk reported that they had been having problems on the system with balancing that week, which seemed to be related to stock being remmed in through the week. The clerk reported that over the past 7 weeks, they have had losses every week and at one point they had a problem with cash on hand, but they found that this was an issue with ID numbers that had been resolved. The clerk also reported that last week when they rolled over they put a loss into the suspense account and then took the computer terminal back to the trial balance which came out with a zero net discrepancy to start the new week with. The clerk reported that she had printed out a balance snapshot on Monday and that looked OK, but since then they had remmed in some stock which appears to have given them a loss.
22. The clerk was advised that she would need to check her stock position for last week and then check her rems in summary. This would show the stock that she should be holding and that figure could be compared with the stock showing in the adjust stock [*what does this mean?*] and this would highlight any problems with the stock on hand. The clerk was advised that we would need her to take her computer terminal to trial balance this evening and come back to us before she rolls over so that we can take down any details she can give us. The clerk confirmed that they are working on a shared stock unit and would call back if

further assistance was required. The balance sheet would show the old discrepancy until they can do a trial balance. The call was then closed.

23. **25 February 2004, 12.03pm, call reference e-0402250553** – a call was taken by Robert Congerton. *[Is he at the NBSC?]*. The clerk had told the NBSC she had problems regarding the balance. The NBSC were advised that HSH had told the PM to call back tonight when they had a net discrepancy on the cash account. The call was then closed.
24. **25 February 2004, 12.12pm, call reference e-0402250565** – Call was taken by Nicola Goodson at HSH. Jane at the NBSC had a call in relation to a call that had been closed.
25. **25 February 2004, 4.56pm, call reference e-0402251011**- Call was taken by Niall Vincent, because a critical event was seen stating "error message. An error has occurred = see the audit log". This call was not generated by the sub-postmaster calling the help desk, but by the System Management Centre (SMC) which automatically triggers a call when there is an unusual event. The call was referred to the SSC [*what does that stand for?*], so the SMC closed their call.
26. **25 February 2004, 5.33pm, call reference e-0402251077** – Call was taken by Kuljinder Bhachu at HSH. The sub-postmaster reported that the branch was getting large discrepancies for the past few weeks. The closed calls were reviewed and it was noted that a number of calls had been logged regarding discrepancies and that the NBSC had been in contact with the sub-postmaster could not find any user error. Kuljinder spoke to Sandra at NBSC. They checked the Tivoli events and the system appeared to be OK. Given that a critical event had been noted earlier that day, the event logs were downloaded for review. The sub-postmaster advised that the problem had started ever since the BT engineer came to move the BT box for preparation for the installation of the ADSL. Kuljinder recommended that SSC investigate why the sub-postmaster is experiencing large discrepancies. A known error log (KEL) reference was given and the problem was re-assigned within HSH to group EDSC1 [*what does this stand for?*].

At this point I investigated the matter. The critical event earlier that day was part of a storm ie a central problem causing lots of event storms which had occurred over the entire Horizon system that night as a result of a faulty software fix. The KEL had nothing to do with the discrepancies.

27. Various built in checks occur at the end of each day. For example, the gate way terminal will total all the transactions. The gate way terminal will only send in information from these built in checks, once all the terminals in the branch have communicated with it. Reports are only produced if there are discrepancies. A weekly cash account is produced and sent to the data centre. The gate way terminal will do daily cash accounts. This is summarised weekly and compared to the weekly branch cash account to check for discrepancies. The data centre also produces a weekly cash account which is compared to the branch weekly cash accounts. There are therefore effectively three weekly cash accounts:

- a) The branch weekly cash accounts;
- b) The branch daily accounts, which is accumulated at the weekend; and
- c) The data centre weekly cash account.

28. I checked the discrepancies between these three accounts and found none. Cheques were handled correctly (as far as the system was concerned). I also checked the remts were correct which they were apart from one day when the sub-postmaster forgot to cut off the cheques. I also noticed that occasionally the sub-postmaster's identification declaration number was used incorrectly. For example if a sub-postmaster uses number 01 and enters £10,000 and then changes their number and uses 11 to record it elsewhere, the system will think that the branch has £20,000 whereas it only has £10,000. The clerks used 2 declaration numbers for daily cash handling, but this would not affect the weekly balance. I went through the transactions day by day and compared them with the over night declarations. I expected to find:

- a) Starting cash position;
- b) Transaction; and
- c) A system cash figure which should be close to the actual cash holding.

29. I was surprised to discover that at the end of the day, the cash the branch declared in the drawer was tens, hundreds or thousands of pounds stray from what they had recorded on the system. This meant that it was possible that the sub-postmaster was not accurately recording all transactions on the system, although if that had been the case, an error notice or error notices would have been generated to explain the discrepancy.

30. There was no evidence whatsoever of any system problem. I therefore asked HSH to revert to the sub-postmaster and explain that we have investigated and

the discrepancies are caused by the difference between the transactions they have recorded on the system and the cash they have declared and are not being caused by the software or hardware.

31. **4 March 2004, 8.42am, call reference e-0403040165** - Call was taken by Hayley Minnis, a HSH retail line manager. The caller reported discrepancies in the office and was advised to speak to NBSC about this, since it was not a HSH issue. The call was then closed.
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33. **23 March 2004, 11.44pm, call reference e-0403230583** - Call was taken by Jacqueline Wilcock at HSH. The auditor wanted to know when the base unit had been exchanged at the Marine Drive branch. They were advised that it was exchanged on 2 February 2004. The call was then closed.
34. **23 March 2004, 2.20pm, call reference e-0403230628** - Call was taken by David Dawe at HSH. Brett from the NBSC asked for a One Shot Password (OSP) for the auditor. An OSP is issued so that the auditor can log on to the sub-postmaster's system. An OSP was given and the call was closed.
35. **1 April 2004, 12.45pm, call reference e-0404010718** - A call was taken by Adam Goldstein at HSH. The new sub-postmaster stated that the screen had frozen. A check was carried out which showed the events were normal [*what does this mean?*] and the sub-postmaster was advised to reboot. The call was then closed.
36. **19 April 2004, 9.57am, call reference e-0404190387** - A call was taken by Elspeth Neilson at HSH. The Retail Line Manager (RLM) stated that there had been discrepancies on the system since the base unit was swapped in February and wanted to know why. The RLM was advised that events appeared to be normal and that a health check had been passed. The sub-postmaster was happy to continue unassisted. The RLM stated that the new sub-postmaster had been in



the office and there had not been any discrepancies in the balance. The RLM was advised to contact NBSC for advice on balancing. The call was closed.

37. **21 April 2004, 9.10am, call reference e-0404210187** – A call was taken by David Dawe. The sub-postmaster stated that the gateway was saying to enter the PMMC and that the screen had been blue for 10 minutes. The sub-postmaster had to wait for the screen to clear. The sub-postmaster was told to wait for 20 minutes and as that screen was normal and the sub-postmaster was told to call back if this had not changed within the next 20 minutes. The call was then closed.
38. **21 April 2004, 1.32pm, call reference e-0404210701** – A call was taken from Bernard Michael at SMC. This was an SMC call and related to a software upgrade. It was when ADSL (broadband), that had been installed in 20 January 2004, was actually switched on. The call was then closed once the switch over to ADSL had been successful.
39. **23 April 2004, 3pm, call reference e-0404230660** – A call was taken by Jason Lockyear. The sub-postmaster wanted to know if he could get a list of his calls and of software. The sub-postmaster was advised to contact NBSC for a full list and the call was then closed.

**40. Conclusion**

40. There are no reasonable grounds for believing that the information stored on the Horizon system would be inaccurate because of improper use of the computer terminal. To the best of my knowledge and belief, during the material time, the Horizon system was operating properly at the Marine Drive branch or if not, any respect in which it was not operating properly was not such as to affect the production of audit record or accuracy of their contents.

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

Signed .....

ANN CHAMBERS

Date .....



Filed on behalf of the: Claimant  
Witness: Ann Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 2/8/06

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

WITNESS STATEMENT OF ANN  
CHAMBERS

BOND PEARCE LLP

**GRO**

Solicitors for the Claimant/Part 20  
Defendant

Filed on behalf of the: Claimant  
Witness: A Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 8/8/06

IN THE HIGH COURT OF JUSTICE  
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BETWEEN:

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Claimant/Part 20  
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Defendant/Part  
20 Claimant

EXHIBIT "AC1"

This is the Exhibit marked <sup>AC1</sup> "G31" referred to in the Witness Statement of Ann Chambers dated ~~July~~ <sup>August</sup> 2006.

DRAFT

Filed on behalf of the: Claimant  
Witness: Ann Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 28/7/06

2/8

IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION

Claim No. HQ05X02706

BETWEEN:

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Claimant/Part 20  
Defendant

- and -

LEE CASTLETON

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WITNESS STATEMENT OF ANN CHAMBERS

I, ANN CHAMBERS of Fujitsu Services,

GRO

GRO WILL SAY AS FOLLOWS:

1. I am a [*insert job title*] employed by Fujitsu. I have worked for Fujitsu since [*insert date*]. I am responsible for [*insert details*]. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by Post Office Limited (**Post Office**). I am authorised by Fujitsu Services to undertake extractions of audit data held on the Horizon system and to obtain information regarding system transaction information processed on the Horizon system.
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 "AC1" to this Witness Statement.
3. Any records to which I refer in my statement form part of the records relating to the business of Fujitsu Services. These were compiled during the ordinary course of business from information supplied by persons who have or may reasonably be supposed to have personal knowledge of the matter dealt with in the information

supplied, but are unlikely to have any recollection of the information or cannot be traced. As part of my duties, I have access to these records.

- 4. I have been asked to provide details and confirmation on the reports that monitor faults, polling failures, equipment failures and calls for advice and guidance logged by the Horizon System Helpdesk recorded during the period December 2003 to April 2004 for the Marine Drive branch - FAD Code 213337.

*copy paste HSH + NBSE info from Gellan's Study*

**Tivoli Event Logs**

- 5. Horizon operates under the Microsoft Windows NT operating system. In this operating system an event is any significant occurrence in the system or in an application that requires users to be notified. For critical events such as a server breakdown or an interrupted power supply, there may be an Alert message on a control screen. For many other events that do not require immediate attention, this operating system adds information to an event-log file to provide information without disturbing normal work. This event logging service starts automatically each time a computer running Windows NT is started. In the Horizon system these events are collected by the Tivoli Event Monitor and are captured by the Audit Server and stored as part of the overall Audit Trail.

**Non Polling Reports**

- 6. A daily report is produced that lists those branches that have not polled for 24 hours, and the number of days they have been 'out of contact'. Polling : Branches are 'contacted' periodically by the Correspondence Layer to deposit and collect information pertinent to that branch. This reduces the telephony costs incurred were branches to be permanently connected to the Correspondence Layer. Branches can operate in a disconnected state for up to 27 days.

**HSH Call Logs**

- 9. The Tivoli Event Logs and Non Polling Reports for the period December 2003 to April 2004 are contained in the call logs at pages []. *[Ann is this correct, or are these different?]* Details of the calls and an overview of them is set out in date order below:

*from the attached logs?*

*use this spelling throughout*

*The sub-postmaster*

10. **9 December 2003, 9.54am, call reference e-0312090261** Post Master had a power blip following which, the keyboard was not accepting the PMMC card, which

is used by sub-post masters to log onto their terminal. The Post Master was advised to reboot his terminal. He rebooted, inserted his PMMC/pin and was happy to continue. *The call was then closed.*

*11 8.*  
*bold, italics* **20 January 2004, 2.05pm, call reference e-0401200574** - this is a log simply to record that there was an ASDL update from ISDN [please explain what ASDL and ISDN stand for]. This was a scheduled visit to the Marine Drive branch to install broadband. The upgrade was completed, but the broadband was not turned on at that time.

*12 12.* **28 January 2004, 11.13am, call reference e-0401280325** - the call was taken by Dane Meah at HSH from the caller who stated that there were discrepancies going through the system for three weeks in a row. The caller was advised that the problem would need to be thoroughly investigated by the National Business Support Centre (NBSC) before the issue could be investigated because a software problem and the caller was transferred to the NBSC and the call closed.

*13* **29 January 2004, 10.26am, call reference e-04012903568** - a call was taken by Mary Rainbow at HSH. The sub-Post Master reported that he was having problems on his system connected to remittances (REMs) *the Sub-Post Master* has to enter a remittance when he receives a delivery of new stock. He stated that every time he entered in the new stock, it left him with a discrepancy. The Sub Post master was transferred to the NBSC, since this was a business issue and the call was closed.

*14* **2 February 2004, 8.49am, call reference e-0402020111** - *Bar* ~~Ann~~ Horseman at HSH took a call from Kath at NBSC who stated that terminal (node) 2 had failed to initialise and that he also has "operational integrity violation has been detected" and "unable to connect to the repost service". The Post Master was advised that he would be called back whilst the counter is reviewed.

*15* Both counters had been upgraded with ADSL (Broadband). *post* The Sub Master called back at 9.18am and was advised to reboot. It was recommended that an engineer swap or adjust the base unit on terminal 2. At approximately 3.30am, the PCs do a refresh [what does this mean?] and occasionally this can cause an installation failure. An un-operational integrity violation points to a refresh not starting up properly. An engineer was sent out to sort out the base unit and



node. The engineer arrived on site at 1.30pm, replaced the node and the call was closed.

16. **13 February 2004, 10.41am, call reference e-0402130261** - call was taken by John Lockyear at HSH. The sub-Post Master had stated that he had a rem issue and this was referred to NBSC. The call was then closed.

17. **13 February 2004, 10.46am, call reference e-0402130267** - this call was taken by Tony Law at HSH, referred from Marie at NBSC. The Post Master had stated that his system was <sup>debit</sup> bubbling up cash declarations and cutting off cheques, yet they still apparently appeared the next day. NBSC advised that they had checked that he was cutting everything off properly and that the catch figures were being done correctly. The sub-Post Master had insisted on a system check being carried out. He said that the problem had been happening for five weeks and that every time stock had been remmed in, they had a loss that night. The <sup>Sub</sup> Post Master also stated that the cheques he had recorded on the 10<sup>th</sup> were showing on the 11<sup>th</sup> February as well. The call was escalated to Heather Dryden at HSH. As a sub-Post Master is supposed to send cheques to the EDS Processing Centre each evening, the next day you would expect to see the cheque figures cleared to <sup>zero</sup> on the horizon system. When Heather went through this with the sub-Post Master, he stated that this had happened more than once, but when ~~she~~ <sup>Heather</sup> went through his cheques, it had happened just the once. It appears that the sub-Post Master forgot to cut off and the cheque listing had two days worth of cheques in it. There is no option to cut off retrospectively ie if the sub-Post Master reveals that he has not cut off the previous days cheques, they will show up the next day and a failure to cut off previously cannot be corrected later. However, the point is that the system will not put the cheques in the balance and process them twice. It will reconcile each cheque against the transaction.

19. **16 February 2004, 8.32am, call reference e-0402160081** - David Lawrence at HSH took a call from Marie at NBSC. The sub-Post Master had called NBSC to state that both his terminals were at <sup>(gone)</sup> ~~POLO~~ (Post Office Log On), but were rebooting ok subsequently. The call was therefore closed. <sup>bid</sup>

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*bid, notes*

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show

bald, italics

bald, italics

[take at the NBSC?]

The call was then closed.

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clerk

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bald, italics

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lower case

- (A) the branch weekly cash accounts;
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I checked the discrepancies between these three accounts and found none. Cheques were handled correctly (as far as the system was concerned). I also checked the rems were correct which they were apart from one day when the sub-Post Master forgot to cut off the cheques. I also noticed that occasionally the sub-Post Master's identification declaration number was used incorrectly. For example if a sub-Post Master uses number 01 and enters £10,000 and then changes their number and uses 11 to record it elsewhere, the system will think that the branch has £20,000 whereas it only has £10,000. The daily cash

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- (B) transaction; *end*
- (C) a system cash figure which should be close to the actual cash holding.

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*29.* There was no evidence whatsoever of any system problem. *(C)*

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bld, katie

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retail line manager (RLM) bld

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ward

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(broadband),

was had been installed on 20 January 2004

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**Conclusion**

303.  
60.

There are no reasonable grounds for believing that the information stored on the Horizon system would be inaccurate because of improper use of the computer terminal. To the best of my knowledge and belief, during the material time, the Horizon system was operating properly at the Marine Drive branch or if not, any respect in which it was not operating properly was not such as to affect the production of audit record or accuracy of their contents.

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

Signed .....

**GRO**

Date .....

DRAFT

Filed on behalf of the: Claimant  
Witness: Ann Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 28/7/06  
218)

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

WITNESS STATEMENT OF ANN  
CHAMBERS

BOND PEARCE LLP

**GRO**

Solicitors for the Claimant/Part 20  
Defendant

Filed on behalf of the: Claimant  
Witness: A Chambers  
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Date made: 28/06/06  
2/8/

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

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**- and -**

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

**EXHIBIT "AC1"**

This is the Exhibit marked "GJ1" referred to in the Witness Statement of Ann  
Chambers dated 30~~y~~ July 2006.

**DRAFT**

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 22/8/06

**IN THE HIGH COURT OF JUSTICE  
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20 Claimant**

**WITNESS STATEMENT OF ANDREW WISE**

**I, ANDREW WISE, of Human Resources,**

**GRO**

**GRO**

**WILL SAY AS FOLLOWS:**

1. I am currently a Training Manager employed by Post Office Limited (the Post Office). I have worked for the Post Office since 1991. I am responsible for training new sub-postmasters and branch counter staff on Horizon and co-ordinating national training issues. From May 2001 to November 2004, I was a postal officer at the Network Business Support Centre (NBSC). However due to my experience and knowledge, I was often asked to stand in as a team leader. My responsibilities included those of a service support advisor involved in answering calls which were generally more complex than the first tier of calls that sub-postmasters make to the NBSC. Prior to that, I was a Horizon field support officer from 1999 to 2001 and prior to that I spent 8 years as a counter clerk. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by the Post Office.
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 "AW1" to this Witness Statement.

### **Network Business Support Centre**

3. The Post Office provides a service to sub-postmasters and clerks called the NBSC, which is a helpline they can call to try to resolve business related queries.
4. There are two tiers of service support at NBSC. Tier one is essentially customer services and is a separate entity. Tier two was run by the Post Office and was for calls that tier one were unable to deal with. I understand that an individual at tier one could take approximately 2,000 calls each day *[is it correct to say that an individual will take 2,000 calls per day or that tier one overall will take 2,000 per day – This is the overall calls]* and at tier two, an individual could take approximately 30 calls each day. Basically a sub-postmaster would call the NBSC telephone number, select the options to get through to tier one and then explain their problem. It may be a pre-recorded standard response, but if there is none available, the sub-postmaster could get put through to tier two. A lot of time on tier two is spent prompting sub-postmasters and clerks to double check information they should have been checking any way.

### **Double entry accounting and daily reporting procedures**

5. I have been asked to explain what Horizon is and the daily and weekly reporting procedures that sub-postmasters must adhere to.
6. The counter positions in the post office branches each have a computer terminal, this includes the processor, a touch sensitive screen, a keyboard, barcode scanner and printer. Once a clerk logs on, any transactions they perform are recorded and entered into the computer. The computer system is called Horizon.
7. Post Office branches operate double entry accounting. Almost every transaction recorded by the clerk on to their computer has a corresponding physical document, such as a TV license counter foil, savings bank deposit, withdrawal slip or cheque.
8. A summary of the prescribed daily procedures that sub-postmasters must follow is at pages 1 to 2. This includes the following:

### **TV Licenses – Non Barcode**

9. Each day the sub-postmaster must enter details on the green daily summary form P5744 which is retained at the branch. They have to print a daily report and check that the totals of the counter foils agree with that report *[was this the system in place at the time? Does the daily report info come from*



*Horizon? – This system was in place at the time. The report is produced from the Horizon system and shows all the transactions of that type that have been recorded for that day.]. If they do, they cut off the report on the computer to reset it to zero for the next day. They then complete a batch control voucher (BCV) paperclip together none barcoded TV and non barcoded over 75 counter foils to the BCV and send the counter foils to the Processing Centre. [did they send them to EDS at the time? For cheques, I understand the migration to EDS took place around Feb 2004. – Before EDS we use to send them to Data Central, this was a processing centre run by Post Office Ltd. I am not sure of the exact date we started using EDS, from a branch point of view they just used a different envelope.]*

#### Personal Banking

10. The sub-postmaster has to print a report each day and check that the totals on the print out agree with the documents to hand (whether cash deposit, cheque deposit envelope or encashment cheques) if the totals agree, they then have to cut off the report so that it resets for the next day. They then complete a BCV and paperclip the cash deposit slips, check deposit envelopes and then encashed cheques together and place in the envelope to go to the Processing Centre.

#### Cheques, Giro bank deposits and Savings Bank

11. The sub-postmaster then goes through a similar daily procedure for cheques, giro bank deposits and withdrawals, daily cash declaration and Savings Bank Deposits and Withdrawals ie for each of these, the sub-postmaster has to print a report, check that the cheques, giro slips, cash or other documents agree with the report, paperclip the relevant documents together with the BCV and send them to the correct place such as girobank or the Processing Centre.

*[Andrew, would you feel qualified to be able to summarise what happened to these docs once they arrived at Transaction Processing? –I have never been to the processing centre to see their operation so I don't feel I would qualified to summarise this.]*

#### **Weekly Balance Procedure**

12. Each week the sub-postmaster has to go through a balancing procedure. *[Is this something they do weekly or daily or both? – The balancing procedure is weekly.]. A summary of this procedure is at pages 3 to 6. [what is a Transaction Correction? Is a trading period from week to week or do you mean each day? – The process for balancing changed in September 06*

*and changed to monthly, Transaction Corrections were introduced then and were not on the system in Feb 04].*

13. They then have to complete the counter daily and counter weekly reports *[are those the reports that are mentioned above or are they something else? What are the daily reports? And what do they look like? – The counter daily reports are the ones listed above.]. [What are the weekly reports and what do they look like and what information do they contain? – All transactions that are sent off weekly are classed as counter weekly reports. These include things such as Pensions and Allowances, Green Giros, Postal Orders. These are listed on the Weekly Balancing hand out. The reports look the same as those produced for Daily reports.].* They are then encouraged to print a balance snapshot and use that to ensure that the Horizon system stock held figures matches the actual stock holdings in their branch. They also have to check all receipt and payment transaction totals with the supporting vouchers/documentation. There are ways in which they can amend any stock discrepancies. They then have to print the mandatory office weekly reports *[what are these? – The mandatory office weekly reports are the suspense account report and rejected postage label report. These are produced off the A4 printer and retained in the office with the cash account.].*
14. The sub-postmaster then completes all other manual summaries and reconciliations, for example National Savings Weekly Summary, Change Given Return, Electric Tokens, Promotional/Payment Vouchers, MVL Weekly Reconciliation, Rod Licence Reconciliation, Gift Voucher Weekly Reconciliation, DVLA Premium Service Summaries, UK PA Check and Send summaries, Electric Schemes and National Lottery Cheque Prize Payments.
15. The sub-postmaster then prints foreign currency *[what is this? Is it a list of what foreign currency they have? – This is only done for Offices that have On Demand Bureau de Change and this is used to balance their foreign currency.]* and to check the figures against their actual stock holdings. They then make new declarations for cash and stamps, entering on the system the cash nominations they have and a number of each different type of stamps. They then print a report which is kept with their branch.
16. The office then produces a Trial Balance report, if all the cash stock and figures are correct and once the National Lottery figures have been entered the office can then be rolled over and a Final Balance report is produced.

17. Each week, the sub-postmaster sends to Chesterfield the paid postal and money orders slips, a Giro Bank Change Summary *[what is that? – The Post Office offers a change giving service to customers that bank with Girobank, this is a summary of how many transactions are done.]*, UKPA Check and Send *[what is that? – This is the Passport Check and Send service, not all Post Offices offer this.]* a form setting out Redeemed Post Office and TV Savings Stamps? National Lottery prize payments (£500 plus) *[what sort of information would this contain? – This shows details of what cheques have been issued to National Lottery winners where the prize is more than £500.]* and DVLA premium service forms *[what is that? – This is a service where a customer can apply for a photo card driving licence at the Post office, we check the form and ID and send it off.]*.

18. After everything has been completed and the office is happy with the balance they will then complete the weekly Cash Account report. 2 copies are produced and signed, one of these copies is sent to Transaction Processing at Chesterfield and the other is retained in the office.

*[Andrew please can you check that these were the procedures in place in December 2003 to March 2004, which is the period that we are looking at and if they weren't can you amend accordingly and insert what procedures were actually in place at that time – The weekly balancing handout I gave you is the current version and refers to Branch Trading and monthly Trading Statements, this is something that was introduced in September 2005. Although most of the process are still the same I have amended a few things that made reference to Branch Trading as that was not applicable then. ]*.

#### The Horizon System

19. Accordingly, it can be seen that if the clerk or sub-postmaster makes a mistake when inputting transaction details into their computer, there are a number of points at which this can be picked up, because there are daily and weekly reports that the sub-postmaster have to produce at which stage they have to check and satisfy themselves that the documents eg cheques, giros, pensions and allowances match what they have entered on the system. In addition to that, there are various teams responsible for different sorts of paperwork, including a giro bank team, cheques team and pension team. For example, if the clerk records an item incorrectly on the system, they should pick this up on either their daily or weekly report. However if they fail to do so, this will be picked up at the Processing Centre. If an item has been wrongly recorded, an error notice would be



generated, although this can easily take up to 12 weeks or so. This will mean that if a transaction has been over or under stated there will be either a claim or charge error respectively.

#### **Sub-Postmaster Training**

*[Andrew can you add some details of what the sub-postmasters and clerks have to be trained on when they join the post office. – The training would include how to use the Horizon system and would include a lot of transaction based procedures such as – Cheque acceptance, Girobank, National Savings, pensions and Allowances, Postage, TV licences, letters and parcels, Personal banking. Also things such as the daily accounting procedure and weekly balancing along with how to use the counter operation manuals and things like customer care and security and Health and Safety.]*

#### **NBSC Review**

20. My understanding was around 4 March 2004 Mrs Oglesby asked NBSC for information relating to Marine Drive Post Office. The information requested was regarding calls made to the NBSC from the office relating to losses when balancing and what investigations were undertaken by NBSC during these calls. Sarah Pennington (who has since left the Post Office) was the Tier 2 advisor who dealt with some of the calls raised by this office at which time, during these calls she discussed the issues with me. She then reported to Andrew Price (NBSC) who in turn reported back to Mrs Oglesby on 20 April 2004. (page 13). The e-mail states that Sarah Pennington spoke to the sub-postmaster at Marine Drive who wasn't sure what was causing the errors and that he had been using the slave computer terminal to enter his stock and cash, which he was told would not cause a problem as long as it was attached to the correct stock unit. If there was any communication problem between the two computers, the words "node disconnected" would flash up on screen when any reports were produced.
21. The sub-postmaster apparently thought there were some errors relating to the National Lottery. I understand from the e-mail that Sarah phoned the lottery team at transaction processing who confirmed that there were some errors, but for every charge error there was a corresponding claim error as the clerk and/or sub-postmaster had entered the lottery figures in the wrong cash account period. If the cash account period (week number) is wrong one week, the next week this would balance out, hence the sub-postmaster would receive a charge error in the first week and a claim error in the second week.

22. Sarah's e-mail records that the sub-postmaster was also concerned that when entering the lottery figures, the terminals did not appear to be communicating. However if that had been the case, the sub-postmaster would have a very large number of errors on every report and product.
23. I looked at the cash account information that the sub-postmaster sent to me but was unable to find any errors. *[do you still have this or your analysis? – I don't have anything relating to this.]*. The only amount questioned was a large amount on the cheques to Processing Centre, but I was able to confirm that this was a cheque payment for the purchase of the premium bonds. Accordingly, there is nothing more NBSC could do and we suggested he work a manual system at the side of Horizon to see if any problems were highlighted. He was also advised to take a snapshot before and after he did the REMs to see if there were any problems occurring when he did a remittance.
24. We concluded that the Horizon system was working properly and did not appear to be the cause of the unauthorised losses incurred.

#### **NBSC Call Logs**

25. I have been asked to provide an overview of the call logs from the Marine Drive branch and an overview of them from December 2003 to April 2004 are set out below – FAD code 213337. These were compiled during the ordinary course of business from information supplied by persons who have or may reasonably be supposed to have personal knowledge of the matter dealt with in the information supplied, but are unlikely to have any recollection of the information or cannot be traced.
26. **1 December 2003, call reference H12881564** the sub-postmaster wanted to know where they sent their application for telephone claims. The resolution was stated to be KB *[does this mean that a standard answer was given from the knowledge base. If "yes" please can you explain what the knowledge base is? – If KB is in the resolution then the answer has been given off the knowledge base. The KB is a tool used by NBSC to give answers to SPMR and find information there are 1000's of case titles on the system which gives information and what answers to give. The advisor will use remedy (this is the system used to log calls and is linked to the KB) to categorise a call made by a SPMR. If the correct categorisation is used then the system should give the advisor the answer to the question. ]*.
27. **1 December 2003, call reference H12881573** the caller wanted a telephone number for human resources. An answer was given from the knowledge base.



28. **11 December 2003, call reference H12903595** there was a power failure on the street and the office has electronic shutters so was unable to open. *[what does gave nom offices mean? – Each Post office has 2 or 3 nominated offices so if an office is closed the customers will be directed to a nominated office to transact their business. NBSC would give the nominated office details to the SPMR so he could display a notice telling customers where to go.]*
29. **11 December 2003, call reference H12904136** the clerk called to confirm that the office had been reopened.
30. **12 December 2003, call reference H12906756** the clerk wanted to know what the counter procedure was for a local collect when a customer comes to pick it up. *[what is local collect? – this is a service offered by the post office, if Royal Mail can not deliver a package they can leave this at the local Post Office and the customer can collect it from there.]* They were provided with an answer from the knowledge base.
31. **13 December 2003, call reference H12908771** this was a call because the customer had received a card in the name of Vera instead of Violet. This was resolved by providing the clerk with an answer from the knowledge base.
32. **13 December 2003, call reference H12908772** the office was open but was showing up as closed *[what does this mean? how was this resolved? – This call would have been created by the advisor who answered the previous call. When they took the first call it would have flagged up on the computer that the office was still closed where in fact it was open. This call would have been passed to the admin team and they would change the office status to open.]*.
33. **22 December 2003, call reference H12925312** the postmaster sent off an application with the PID *[what does that stand for? – Personal Invitation Document, this is used to apply for a Post Office Card Account Card]* for the opening of an account and identification form which was erroneously rejected by the EDS. They retained the ID form and PID and the application form was represented, but it had been returned again because there was no PID or ID form, although the sub-postmaster said that EDS had retained them. The caller advised the sub-postmaster that as the application had been erroneously rejected, NBSC would pass his comments to our customer relations team to progress as a complaint against EDS.

34. **22 December 2003, call reference H12925361** this is a record of the sub-postmaster's complaint about EDS being forwarded to them.
35. **23 December 2003, call reference H21243010** the postmaster wanted to know if the procedures for printing a postage label had changed and was advised that the pre-paid will be reduced by an amount of extra service (recorded).
36. **30 December 2003, call reference H12937387** the clerk called to say that the customer had changed addresses and also post offices for his card *[what type of card? – This would be his Post Office Card account Card]*. His new card had been sent to the old office and the clerk wanted to know how he could have had the card directed to the new office. This was resolved by providing the clerk with information from the knowledge base.
37. **30 December 2003, call reference H12937703** the sub-postmaster had received a few enquiries from customers regarding the changes to the National Savings Ordinary Account. The sub-postmaster was advised that we do not have any further information regarding the changes to the Ordinary Saving Account other than information contained in MBS 453 *[what is MBS 453? Do you have a copy? – MBS stands for Message Broadcast System. When urgent information needs to be sent the network a MBS is sent out direct to all Post Offices to their Horizon system. MBS 453 is the number of the MBS sent out. I do not have a copy and I don't know if they would be kept from 3 years ago but it would only hold information relating to National savings Ordinary Account.]*.
38. **14 January 2004, call reference H12971100** the clerk called in relation to a discrepancy ie a loss of £1,103.13. They were provided with an answer from the knowledge base *[do we know what the sub-postmaster said and what answer they were given? – I do not know what the SPMR said. From memory the answer on the KB for an office that miss balanced was to check all cash stamps and stock, check remts and cheques to processing centre remts, and check pensions and allowances etc.]*.
39. **19 January 2004, call reference Q12980113** there was an incorrect cash dispatch *[what does this mean? – Reading the call it looks like the Office was not sure of the procedure to despatch Cash to Hemel (this is the main cash depot)]* Lisa *[Lisa who? – Reading the call it looks like Lisa could be the person in the Office who raised the call]* was not too sure of the correct procedure, but NBSC informed her what it is.

40. **20 January 2004, call reference H21265950** *[what does 1xweek 41/03 required mean? – This is a request to have a copy of week 43/03 counter news to be sent to the office. Counter News is a weekly publication sent to all Offices that Lists Operational Changes, it could be the office lost or did not receive a copy.]*
41. **20 January 2004, call reference H21265965** the sub-postmaster had not received a copy of the sales report for the last period and wanted to know how one could be ordered. The sub-postmaster was advised that the reports were late and he should receive it by the end of the week at the latest as they were being dispatched.
42. **21 January 2004, call reference H12987381** the sub-postmaster called because they had a cash account discrepancy of £4,294.67. The call was logged with the suspense team. (At this time, there was a suspense team to try to ensure that nothing was transferred into the suspense account that was not permitted).
43. **22 January 2004, call reference H12987919** the sub-postmaster reported a loss of £4,000. He said he was in the office until 11pm last night but could not find anything. The NBSC went through all the balanced cheques with him. It appeared that the sub-postmaster had checked the REMs in and out, his cash, stock and profit and Allowances but was unable to find the loss. The sub-postmaster was therefore advised that this matter would be passed through to the suspense team. (When cash or stock goes into a branch, it is "remmed" in ie entered into or out of the system. The sub-postmaster has to check the rem foils to verify that he receives the cash or stock listed on the foil).
44. **22 January 2004, call reference H12987957** the sub-postmaster called. There was a loss in week 43 of £4,230.97. This was an unknown error. That means that the sub-postmaster should not transfer the loss into the suspense account.
45. **22 January 2004, call reference H21268317** a disabled customer's card had arrived in an incorrect name of Bernice instead of Denise and the sub-postmaster wanted to speak to EDS. An answer was given from the knowledge base.
46. **27 January 2004, call reference H12999552** this refers to a training event in Scarborough.
47. **28 January 2004, call reference H13003838** the sub-postmaster enquired whether there was a service available for customers to send money to somebody



in another part of the country. That answer was provided from the knowledge base.

48. **28 January 2004, call reference H21272735** the sub-postmaster had called to say that since he had broadband installed, every time he receives stock into his office it was showing short by the same amount. He had checked to make sure that it was remmed in properly but it was still showing £2,500 short. The sub-postmaster was advised that if he felt that that was a technical problem he should call the Horizon System Helpline (HSH) that deals with technical issues. However, after NBSC spoke to the sub-postmaster it appeared that he was entering all the transactions correctly, so this could be the case. *[What does that mean? – The advisor would have gone through the rem procedure with the SPMR and it looks like he established he was remming the cash in correct. If the SPMR claims there is a problem with the system like he is here we would advise he contact HSH]* He was advised to balance and roll for a definite figure and to call HSH if he didn't have any success *[again, what does this mean? – If a SPMR thinks he has a loss we always advise he produces a trial balance, it is only at this stage you can get an accurate picture of what the value of the discrepancy is.]*.
49. **29 January 2004, call reference H13005452** the branch called and said they were showing a loss of £2,523.12 and that this was the third discrepancy in as many weeks. NBSC checked through the figures using a transaction log and also looked at the REMs declaration and the cash flow. No trace of the discrepancy was found and this was referred to the suspense account team to review.
50. **29 January 2004, call reference H13005643** the branch called and stated there was an unauthorised or unidentified loss of £6,754.09. *[what was the purpose of the call? Was it just to report that the loss was unauthorised? – When a call is passed through to the suspense account team the original call is closed down relating to the original loss and a second call is created by the advisors and assigned to the suspense account team to deal with]*.
51. **29 January 2004, call reference H21274188** the sub-postmaster wanted to have his transactional archives *[What are transactional archives? – Horizon only holds about 30 days worth of data (not sure exactly). After this period all the transaction data is archived by Fujitsu. Post office Ltd can request office archived data from Fujitsu but this is at a large cost.]* looked at more closely to try to identify what was going wrong with his branch. He was having a lot of losses over the past three weeks and thought that there was a system fault with his remittances. The NBSC followed KB instructions and sent an

e-mail to Adele Kilkoynne *[who is she? – I think that Adele has now left the business, she was the individual who requested this information off Fujitsu]* so that the postmaster could study his archives to try to identify what had gone wrong. *[what was the result of this? Please can you follow through with Adele Kilkoynne? – I do not know the results of this and as I said I think Adele has left the business. This may be something you need to take up with Dave Hulbert who is at NBSC.]*

52. **30 January 2004, call reference H13011960** the sub-postmaster called in relation to automated payments: the customer's account had not apparently been credited with payment. An answer was provided to the sub-postmaster from the knowledge base.

53. **30 January 2004, call reference Q13009942** Mrs Catherine Oglesby, the Retail Line Manager reported that the sub-postmaster had authorised losses of £6,754.09 for week 44. Apparently he could not identify what had caused the loss and was unable to make good. The sub-postmaster also stated that he had made good a loss of £1,100 in week 42. Mrs Oglesby asked NBSC to contact the branch to try resolve his query. The sub-postmaster had applied for a hardship form. He was waiting for a return of the I&E form. *[what is the I&E form? Not sure exactly, it is something to do with hardship cases. These are when an Office has a large loss and does not have the means to make the loss good. The suspense account team dealt with hardship cases.]*

54. **30 January 2004**, the customer's account had not been credited with the payment. NBSC provided an answer from the knowledge base.

HSH called to say that the desk top initialisation had failed and that an operational violation had been detected. This was passed to HSH *[was this a call from the branch or originally from HSH? – the office would have raised this call, this would have been the message the office got on Horizon so we passed to HSH]*

55. **3 February 2004**, the sub-postmaster called to query whether nominations are being taken for pre-pay mobile phone vouchers *[what does process map mean? – On the KB a lot of the information in the style of a process map, this just means the advisor answered from the process map.]*

56. **3 February 2004**, the branch asked for a telephone number for Girobank.

57. **3 February 2004**, the branch called and asked for the telephone number for Hanco *[what does that stand for? – Hanco is the name of a company that*



*supply some ATM machines in the post office, the office wanted the number to contact them.] helpdesk.*

58. **4 February 2004**, the branch called and asked for the procedure for producing an overnight cash holding (ONCH) report.
59. **6 February 2004**, *[this entry just says PID has the old address on. What does that mean? – This is a card account query. The PID (personal invitation document) had the wrong customers address on. The office would have been asking what he should do in this situation.]*
60. **9 February 2004**, the branch called because a customer wished to transfer £3,000 from her ordinary account to open an investments account. The clerk wanted to know which form was used to process this and whether they could process it. An answer was supplied from the knowledge base.
61. **10 February 2004**, the branch called and asked how to ?? out coin *[does this mean change? What do they actually mean here? We need to explain this to a judge who wouldn't understand what remming out means and wouldn't be familiar with the system – A remittance is when value stock or cash is coming into the office or leaving the office. It is not often that an Office would have access coin and would need to rem this out so that is why they are asking for the procedure on how to rem coin out.]*
62. **11 February 2004**, the sub-postmaster called who had a customer who has a disabled son and is an appointee at the moment and had been told that she could not be an appointee for her son *[what is an appointee? – This is a query regarding post office Card Account. If someone is unable to operate the account (possibly if they have a disability) then they must have an appointee to operate the account on their behalf. ]*. An answer was supplied from the knowledge base.
63. **12 February 2004**, the sub-postmaster called and wanted to know the procedure for opening a card account. *[what does com 7 mean? – COM stands for counter Operations Manual. These manuals list all Post Office Transactions and accounting procedures (there are 5 volumes and all office have these). The KB links into the COM's to give answers, this means that the answer was given from the counter operations manual number 7.]*
64. **12 February 2004**, the branch reported an unauthorised loss of £8,243.10 in week 46. There was an accumulated loss over the last four weeks. The branch

had applied for a hardship form. An amount was entered into the suspense account pending completion of the hardship papers.

65. **13 February 2004**, the branch called and asked how to pay out on a capital bank Lloyds TSB Bank cheque made out to Post Office Limited. The sub-postmaster was advised that he should not pay out cash for this cheque. It should only be used to pay for products or services.
66. **13 February 2004**, *[is this a call from the sub-postmaster? – Not sure who generated this call]*. There was a loss of £8,243.10 in week 46 accumulated over the last four weeks. Chased I&E on 27 February *[who is I&E? – the I&E is the form used to apply for hardship, this is when the SPMR can not afford to pay back a loss they have had.]*. There was a further loss of £3,509.68 in week 48. This was added to the suspense account and the total loss was now £11,752.78. Mrs Oglesby was aware of this and was visiting to assist the sub-postmaster in completing the form. NBSC spoke to Mrs Oglesby on 25 March. The sub-postmaster had been suspended and the loss transferred to the late account.
67. **13 February 2004**, the sub-postmaster called and wanted to arrange a system check due to small faults he had encountered with the system. He was referred to HSH.
68. **16 February 2004**, the sub-postmaster called and reported that the card could not be read by the system and wanted to know what to do. He was given an answer from the knowledge base.
69. **16 February 2004**, the branch called and stated that the system was unavailable and wanted to know whether they could do a withdrawal. They were given an answer from the knowledge base *[what sort of answer would they have been given? – If the customer wanted to withdraw from a Post Office Card Account then a payments of upto £20 can be made in an emergency if the system is not available. If it is a different kind of on line transaction then the customer would be asked to go somewhere else or come back later.]*
70. **16 February 2004**, this call simply states Horizon KB0628. *[what does this mean? – I can only guess at this. I would think that it was an Horizon issue so the SPMR was referred to HSH. The KB0628 in the resolution could be the number of the KB case title.]*
71. **16 February 2004**, the sub-postmaster wanted to speak to HSH because his screen was frozen. He was given an answer from the knowledge base.

72. **19 February 2004**, the branch called and wanted to know what the telephone numbers were for transaction processing. They were given an answer from the knowledge base.
73. **21 February 2004**, the sub-postmaster called and asked how to deal with the death of the card holder and was given an answer from the knowledge base.
74. **24 February 2004**, the sub-postmaster called asking for Mrs Oglesby to call him regarding the previous conversation about the ongoing system problem. NBSC advised Mrs Oglesby that the sub-postmaster had called.
75. **25 February 2004**, the sub-postmaster called to state that he had been having problems with the system and balance for about six weeks. The sub-postmaster wanted to know whether they have started or completed a system check. Sandra at NBSC spoke to HSH team leader who advised that they were now looking into this for the sub-postmaster. NBSC called the clerk on Tuesday and she confirmed that HSH had been in touch. She was given a call reference and asked to call back if she had any further problems.
76. **25 February 2004**, the sub-postmaster called and wanted to speak to HSH regarding system problems. He was transferred to HSH.
77. **26 February 2004**, the branch reported a discrepancy and wanted a call from service support reference H13071268 because there was a £3,509.68 shortage and they wanted to use the suspense account. The sub-postmaster was advised that the suspense account team would deal with this until the sub-postmaster role had been to the correct cap *[what does that mean? – The suspense account team will not deal with a discrepancy until the SPMR had rolled over and committed the discrepancy. If they have not rolled over yet then the call can not be passed to the suspense account team.]*. Claire advised that HSH was still investigating the problem.
78. **26 February 2004**, the sub-postmaster called and stated that he was entering into a smart post item on the system and it was an airsure going to the USA with the value of £300. The sub-postmaster put the value into the system but the price did not increase and wanted to know why. NBS discussed with the sub-postmaster and went through the procedure with him. It transpired that the sub-postmaster was *[erroneously? – Yes this was user error on the SPMR's part.]* entering the high value at the start of the transaction, so it set the price at the high value compensation rate.

79. **26 February 2004**, the sub-postmaster reported £3,509.68 unauthorised losses for week 48. He said that he had an ongoing problem which HSH were investigating. The sub-postmaster was completing an I&E form to start the hardship process for previous discrepancies. Accordingly, although the losses were unauthorised, they were entered into the suspense account pending the hardship process.
80. **3 March 2004**, the branch reported that a customer had called and asked for a change of name on the CAPO card since it had the wrong names [*what does CAPO stand for? – Card Account at Post Office*]. The branch was given an answer from the knowledge base.
81. **4 March 2004**, Mrs Oglesby reported that she had called HSH as a branch was constantly showing losses every week and the sub-postmaster thought this may be down to software as the amount was getting worse each week. HSH had put her straight through to NBSC without checking any incidents. This is when Sarah Pennington and myself became involved (as set out in paragraphs 20-24 above).
82. **8 March 2004**, the branch was asking about a cash declaration on the system as he had £7,579. The sub-postmaster was going to send through snapshots from Saturday today.
83. **8 March 2004**, the branch called and asked what to do with impounded DWP pension allowance docketts. The sub-postmaster was advised that DWP [*who are DWP? – Department Of Works and Pensions*] makes the policy, not the Post Office.
84. **8 March 2004**, the branch called and asked who the cheque should be made payable to for premium bonds. An answer from the knowledge base.
85. **9 March 2004**, the branch called and asked what the process was for a buy back pre-order accounting and dispatch. They were given an answer from the knowledge base.
86. **10 March 2004**, the branch called and asked for the telephone number for Chesterfield and were given the answer from the knowledge base.
87. **15 March 2004**, the branch called and stated that the balance on the card account was less than what is in the account and wanted to know what to do. They were given an answer from the knowledge base.



88. **15 March 2004**, the branch called and asked for the address for NAIRN Post Office and were given an answer from the knowledge base.
89. **18 March 2004**, the sub-postmaster called and wanted the branch details for Post Office No. 225840. They were given an answer from the knowledge base.
90. **22 March 2004**, the sub-postmaster wanted to know how to issue a vault card to a customer. *[what does office process map mean? – This means that the Advisor followed the process map that was on the KB.]*
91. **23 March 2004**, the auditor called and wanted to know if the office had had a new base unit. They were told to try calling HSH.
92. **23 March 2004**, the auditor called and wanted to know if there were any losses that had been authorised from about week 40. They were told that there are three losses and all are unauthorised.
93. **23 March 2004**, OSP site down request advised *[what does this mean? – OSP means One Shot Password. If the SPMR forgets his password he can not log on to Horizon and he has to phone up for a One Shot Password to log on.]*
94. **23 March 2004**, office closure, advised parties *[what does this mean? – the office has had to close, advised parties means that the nominated offices have been informed and told to serve customers from this branch.]*
95. **23 March 2004**, *[who called to say that the office would be open tomorrow at 9am? – This could be the SPMR or an officer in charge, when an office has closed they would ring NBSC to inform them when they expect to reopen.]*
96. **23 March 2004**, the auditor wanted to speak to HSH to confirm that the sub-postmaster had a new base unit fitted. The auditor was transferred to HSH.
97. **24 March 2004**, *[what does declare bureau advise to select edit F10 hung up mean? – The SPMR would be asking how to declare his Bureau De Change (foreign currency) The select edit F10 is the procedure to follow when declaring the bureau in the balance screen. I can only assume the Hung Up means the SPMR hung up.]*
98. **30 March 2004**, NBSC spoke to the new, relief sub-postmaster, Ruth Simpson. They took NS & I details and would pass to the customer when and if they came



in *[what does see DD mean? – See DD means see Detailed description. The advisor enters the SPMR question in the Detailed description, sometimes the question includes the resolution so the advisor puts see DD.]*.

99. **31 March 2004**, the branch called and asked for what the concession number was for a disabled rod licence. They were given an answer from the knowledge base.
100. **1 April 2004**, the branch called and asked how to correct errors. They were given an answer from the knowledge base.
101. **1 April 2004**, the new sub-postmaster stated that she could not balance a roll over as the system was stating that she had negative/re-valued stock figures. She was advised to complete the re-valuation whilst still in cap 01 *[what is cap 01? – CAP is the Cash Account period (this is the week number the office is in) CAP 01 is Cash account period week 1]*. This would then permit the system to allow her to roll over into week 02.
102. **2 April 2004**, the branch had received ocean liners stamps with the incorrect price. The sub-postmaster was told to rem in and contact Hemmel *[what is that? – Hemmel Hempstead is the location where all stock and cash is sent from and to. This is the National Secure Stock Centre but we just refer to them as Hemmel.]* to notify them.
103. **13 April 2004**, the branch called and wanted the office address *[what does this mean? – Not sure, they could be asking for another post office address or they could be asking for the address of Transaction Processing at Chesterfield or other business owned locations.]*
104. **15 April 2004**, the retail line manager asked NBSC to contact the sub-postmaster urgently and was left a voicemail.
105. **19 April 2004**, the branch called and asked for the telephone number of National Savings and was given an answer from the knowledge base.
106. **19 April 2004**, the branch called and asked for a telephone number of TP *[what does this mean? Is it transaction processing? - Yes]* and was given an answer from the knowledge base.
107. **20 April 2004**, the sub-postmaster called and wanted to speak to the retail line manager regarding a problem that she is already dealing with. Mrs Oglesby left a

message on voicemail *[whose voicemail? NBSC's? the sub-postmaster's? – This call is a Page RLM (Retail Line Manager) call. These calls are passed to the Admin team to contact the RLM. In the resolution it says RLM Cath Oglesby Left Message on Voicemail @ 1428. This means the admin team left a message on Cath Oglesby's voicemail at 14:28 that day]*

108. **21 April 2004**, the branch called to report a change in the opening hours and the details were logged.

109. **22 April 2004**, the branch called and asked the retail line manager to contact the branch regarding a problem that they were all dealing with. The message was passed on by NBSC to Mrs Oglesby.

110. **22 April 2004**, Mr Castleton's father-in-law called and stated that his son-in-law and daughter had been suspended and somebody else had been put in and was losing business. He wanted to speak to somebody more senior to Mrs Oglesby. His message was passed to the area office for HOA to get in touch with Mr Franks *[what is HOA? – HOA is Head of Area, this would be Cath Oglesby Line Manager]*

111. **22 April 2004**, a call was taken from the sub-postmaster's father-in-law and he was given an answer from the knowledge base.

112. **23 April 2004**, Mr Castleton wanted to know if there was any way of printing out all the calls he had made to NBSC and for them to be sent to him. He was advised that if he wanted information regarding calls made to NBSC, he should make his request in writing to Adele Kilcoyne of NBSC.

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

Signed .....  
ANDREW WISE

Date .....

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 22/8/06

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**

**WITNESS STATEMENT OF ANDREW  
WISE**

**BOND PEARCE LLP**

**GRO**

**Solicitors for the Claimant/Part 20  
Defendant**

Filed on behalf of the: Claimant  
Witness: A Wise  
Statement: 1  
Exhibits: "GJ1"  
Date made: 22/08/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No.**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant**

**- and -**

**LEE CASTLETON**

**Defendant**

**EXHIBIT "AW1"**

This is the Exhibit marked "AW1" referred to in the Witness Statement of Andrew Wise  
dated August 2006.

**DRAFT**

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 5/9/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No. HQ05X02706**

**BETWEEN:**

**POST OFFICE LIMITED** Claimant/Part 20  
Defendant  
  
- and -  
**LEE CASTLETON** Defendant/Part  
20 Claimant

**WITNESS STATEMENT OF ANDREW WISE**

I, **ANDREW WISE**, of Human Resources: **GRO**  
**GRO** WILL SAY AS FOLLOWS:

1. I am currently a Training Manager employed by Post Office Limited (**the Post Office**). I have worked for the Post Office since 1991. I am responsible for training new sub-postmasters and branch counter staff on Post Office Transactions and procedures and the Horizon system and co-ordinating national training issues. From May 2001 to November 2004, I was a postal officer at the Network Business Support Centre (**NBSC**) working as a Tier 2 Advisor. However due to my experience and knowledge, I was often asked to stand in as a team leader. My responsibilities included those of a service support advisor involved in answering calls which were generally more complex than the first tier of calls that sub-postmasters make to the NBSC. Prior to that, I was a Horizon field support officer from 1999 to 2001 and prior to that I spent 8 years as a counter clerk. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by the Post Office.
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 "AW1" to this Witness Statement.



### **Network Business Support Centre**

3. The Post Office provides a service to sub-postmasters and clerks called the NBSC, which is a helpline they can call to try to resolve business related queries.
4. There are two tiers of service support at NBSC. Tier one is essentially customer services and is a separate entity. Tier two was run by the Post Office and was for calls that tier one were unable to deal with. I understand that the tier one team could between them take approximately 2,000 calls in total each day and at tier two, an individual could take approximately 30 calls each day. Basically a sub-postmaster would call the NBSC telephone number, select the options to get through to tier one and then explain their problem. It may be a pre-recorded standard response, but if there is none available, the sub-postmaster could get put through to tier two. A lot of time on tier two is spent prompting sub-postmasters and clerks to double check information they should have been checking any way.

### **Double entry accounting and daily reporting procedures**

5. I have been asked to explain what Horizon is and the daily and weekly reporting procedures that sub-postmasters must adhere to.
6. The counter positions in the post office branches each have a computer terminal, this includes the processor, a touch sensitive screen, a keyboard, barcode scanner and printer. Once a clerk logs on, any transactions they perform are recorded and entered into the computer. The computer system is called Horizon.
7. Post Office branches operate double entry accounting. Almost every transaction recorded by the clerk on to their computer has a corresponding physical document, such as a TV license counter foil, savings bank deposit, withdrawal slip or cheque.
8. A summary of the prescribed daily procedures that sub-postmasters must follow is at pages 1 to 2. This includes the following:

#### TV Licenses – Non Barcode

9. Each day the sub-postmaster must enter details on the green daily summary form P5744 which is retained at the branch. They have to print a daily report and check that the totals of the counter foils agree with that report. The report is produced from information contained upon the Horizon system and shows all the

transactions of that type that have been recorded for the day. If the report and the counter foils tally with each other, the subpostmaster cuts off the report on the computer to reset it to zero for the next day. ('Cut off' means that the subpostmaster presses a button on the computer to confirm that he has completed the report, so that when the report is next printed, it will include only transactions done after the cut-off point). They then complete a batch control voucher (**BCV**) paperclip together none barcoded TV and non barcoded over 75 counter foils to the BCV and send the counter foils off to be processed. Up until a few years ago, they sent them to Data Central, a processing centre in London run by the Post Office. However, I am advised that from around February 2004 onwards there was a phased migration over to the EDS Processing Centre (**EDS**) in Shepshed, Leicestershire because the task of processing was outsourced by the Post Office to the EDS. From a branch point of view, this just meant putting the BCV and Counterfoils in a different envelope.

#### Personal Banking

10. The sub-postmaster has to print a report each day and check that the totals on the print out agree with the documents to hand (whether cash deposit, cheque deposit envelope or encashment cheques) if the totals agree, they then have to cut off the report so that it resets for the next day. They then complete a BCV and paperclip the cash deposit slips, check deposit envelopes and then encashed cheques together and place in the envelope to go off to be processed.

#### Cheques, Giro bank deposits and Savings Bank

11. The sub-postmaster then goes through a similar daily procedure for cheques, giro bank deposits and withdrawals, daily cash declaration and Savings Bank Deposits and Withdrawals i.e. for each of these, the sub-postmaster has to print a report, check that the cheques, giro slips, cash or other documents agree with the report, paperclip the relevant documents together with the BCV and send them to the correct place such as girobank, Data Central or (nowadays) EDS.

#### **Weekly Balance Procedure**

12. Each week the sub-postmaster has to go through a weekly balancing procedure. A summary of the current procedure is at pages 3 to 6. (The current procedure refers to "Branch Trading" and "monthly Trading Statements", which is a monthly balancing process introduced in September 2005 to replace the weekly procedure). Most of the balancing processes are still the same today but I have tried to describe below the procedure as it was at the material time i.e. from December 2003 to March 2004.

13. The subpostmaster has to complete further copies of the counter daily reports (of the sort listed in paragraphs 9 to 11 above) (*I assume they are **further** copies because they are also done daily, but correct me if this is wrong – Yes they are done again on a balance day. Counter daily reports are normally done in time for the last despatch from the office, this could be as early as 16:00. if more transactions are done after this time then they need to be produced again before the balance can be completed.*) and counter weekly reports. All transactions that are sent off weekly are classed as counter weekly reports. These include things such as Pensions and Allowances, Green Giros, Postal Orders. These are listed on the Weekly Balancing hand out. The reports look the same as those produced for Daily reports. They are then are encouraged to print a balance snapshot and use that to ensure that the Horizon system stock held figures matches the actual stock holdings in their branch. They also have to check all receipt and payment transaction totals with the supporting vouchers/documentation. There are ways in which they can amend any stock discrepancies. They then have to print the mandatory office weekly reports being the suspense account report and rejected postage label report. These are produced off the A4 printer and retained in the branch with the cash account.
14. The sub-postmaster then completes all other manual summaries and reconciliations, for example National Savings Weekly Summary, Change Given Return, Electric Tokens, Promotional/Payment Vouchers, MVL Weekly Reconciliation, Rod Licence Reconciliation, Gift Voucher Weekly Reconciliation, DVLA Premium Service Summaries, UK PA Check and Send summaries, Electric Schemes and National Lottery Cheque Prize Payments.
15. If a branch has an On Demand Bureau de Change, the sub-postmaster then prints a foreign currency report and checks the figures against their actual stock holdings. [*Andrew, please can you check whether between December 2004 and March 2004, the Marine Drive branch had an On Demand Bureau de Change – I have checked with the product manager and he can only confirm that he is a Pre Order office at this time not on demand. He does not have records to see if he was on demand or not at this between Dec 03 and March 04. On the 9<sup>th</sup> March 2004 the SPMR made a call to NBCS regarding accounting for a pre order transaction, this (to me) would indicate that the office was pre order in March 2004 not on demand.*].
16. They then make new declarations for cash and stamps, entering on the system the cash nominations they have and a number of each different type of stamps. They then print a report which is kept with their branch.

17. The office then produces a Trial Balance report, if all the cash stock and figures are correct and once the National Lottery figures have been entered the office can then be rolled over and a Final Balance report is produced.
18. Each week, the sub-postmaster sends to Chesterfield the paid postal and money orders slips, a Giro Bank Change Summary (the Post Office offers a change giving service to customers that bank with Girobank and this is a summary of how many transactions are done), UKPA Check and Send (this is the Passport Check and Send service) *Please can you ascertain whether between December 2003 and March 2004 Marine Drive branch had this? – This office does not offer this service – again we do not have records from march 03 but it is unlikely that a sub office would offer this service.* a form setting out Redeemed Post Office and TV Savings Stamps, National Lottery prize payments (£500 plus) (which shows details of what cheques have been issued to National Lottery winners where the prize is more than £500) and DVLA premium service forms (which is a service where a customer can apply for a photo card driving licence at the Post office. The branch checks the form and ID and sends it off.
19. After everything has been completed and the office is happy with the balance they will then complete the weekly Cash Account report. 2 copies are produced and signed. 1 of these copies is sent to Transaction Processing at Chesterfield and the other is retained in the office.

### **The Horizon System**

20. Accordingly, it can be seen that if the clerk or sub-postmaster makes a mistake when imputing transaction details into their computer, there are a number of points at which this can be picked up, because there are daily and weekly reports that the sub-postmaster have to produce at which stage they have to check and satisfy themselves that the documents for example, cheques, giros, pensions and allowances match what they have entered on the system. In addition to that, there are various teams responsible for different sorts of paperwork produced by the branch, including a giro bank team, cheques team and pension team. For example, if the clerk records an item incorrectly on the system, they should pick this up on either their daily or weekly report. However if they fail to do so, this will be picked up at the Processing Centre. If an item has been wrongly recorded, an error notice would be generated, although this can easily take up to 12 weeks or so. This will mean that if a transaction has been over or under stated there will be either a claim or charge error respectively.



### Sub-Postmaster Training

21. As previously stated, I am currently responsible for training new sub-postmasters and branch counter staff on Horizon. The training includes how to use the Horizon system and would include a lot of transaction based procedures such as – Cheque acceptance, Girobank, National Savings, pensions and Allowances, Postage, TV licences, letters and parcels and Personal banking. It also covers subjects like customer care and security, Health and Safety, how to use the counter operation manuals and procedures such as the daily accounting and (at the time in question) weekly balancing. *[Are you able to say whether Mr Castleton attended such training? From December 2003 to March 2004, where did the training take place? Did it involve a day, a few days or a week? Is it individual or in groups – In the training delivery team we have a record of this office transferring on the 18<sup>th</sup> July 2003, this gives the incoming SPMR's name as Mr Lee Castleton. The records show that Mr Castleton was offered 4 days in a classroom from the 14<sup>th</sup> July to the 17<sup>th</sup> July at our classroom in leeds, on this course there were 3 other delegates (we do not have anything to say he definitely attended the classroom). Mr Castleton then had a trainer on site with him from 18<sup>th</sup> July to 25<sup>th</sup> July.]*
22. Each branch has a copy of the Horizon User Guide which is a reference tool and explains how to use Horizon, (such as balancing, administration, reports, transfers remittances and transactions) and a Horizons Operations Manual which gives guidance on products such as girobank, national savings accounts, personal banking, corporate banking, cash and cheques acceptance, pensions and counter operations. In addition, literature such as Operation Focus a weekly magazine circulated to all branches and operational Workaid, a similar magazine but circulated as and when there are more major changes to products, prices or procedures, help keep branches abreast of developments.

### NBSC Review

21. My understanding was around 4 March 2004 Mrs Oglesby asked NBSC for information relating to Marine Drive Post Office. The information requested was regarding calls made to the NBSC from the Marine Drive branch relating to losses when balancing and what investigations were undertaken by NBSC during these calls. Sarah Pennington (who has since left the Post Office) was the Tier 2 advisor who dealt with some of the calls raised by this office at the time and during these calls she discussed the issues with me. She then reported to Andrew Price (NBSC) who in turn reported back to Mrs Oglesby on 20 April 2004 (page 13). The e-mail states that Sarah Pennington spoke to the sub-postmaster at Marine Drive who wasn't sure what was causing the errors and that he had been using



the slave computer terminal to enter his stock and cash, which he was told would not cause a problem as long as it was attached to the correct stock unit. If there was any communication problem between the two computers, the words "node disconnected" would flash up on screen when any reports were produced.

22. The sub-postmaster apparently thought there were some errors relating to the National Lottery. I understand from the e-mail that Sarah phoned the lottery team at transaction processing who confirmed that there were some errors, but for every charge error there was a corresponding claim error as the clerk and/or sub-postmaster had entered the lottery figures in the wrong cash account period. If the cash account period (week number) is wrong one week, the next week this would balance out, hence the sub-postmaster would receive a charge error in the first week and a claim error in the second week.
23. Sarah's e-mail records that the sub-postmaster was also concerned that when entering the lottery figures, the terminals did not appear to be communicating. However if that had been the case, the sub-postmaster would have a very large number of errors on every report and product.
24. I looked at the cash account information that the sub-postmaster sent to me but was unable to find any errors. The only amount questioned was a large amount on the cheques to Processing Centre, but I was able to confirm that this was a cheque payment for the purchase of the premium bonds. Accordingly, there is nothing more NBSC could do and we suggested he work a manual system at the side of Horizon to see if any problems were highlighted. He was also advised to take a snapshot before and after he did the REMs to see if there were any problems occurring when he did a remittance. (When a subpostmaster receives a delivery of cash and/or stock, he enters the details and quantity into his computer and this is called "remming in" the stock). ***[Andrew, do you feel able to also talk about what paperwork the branch would, at the material time, have received with each cash and stock delivery, whether they had to sign anything to acknowledge receipt, if so what and/or how their cash and stock orders are placed? – The cash and stock are delivered to the office in a grey pouch by the Cash In Transit driver. The SPMR would sign a docket to say that they have received this pouch (each pouch had a reference number and this tied up with what the cash centre had put in the pouch so the Driver never knew what was in each pouch). The SPMR would then open the pouch and there would be an advice note in the pouch listing what cash or stock should be in that pouch. The SPMR had 24 hours to check that the amount agreed with the advice note (if it did not he had to contact the Rem Unit within 24 hours of receiving the pouch. The SPMR would then rem this amount into the Horizon system***

*and it produced a rem in slip that was attached to the advice note and was retained in the office with all other paper work. This procedure changed around August 2004 to an automated system where the barcodes on the pouches were scanned in on Horizon and the value was automatically entered on the system. ]*

25. We concluded that the Horizon system was working properly and did not appear to be the cause of the unauthorised losses incurred.

#### **NBSC Call Logs**

26. I have been asked to provide an overview of the call logs from the Marine Drive branch and an overview of them from December 2003 to April 2004 are set out below – FAD code 213337. These were compiled during the ordinary course of business from information supplied by persons who have or may reasonably be supposed to have personal knowledge of the matter dealt with in the information supplied, but are unlikely to have any recollection of the information or cannot be traced. I probably dealt with very few of these calls (if any at all) and the accordingly the information set out below questions is based on my interpretation (from experience) of what is written in the call logs and is provided simply to help clarify them for the benefit of the Court.

27. **1 December 2003, call reference H12881564** the sub-postmaster wanted to know where they sent their application for telephone claims. The resolution was stated to be KB which means that an answer was provided from the knowledge base. Given the volume and variety of calls to NBSC, the KB is a tool used by NBSC to find information and give answers to subpostmasters. There are thousands of case titles [*what is a case title?* – When an advisor gets an answer off the KB this is displayed on a word document. There is a word document for every piece of information that is held on the KB and these are the KB cases and the case title is the heading on each case. For example the case title for this question could be 'What are the Contact Details for Telephone Claims' **When you search on the KB it will give you a list of case titles to choose from and you select which one you want to go into.**] on the KB system which gives information and what answers to give. [*Would you describe it as a bit like a computerised library for the P.O or a more tailored and sophisticated version of "Frequently Asked Questions" that you see on websites?* – *It is like both of these*] The NBSC advisor will use a system called "Remedy" (which is the system used to log calls and is linked to the KB) to categorise a call made by a subpostmaster. If the correct categorisation is used, then the system should give the advisor the answer to the question. The use of the KB enables NBSC to effectively apply and maintain consistent service

standards across the board when dealing with subpostmaster queries [*I assume that's its purpose? - Yes*].

28. **1 December 2003, call reference H12881573** the caller wanted a telephone number for human resources. An answer was given from the knowledge base.
29. **11 December 2003, call reference H12903595** there was a power failure on the street and the office has electronic shutters so the branch was unable to open. Each branch has 2 or 3 nominated offices so if an office is closed the customers will be directed to a nominated office to transact their business. NBSC would give the nominated office details to the subpostmaster so he could display a notice telling customers where to go.
30. **11 December 2003, call reference H12904136** the clerk called to confirm that the branch had been reopened.
31. **12 December 2003, call reference H12906756** the clerk wanted to know what the counter procedure was for a local collect when a customer comes to pick it up. Local collect is a service offered by the post office: if Royal Mail can not deliver a package, they can leave this at the local Post Office branch and the customer can collect it from there. They were provided with an answer from the knowledge base.
32. **13 December 2003, call reference H12908771** this was a call because the customer had received a card in the name of Vera instead of Violet. This was resolved by providing the clerk with an answer from the knowledge base.
33. **13 December 2003, call reference H12908772** the office was open but was showing up as closed. This call would have been created by the advisor who answered the previous call. When they took the first call, it would have flagged up on the computer that the office was still closed where in fact it was open. This call would have been passed to the administration team and they would change the office status to open.
34. **22 December 2003, call reference H12925312** the postmaster sent off an application with the Personal Invitation Document (PID), which is used to apply for a Post Office Card Account Card for the opening of an account and identification form which was erroneously rejected by the EDS. They retained the ID form and PID and the application form was represented, but it had been returned again because there was no PID or ID form, although the subpostmaster said that EDS had retained them. The caller advised the subpostmaster that as the application had been erroneously rejected, NBSC would

pass his comments to our customer relations team to progress as a complaint against EDS.

35. **22 December 2003, call reference H12925361** this is a record of the sub-postmaster's complaint about EDS being forwarded to them.
36. **23 December 2003, call reference H21243010** the postmaster wanted to know if the procedures for printing a postage label had changed and was advised that the pre-paid will be reduced by an amount of extra service (recorded).
37. **30 December 2003, call reference H12937387** the clerk called to say that the customer had changed addresses and also post offices for his card (which I believe would have been his Post Office Card Account). His new card had been sent to the old office and the clerk wanted to know how he could have had the card directed to the new office. This was resolved by providing the clerk with information from the knowledge base.
38. **30 December 2003, call reference H12937703** the sub-postmaster had received a few enquiries from customers regarding the changes to the National Savings Ordinary Account. The sub-postmaster was advised that NBSC do not have any further information regarding the changes to the Ordinary Saving Account other than information contained in MBS 453. MBS stands for "Message Broadcast System". When urgent information needs to be sent the network a MBS is sent out direct to all Post Office branches to their Horizon system. MBS 453 is the number of the MBS sent out. I do not have a copy of this and doubt whether they would be kept from 3 years ago, but in any event it would only hold information relating to National savings Ordinary Account.
39. **14 January 2004, call reference H12971100** the clerk called in relation to a discrepancy i.e. a loss of £1,103.13. They were provided with an answer from the knowledge base. The call log does not record what the subpostmaster said. From memory, the advice on the KB for an office that misbalanced was that the subpostmaster should to check all cash stamps and stock, check rems and cheques to processing centre rems, and check pensions and allowances and other documentation. *Andrew, please can you find out if it definitely does say this on KB – I have been in touch with the NBSC and this case does not exist on the KB anymore and the team that deals with the KB does not keep old records of old cases. I don't know if Dave Hulbert will be able to help more regarding this.?*
40. **19 January 2004, call reference Q12980113** there was an incorrect cash dispatch. It appears from the call log that Lisa, the person calling from the



branch, was not sure of the procedure to despatch cash to Hemel Hemstead (this is the main cash depot). NBSC advised her of the correct procedure.

41. **20 January 2004, call reference H21265950.** This is a request to have a copy of week 43/03 counter news to be sent to the office. Counter News is a weekly publication sent to all branches that lists operational changes, it could be the branch lost or did not receive a copy.
42. **20 January 2004, call reference H21265965** the sub-postmaster had not received a copy of the sales report for the last period and wanted to know how one could be ordered. The sub-postmaster was advised that the reports were late and he should receive it by the end of the week at the latest as they were being dispatched.
43. **21 January 2004, call reference H12987381** the sub-postmaster called because they had a cash account discrepancy of £4,294.67. The call was logged with the suspense team. (At this time, there was a suspense team to try to ensure that nothing was transferred into the suspense account that was not permitted).
44. **22 January 2004, call reference H12987919** the sub-postmaster reported a loss of £4,000. He said he was in the office until 11pm last night but could not find anything. The NBSC went through all the balanced cheques with him. It appeared that the sub-postmaster had checked the REMs in and out, his cash, stock and pensions and allowances but was unable to find the loss. The sub-postmaster was therefore advised that this matter would be passed through to the suspense team. (When cash or stock goes into a branch, it is "remmed" in ie entered into or out of the system. The sub-postmaster has to check the rem foils to verify that he receives the cash or stock listed on the foil).
45. **22 January 2004, call reference H12987957** the sub-postmaster called. There was a loss in week 43 of £4,230.97. This was an unknown error. That means that the sub-postmaster should not transfer the loss into the suspense account.
46. **22 January 2004, call reference H21268317** a disabled customer's card had arrived in an incorrect name of Bernice instead of Denise and the sub-postmaster wanted to speak to EDS. An answer was given from the knowledge base.
47. **27 January 2004, call reference H12999552** this refers to a training event in Scarborough.



48. **28 January 2004, call reference H13003838** the sub-postmaster enquired whether there was a service available for customers to send money to somebody in another part of the country. That answer was provided from the knowledge base.
49. **28 January 2004, call reference H21272735** the sub-postmaster had called to say that since he had broadband installed, every time he receives stock into his office it was showing short by the same amount. He had checked to make sure that it was remmed in properly but it was still showing £2,500 short. The sub-postmaster was advised that if he felt that that was a technical system problem he should call the Horizon System Helpline (**HSH**) that deals with technical issues. However, after NBSC spoke to the sub-postmaster it appeared that he was entering all the transactions correctly, so this could be the case [*What "could be the case?" – The advisor is saying that it could be the case that there is an issue when he remms in the stock but this has to be raised with HSH for them to investigate.*]. The NBSC advisor would have gone through the rem procedure with the subpostmaster and it looks like he established he was remming the cash in correctly. He was advised to "balance and roll for a definite figure" i.e to produce a trial balance, since it is only at this stage you can get an accurate picture of what the value of the discrepancy is and to call HSH if he didn't have any success.
50. **29 January 2004, call reference H13005452** the branch called and said they were showing a loss of £2,523.12 and that this was the third discrepancy in as many weeks. NBSC checked through the figures using a transaction log and also looked at the REMs declaration and the cash flow. No trace of the discrepancy was found and this was referred to the suspense account team to review.
51. **29 January 2004, call reference H13005643** a call was ceated by NBSC and assigned to the Suspense Account team to deal with. The call notified the suspense Account Team of the unauthorised or unidentified loss of £6,754.09. [*is this an accurate summary? – The call notifies the suspense account team that the office has a loss – they would then contact the office to determine if it was an unidentified loss and they would decide if the PM is authorised to hold the loss or not.*]
52. **29 January 2004, call reference H21274188** the sub-postmaster wanted to have his transactional archives. Horizon only holds about 30 days worth of data and after this period all the transaction data is archived by Fujitsu. The Post office can request office archived data from Fujitsu. *Who – I assume the SPMR wanted to look himself to see if he could identify anything.?* looked at more closely to try to identify what was going wrong with his branch. He was having a

lot of losses over the past three weeks and thought that there was a system fault with his remittances.

It appears that Adele Kilcoyne of NBSC requested this information from Fujitsu so that the postmaster could study his archives to try to identify what had gone wrong. – Regarding this last sentence – The call states that we passed the request to Adele Kilcoyne but I do not know if Adele made the request to Fujitsu or not. A lot of requests of this nature are turned down because of the cost to the business.

53. **30 January 2004, call reference H13011960** the sub-postmaster called in relation to automated payments: the customer's account had not apparently been credited with payment. An answer was provided to the sub-postmaster from the knowledge base.
54. **30 January 2004, call reference Q13009942** Mrs Catherine Oglesby, the Retail Line Manager reported that the sub-postmaster had authorised losses of £6,754.09 for week 44. Apparently he could not identify what had caused the loss and was unable to make good. The sub-postmaster also stated that he had made good a loss of £1,100 in week 42. Mrs Oglesby asked NBSC to contact the branch to try resolve his query. The sub-postmaster had applied for a hardship form (which is what they do when they do not have the means to make good unauthorised shortfalls). He was waiting for a return of an I&E form.
55. **30 January 2004**, the customer's account had not been credited with the payment. NBSC provided an answer from the knowledge base.
56. **2 February 2004**, The branch called to say that they had message on their computer which stated that desk top initialisation had failed and that an operational violation had been detected. This was passed to HSH.
57. **3 February 2004**, the sub-postmaster called to query whether nominations are being taken for pre-pay mobile phone vouchers. NBSC gave an answer from the KB.
58. **3 February 2004**, the branch asked for a telephone number for Girobank.
59. **3 February 2004**, the branch called and asked for the telephone number for Hanco. Hanco is the name of a company that supply some ATM machines in the post office branch.
60. **4 February 2004**, the branch called and asked for the procedure for producing an overnight cash holding (**ONCH**) report.

61. **6 February 2004**, this is a card account query. The PID (this stands for personal invitation document) had the wrong customers address on. The branch would probably have been asking what they should do in this situation.
62. **9 February 2004**, the branch called because a customer wished to transfer £3,000 from her ordinary account to open an investments account. The clerk wanted to know which form was used to process this and whether they could process it. An answer was supplied from the knowledge base.
63. **10 February 2004**, the branch called and asked how to rem out coin. The branch does a remittance on the computer to record stock or cash coming into the office or leaving the branch. It is not often that a branch would have excess coin and would need to rem this out, so that is probably why they asked for the procedure on how to rem coin out.
64. **11 February 2004**, the sub-postmaster called who had a customer who has a disabled son and is an appointee at the moment and had been told that she could not be an appointee for her son. This is a query regarding Post Office Card Account. If someone is unable to operate the account (possibly if they have a disability) then they must have an appointee to operate the account on their behalf. An answer was supplied from the knowledge base.
65. **12 February 2004**, the sub-postmaster called and wanted to know the procedure for opening a card account. The call log refers to COM7. COM stands for Counter Operations Manual. These manuals list all Post Office transactions and accounting procedures (there are 5 volumes and all office have these). The knowledge base is linked into the COM's to give answers. COM7 this means that the answer was given from the Counter Operations Manual number 7.
66. **12 February 2004**, the branch reported an unauthorised loss of £8,243.10 in week 46. There was an accumulated loss over the last four weeks. The branch had applied for a hardship form. An amount was entered into the suspense account pending completion of the hardship papers.
67. **13 February 2004**, the branch called and asked how to pay out on a capital bank Lloyds TSB Bank cheque made out to Post Office Limited. The sub-postmaster was advised that he should not pay out cash for this cheque. It should only be used to pay for products or services.
68. **13 February 2004**, **It is unclear who generated this call.** The log recalls that there was a loss of £8,243.10 in week 46 accumulated over the last four weeks.

*Who NBSC or the spmr – It would be the suspense account team who chased this form, they deal with hardship?* chased an I&E form (the form used to apply for hardship) on 27 February 2004. There was a further loss of £3,509.68 in week 48. This was added to the suspense account and the total loss was now £11,752.78. Mrs Oglesby was aware of this and was visiting to assist the sub-postmaster in completing the form. NBSC spoke to Mrs Oglesby on 25 March. The sub-postmaster had been suspended and the loss transferred to the late account.

69. **13 February 2004**, the sub-postmaster called and wanted to arrange a system check due to small faults he had encountered with the system. He was referred to HSH.
70. **16 February 2004**, the sub-postmaster called and reported that the card could not be read by the system and wanted to know what to do. He was given an answer from the knowledge base.
71. **16 February 2004**, the branch called and stated that the system was unavailable and wanted to know whether they could do a withdrawal. They were given an answer from the knowledge base. If the customer wanted to withdraw from a Post Office Card Account then a payments of up to £20 can be made in an emergency if the system is not available. If it is a different kind of on line transaction then the customer would be asked to go somewhere else or come back later.
72. **16 February 2004**, this call simply states Horizon KB0628. I believe (but am not completely sure) that this means that there was a Horizon issue and the subpostmaster was referred to HSH. The number KB0628 in the resolution could be referring to the number of the answer from the Knowledge base.
73. **16 February 2004**, the sub-postmaster wanted to speak to HSH because his screen was frozen. He was given an answer from the knowledge base.
74. **19 February 2004**, the branch called and wanted to know what the telephone numbers were for transaction processing. They were given an answer from the knowledge base.
75. **21 February 2004**, the sub-postmaster called and asked how to deal with the death of the card holder and was given an answer from the knowledge base.
76. **24 February 2004**, the sub-postmaster called asking for Mrs Oglesby to call him regarding the previous conversation about the ongoing system problem. NBSC advised Mrs Oglesby that the sub-postmaster had called.



77. **25 February 2004**, the sub-postmaster called to state that he had been having problems with the system and balance for about six weeks. The sub-postmaster wanted to know whether they have started or completed a system check. Sandra at NBSC spoke to HSH team leader who advised that they were now looking into this for the sub-postmaster. NBSC called the clerk on Tuesday and she confirmed that HSH had been in touch. She was given a call reference and asked to call back if she had any further problems.
78. **25 February 2004**, the sub-postmaster called and wanted to speak to HSH regarding system problems. He was transferred to HSH.
79. **26 February 2004**, the branch reported a discrepancy and wanted a call from service support reference H13071268 because there was a £3,509.68 shortage and they wanted to use the suspense account. The sub-postmaster was advised that the suspense account team would not deal with this until the sub-postmaster "been to the correct cap" i.e. had actually rolled over and committed the discrepancy. NBSC advised that HSH was still investigating the problem.
80. **26 February 2004**, the sub-postmaster called and stated that he was entering into a smart post item on the system and it was an airsure going to the USA with the value of £300. The sub-postmaster put the value into the system but the price did not increase and wanted to know why. NBS discussed with the sub-postmaster and went through the procedure with him. It transpired that the sub-postmaster was erroneously entering the high value at the start of the transaction, so it set the price at the high value compensation rate.
81. **26 February 2004**, the sub-postmaster reported £3,509.68 unauthorised losses for week 48. He said that he had an ongoing problem which HSH were investigating. The sub-postmaster was completing an I&E form to start the hardship process for previous discrepancies. Accordingly, although the losses were unauthorised, they were entered into the suspense account pending the hardship process.
82. **3 March 2004**, the branch reported that a customer had called and asked for a change of name on the CAPO card (Card Account at Post Office) since it had the wrong names. The branch was given an answer from the knowledge base.
83. **4 March 2004**, Mrs Oglesby reported that she had called HSH as a branch was constantly showing losses every week and the sub-postmaster thought this may be down to software as the amount was getting worse each week. HSH had put her straight through to NBSC without checking any incidents. This is when Sarah



Pennington was asked to outline what investigations she had made (as set out in paragraphs 20-24 above).

84. **8 March 2004**, the branch was asking about a cash declaration on the system as he had £7,579. The sub-postmaster was going to send through snapshots from Saturday today.
85. **8 March 2004**, the branch called and asked what to do with impounded Department of Works and Pensions (**DWP**) allowance docketts. The sub-postmaster was advised that DWP makes the policy, not the Post Office.
86. **8 March 2004**, the branch called and asked who the cheque should be made payable to for premium bonds. An answer was given from the knowledge base.
87. **9 March 2004**, the branch called and asked what the process was for a buy back pre-order accounting and dispatch. They were given an answer from the knowledge base.
88. **10 March 2004**, the branch called and asked for the telephone number for Chesterfield and were given the answer from the knowledge base.
89. **15 March 2004**, the branch called and stated that the balance on the card account was less than what is in the account and wanted to know what to do. They were given an answer from the knowledge base.
90. **15 March 2004**, the branch called and asked for the address for Nairn Post Office and were given an answer from the knowledge base.
91. **18 March 2004**, the sub-postmaster called and wanted the branch details for Post Office No. 225840. They were given an answer from the knowledge base.
92. **22 March 2004**, the sub-postmaster wanted to know how to issue a vault card to a customer. The advisor followed the procedure from the knowledge base.
93. **23 March 2004**, the auditor called and wanted to know if the office had had a new base unit. They were told to try calling HSH.
94. **23 March 2004**, the auditor called and wanted to know if there were any losses that had been authorised from about week 40. They were told that there are three losses and all are unauthorised.

95. **23 March 2004**, It appears that the subpostmaster forgot his password so could not log on to Horizon and telephoned NBSC for a One Shot Password (**OSP**).
96. **23 March 2004**, the branch had to close and other nominated branches were informed and told to serve customers from the Marine drive branch.
97. **23 March 2004**, the subpostmaster or a post office clerk called NBSC to confirm that the branch would be open tomorrow at 9am.
98. **23 March 2004**, the auditor wanted to speak to HSH to confirm that the sub-postmaster had a new base unit fitted. The auditor was transferred to HSH.
99. **24 March 2004**, it appears that the subpostmaster called to ask how to declare his Bureau De Change (foreign currency). The select edit F10 is the procedure to follow when declaring the bureau in the balance screen. I can only assume the Hung Up means the SPMR hung up.
100. **30 March 2004**, NBSC spoke to the new, relief sub-postmaster, Ruth Simpson. They took NS & I details and would pass to the customer when and if they came in.
101. **31 March 2004**, the branch called and asked for what the concession number was for a disabled rod licence. They were given an answer from the knowledge base.
102. **1 April 2004**, the branch called and asked how to correct errors, this was relating to revaluation. Revaluation happens when the price of postage goes up or down and certain activities have to be undertaken on the Horizon system. They were given an answer from the knowledge base.
103. **1 April 2004**, the new sub-postmaster stated that she could not balance a roll over as the system was stating that she had negative/re-valued stock figures. She was advised to complete the re-valuation during Cash Account period week 1 (**CAPO1**). This would then permit the system to allow her to roll over into week 02.
104. **2 April 2004**, the branch had received ocean liners stamps with the incorrect price. The sub-postmaster was told to rem in and contact Hemmel Hempstead to notify them. Hemmel Hempstead is the National Secure Stock Centre where all stock and cash is sent from and to.

105. **13 April 2004**, the branch called and wanted an office address. They could have been asking for another post office address or they could be asking for the address of Transaction Processing at Chesterfield or other business owned locations.
106. **15 April 2004**, the office wished to contact their retail line manager. The call was passed to the admin team and a message was left for the retail Line Manager to contact the office.
107. **19 April 2004**, the branch called and asked for the telephone number of National Savings and was given an answer from the knowledge base.
108. **19 April 2004**, the branch called and asked for a telephone number of Transaction Processing and was given an answer from the knowledge base.
109. **20 April 2004**, the sub-postmaster called and wanted to speak to the retail line manager regarding a problem that she is already dealing with. This call is a Page RLM (Retail Line Manager) call. These calls are passed to the Administrative team to contact the RLM. In the resolution it says "RLM Cath Oglesby Left Message on Voicemail @ 14.28." This means the administrative team left a message on Catherine Oglesby's voicemail at 2.28pm that day.
110. **21 April 2004**, the branch called to report a change in the opening hours and the details were logged.
111. **22 April 2004**, the branch called and asked the retail line manager to contact the branch regarding a problem that they were all dealing with. The message was passed on by NBSC to Mrs Oglesby.
112. **22 April 2004**, Mr Castleton's father-in-law called and stated that his son-in-law and daughter had been suspended and somebody else had been put in and was losing business. He wanted to speak to somebody more senior to Mrs Oglesby. His message was passed to the area office for Head of Area (HOA) i.e. Mrs Oglesby's Line Manager to get in touch with Mr Franks.
113. **22 April 2004**, a call was taken from the sub-postmaster's father-in-law and he was given an answer from the knowledge base.
114. **23 April 2004**, Mr Castleton wanted to know if there was any way of printing out all the calls he had made to NBSC and for them to be sent to him. He was advised that if he wanted information regarding calls made to NBSC, he should make his request in writing to Adele Kilcoyne of NBSC.

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

Signed .....

**GRO**

Date .....

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 5/9/06

**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**

**WITNESS STATEMENT OF ANDREW  
WISE**

**BOND PEARCE LLP**

**GRO**

**Solicitors for the Claimant/Part 20  
Defendant**



Filed on behalf of the:	Claimant
Witness:	A Wise
Statement:	1
Exhibits:	"GJ1"
Date made:	5/09/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No.**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant**

**- and -**

**LEE CASTLETON**

**Defendant**

**EXHIBIT "AW1"**

This is the Exhibit marked "AW1" referred to in the Witness Statement of Andrew Wise  
dated 2006.

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 7/9/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No. HQ05X02706**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20  
Defendant**

**- and -**

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

**WITNESS STATEMENT OF ANDREW WISE**

**I, ANDREW WISE, of Human Resources** GRO  
GRO **WILL SAY AS FOLLOWS:**

1. I am currently a Training Manager employed by Post Office Limited (**the Post Office**). I have worked for the Post Office since 1991. I am responsible for training new sub-postmasters and branch counter staff on Post Office Transactions and procedures and the Horizon system and co-ordinating national training issues. From May 2001 to November 2004, I was a postal officer at the Network Business Support Centre (**NBSC**) working as a Tier 2 Advisor. However due to my experience and knowledge, I was often asked to stand in as a team leader. My responsibilities included those of a service support advisor involved in answering calls which were generally more complex than the first tier of calls that sub-postmasters make to the NBSC. Prior to that, I was a Horizon field support officer from 1999 to 2001 and prior to that I spent 8 years as a counter clerk. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by the Post Office.
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 "AW1" to this Witness Statement.

### **Network Business Support Centre (NBSC)**

3. The Post Office provides a service to sub-postmasters and clerks called the NBSC, which is a helpline they can call to try to resolve business related queries.
4. There are two tiers of service support at NBSC. Tier one is essentially customer services and is a separate entity. Tier two was run by the Post Office and was for calls that tier one were unable to deal with. I understand that the tier one team could between them take approximately 2,000 calls in total each day and at tier two, an individual could take approximately 30 calls each day. Basically a sub-postmaster would call the NBSC telephone number, select the options to get through to tier one and then explain their problem. It may be a pre-recorded standard response, but if there is none available, the sub-postmaster could get put through to tier two. A lot of time on tier two is spent prompting sub-postmasters and clerks to double check information they should have been checking any way.

### **Double entry accounting and daily reporting procedures**

5. I have been asked to explain what Horizon is and the daily and weekly reporting procedures that sub-postmasters must adhere to.
6. The counter positions in the post office branches each have a computer terminal, this includes the processor, a touch sensitive screen, a keyboard, barcode scanner and printer. Once a clerk logs on, any transactions they perform are recorded and entered into the computer. The computer system is called Horizon.
7. Post Office branches operate double entry accounting. Almost every transaction recorded by the clerk on to their computer has a corresponding physical document, such as a TV license counter foil, savings bank deposit, withdrawal slip or cheque.
8. A summary of the prescribed daily procedures that sub-postmasters must follow is at pages 1 to 2. This includes the following:

### TV Licenses - Non Barcode

9. Each day the sub-postmaster must enter details on the green daily summary form P5744 which is retained at the branch. They have to print a daily report and check that the totals of the counter foils agree with that report. The report is produced from information contained upon the Horizon system and shows all the transactions of that type that have been recorded for the day. If the report and the counter foils tally with each other, the subpostmaster cuts off the report on the computer to reset it to zero for the next day. ('Cut off' means that the subpostmaster presses a button on the computer to confirm that he has completed the report, so that when the report is next printed, it will include only transactions done after the cut-off point). They then complete a batch control voucher (BCV) paperclip together none barcoded TV and non barcoded over 75 counter foils to the BCV and send the counter foils off to be processed. Up until a few years ago, they sent them to Data Central, a processing centre in London run by the Post Office. However, I am advised that from around February 2004 onwards there was a phased migration over to the EDS Processing Centre (EDS) in Shepshed, Leicestershire because the task of processing was outsourced by the Post Office to the EDS. From a branch point of view, this just meant putting the BCV and Counterfoils in a different envelope.

#### Personal Banking

10. The sub-postmaster has to print a report each day and check that the totals on the print out agree with the documents to hand (whether cash deposit, cheque deposit envelope or encashment cheques) if the totals agree, they then have to cut off the report so that it resets for the next day. They then complete a BCV and paperclip the cash deposit slips, check deposit envelopes and then encashed cheques together and place in the envelope to go off to be processed.

#### Cheques, Giro bank deposits and Savings Bank

11. The sub-postmaster then goes through a similar daily procedure for cheques, giro bank deposits and withdrawals, daily cash declaration and Savings Bank Deposits and Withdrawals i.e. for each of these, the sub-postmaster has to print a report, check that the cheques, giro slips, cash or other documents agree with the report, paperclip the relevant documents together with the BCV and send them to the correct place such as girobank, Data Central or (nowadays) EDS.

#### **Weekly Balance Procedure**

12. Each week the sub-postmaster has to go through a weekly balancing procedure. A summary of the current procedure is at pages 3 to 6. (The current procedure refers to "Branch Trading" and "monthly Trading Statements", which is a monthly balancing process introduced in September 2005 to replace the weekly procedure). Most of the balancing processes are still the same today but I have tried to describe below the procedure as it was at the material time i.e. from December 2003 to March 2004.
13. When the subpostmasters print their counter reports each day in time for the last despatch from the branch (which could be as early as 4.00pm), they may in practice then serve further customers and carry out further transactions that day. Accordingly, when they do their weekly balance the subpostmaster has to complete further copies of the counter daily reports (of the sort listed in paragraphs 9 to 11 above) and counter weekly reports. All transactions that are sent off weekly are classed as counter weekly reports. These include things such as Pensions and Allowances, Green Giros, Postal Orders. These are listed on the Weekly Balancing hand out. The reports look the same as those produced for Daily reports. They are then encouraged to print a balance snapshot and use that to ensure that the Horizon system stock held figures matches the actual stock holdings in their branch. They also have to check all receipt and payment transaction totals with the supporting vouchers/documentation. There are ways in which they can amend any stock discrepancies. They then have to print the mandatory office weekly reports being the suspense account report and rejected postage label report. These are produced off the A4 printer and retained in the branch with the cash account.
14. The sub-postmaster then completes all other manual summaries and reconciliations, for example National Savings Weekly Summary, Change Given Return, Electric Tokens, Promotional/Payment Vouchers, MVL Weekly Reconciliation, Rod Licence Reconciliation, Gift Voucher Weekly Reconciliation, DVLA Premium Service Summaries, UK PA Check and Send summaries, Electric Schemes and National Lottery Cheque Prize Payments.
15. If a branch has an On Demand Bureau de Change, the sub-postmaster then prints a foreign currency report and checks the figures against their actual stock holdings.
16. They then make new declarations for cash and stamps, entering on the system the cash nominations they have and a number of each different type of stamps. They then print a report which is kept with their branch.



17. The office then produces a Trial Balance report, if all the cash stock and figures are correct and once the National Lottery figures have been entered the office can then be rolled over and a Final Balance report is produced.
18. Each week, the sub-postmaster sends to Chesterfield the paid postal and money orders slips, a Giro Bank Change Summary (the Post Office offers a change giving service to customers that bank with Girobank and this is a summary of how many transactions are done), UKPA Check and Send (if they do the Passport Check and Send service, which would be unlikely in a sub post office), a form setting out Redeemed Post Office and TV Savings Stamps, National Lottery prize payments (£500 plus) (which shows details of what cheques have been issued to National Lottery winners where the prize is more than £500) and DVLA premium service forms (which is a service where a customer can apply for a photo card driving licence at the Post office. The branch checks the form and ID and sends it off.
19. After everything has been completed and the office is happy with the balance they will then complete the weekly Cash Account report. 2 copies are produced and signed. 1 of these copies is sent to Transaction Processing at Chesterfield and the other is retained in the office.

### **The Horizon System**

20. Accordingly, it can be seen that if the clerk or sub-postmaster makes a mistake when inputting transaction details into their computer, there are a number of points at which this can be picked up, because there are daily and weekly reports that the sub-postmaster have to produce at which stage they have to check and satisfy themselves that the documents for example, cheques, giros, pensions and allowances match what they have entered on the system. In addition to that, there are various teams responsible for different sorts of paperwork produced by the branch, including a giro bank team, cheques team and pension team. For example, if the clerk records an item incorrectly on the system, they should pick this up on either their daily or weekly report. However if they fail to do so, this will be picked up at the Processing Centre. If an item has been wrongly recorded, an error notice would be generated, although this can easily take up to 12 weeks or so. This will mean that if a transaction has been over or under stated there will be either a claim or charge error respectively.

### **Sub-Postmaster Training**

21. As previously stated, I am currently responsible for training new sub-postmasters and branch counter staff on Horizon. The training includes how to use the Horizon system and would include a lot of transaction based procedures such as – Cheque acceptance, Girobank, National Savings, pensions and Allowances, Postage, TV licences, letters and parcels and Personal banking. It also covers subjects like customer care and security, Health and Safety, how to use the counter operation manuals and procedures such as the daily accounting and (at the time in question) weekly balancing.
22. In the training delivery team we have a record of Mr Castleton becoming subpostmaster on 18 July 2003 and that he was offered 4 days training from the 14 to 17 July at our classroom in Leeds. Mr Castleton then had a trainer on site with him from 18 to 25 July 2004.
23. Each branch has a copy of the Horizon User Guide which is a reference tool and explains how to use Horizon, (such as balancing, administration, reports, transfers remittances and transactions) and a Horizons Operations Manual which gives guidance on products such as girobank, national savings accounts, personal banking, corporate banking, cash and cheques acceptance, pensions and counter operations. In addition, literature such as Operation Focus a weekly magazine circulated to all branches and operational Workaid, a similar magazine but circulated as and when there are more major changes to products, prices or procedures, help keep branches abreast of developments.

#### **NBSC Review**

24. My understanding was that on or around 4 March 2004 Mrs Oglesby asked NBSC for information relating to Marine Drive branch. The information requested was regarding calls made to the NBSC from the Marine Drive branch relating to losses when balancing and what investigations were undertaken by NBSC during these calls. Sarah Pennington (who has since left the Post Office) was the Tier 2 advisor who dealt with some of the calls raised by this office at the time and during these calls she discussed the issues with me. She then reported to Andrew Price (NBSC) who in turn reported back to Mrs Oglesby on 20 April 2004 (page 13). The e-mail states that Sarah Pennington spoke to the sub-postmaster at Marine Drive who wasn't sure what was causing the errors and that he had been using the slave computer terminal to enter his stock and cash, which he was told would not cause a problem as long as it was attached to the correct stock unit. If there was any communication problem between the two computers, the words "node disconnected" would flash up on screen when any reports were produced.

25. The sub-postmaster apparently thought there were some errors relating to the National Lottery. I understand from the e-mail that Sarah phoned the lottery team at transaction processing who confirmed that there were some errors, but for every charge error there was a corresponding claim error as the clerk and/or sub-postmaster had entered the lottery figures in the wrong cash account period. If the cash account period (week number) is wrong one week, the next week this would balance out, hence the sub-postmaster would receive a charge error in the first week and a claim error in the second week.
26. Sarah's e-mail records that the sub-postmaster was also concerned that when entering the lottery figures, the terminals did not appear to be communicating. However if that had been the case, the sub-postmaster would have a very large number of errors on every report and product.
27. I looked at the cash account information that the sub-postmaster sent to me but was unable to find any errors. The only amount questioned was a large amount on the cheques to Processing Centre, but I was able to confirm that this was a cheque payment for the purchase of the premium bonds. Accordingly, there is nothing more NBSC could do and we suggested he work a manual system at the side of Horizon to see if any problems were highlighted. He was also advised to take a snapshot before and after he did the REMs to see if there were any problems occurring when he did a remittance.
28. When a subpostmaster receives a delivery of cash and/or stock, he enters the details and quantity into his computer and this is called "remming in" the stock). The cash and stock are delivered to the office in a grey pouch by the Cash in Transit driver. The subpostmaster would sign a docket to say that they have received this pouch (each pouch had a reference number and this tied up with what the cash centre had put in the pouch, so the driver never knew what was in each pouch). The subpostmaster would then open the pouch and there would be an advice note in the pouch listing what cash or stock should be in that pouch. The subpostmaster had 24 hours to check that the amount agreed with the advice note (if it did not he had to contact the Rem Unit within 24 hours of receiving the pouch). The subpostmaster would then rem this amount into the Horizon system and it produced a rem in slip that was attached to the advice note and was retained in the branch with all other paper work. (This procedure changed around August 2004 to an automated system where the barcodes on the pouches were scanned in on Horizon and the value was automatically entered on the system).
29. We concluded that the Horizon system was working properly and did not appear to be the cause of the unauthorised losses incurred.

**NBSC Call Logs**

30. I have been asked to provide an overview of the call logs from the Marine Drive branch and an overview of them from December 2003 to April 2004 are set out below – FAD code 213337. These were compiled during the ordinary course of business from information supplied by persons who have or may reasonably be supposed to have personal knowledge of the matter dealt with in the information supplied, but are unlikely to have any recollection of the information or cannot be traced. I probably dealt with very few of these calls (if any at all) and the accordingly the information set out below questions is based on my interpretation (from experience) of what is written in the call logs and is provided simply to help clarify them for the benefit of the Court.
31. **1 December 2003, call reference H12881564** the sub-postmaster wanted to know where they sent their application for telephone claims. The resolution was stated to be KB which means that an answer was provided from the knowledge base. Given the volume and variety of calls to NBSC, the KB is a tool used by NBSC to find information and give answers to subpostmasters. It is a bit like a computerised library for the P.O or a more tailored and sophisticated version of "Frequently Asked Questions" that you often see on websites and enables NBSC to effectively apply and maintain consistent service standards across the board when dealing with subpostmaster queries. The NBSC advisor will use a system called "Remedy" (which is the system used to log calls and is linked to the KB) to categorise a call made by a subpostmaster. If the correct categorisation is used, then the system should give the advisor the answer to the question. This is because when NBSC search on the knowledge base, there is taxonomy or "case titles" to help choose answers from and they select which one you want to see. The answer is displayed in a Microsoft Word document. For example, the case title for the above question could be "What are the Contact Details for Telephone Claims."
32. **1 December 2003, call reference H12881573** the caller wanted a telephone number for human resources. An answer was given from the knowledge base.
33. **11 December 2003, call reference H12903595** there was a power failure on the street and the office has electronic shutters so the branch was unable to open. Each branch has 2 or 3 nominated offices so if an office is closed the customers will be directed to a nominated office to transact their business. NBSC would give the nominated office details to the subpostmaster so he could display a notice telling customers where to go.



34. **11 December 2003, call reference H12904136** the clerk called to confirm that the branch had been reopened.
35. **12 December 2003, call reference H12906756** the clerk wanted to know what the counter procedure was for a local collect when a customer comes to pick it up. Local collect is a service offered by the post office: if Royal Mail can not deliver a package, they can leave this at the local Post Office branch and the customer can collect it from there. They were provided with an answer from the knowledge base.
36. **13 December 2003, call reference H12908771** this was a call because the customer had received a card in the name of Vera instead of Violet. This was resolved by providing the clerk with an answer from the knowledge base.
37. **13 December 2003, call reference H12908772** the office was open but was showing up as closed. This call would have been created by the advisor who answered the previous call. When they took the first call, it would have flagged up on the computer that the office was still closed where in fact it was open. This call would have been passed to the administration team and they would change the office status to open.
38. **22 December 2003, call reference H12925312** the postmaster sent off an application with the Personal Invitation Document (PID), which is used to apply for a Post Office Card Account Card for the opening of an account and identification form which was erroneously rejected by the EDS. They retained the ID form and PID and the application form was represented, but it had been returned again because there was no PID or ID form, although the sub-postmaster said that EDS had retained them. The caller advised the sub-postmaster that as the application had been erroneously rejected, NBSC would pass his comments to our customer relations team to progress as a complaint against EDS.
39. **22 December 2003, call reference H12925361** this is a record of the sub-postmaster's complaint about EDS being forwarded to them.
40. **23 December 2003, call reference H21243010** the postmaster wanted to know if the procedures for printing a postage label had changed and was advised that the pre-paid will be reduced by an amount of extra service (recorded).
41. **30 December 2003, call reference H12937387** the clerk called to say that the customer had changed addresses and also post offices for his card (which I believe would have been his Post Office Card Account). His new card had been



sent to the old office and the clerk wanted to know how he could have had the card directed to the new office. This was resolved by providing the clerk with information from the knowledge base.

42. **30 December 2003, call reference H12937703** the sub-postmaster had received a few enquiries from customers regarding the changes to the National Savings Ordinary Account. The sub-postmaster was advised that NBSC do not have any further information regarding the changes to the Ordinary Saving Account other than information contained in MBS 453. MBS stands for "Message Broadcast System". When urgent information needs to be sent the network a MBS is sent out direct to all Post Office branches to their Horizon system. MBS 453 is the number of the MBS sent out. I do not have a copy of this and doubt whether they would be kept from 3 years ago, but in any event it would only hold information relating to National savings Ordinary Account.
43. **14 January 2004, call reference H12971100** the clerk called in relation to a discrepancy i.e. a loss of £1,103.13. They were provided with an answer from the knowledge base. The call log does not record what the subpostmaster said. From memory, I believe that the advice on the KB for an office that misbalanced was that the subpostmaster should to check all cash stamps and stock, check rems and cheques to processing centre rems, and check pensions and allowances and other documentation.
44. **19 January 2004, call reference Q12980113** there was an incorrect cash dispatch. It appears from the call log that Lisa, the person calling from the branch, was not sure of the procedure to despatch cash to Hemel Hemstead (this is the main cash depot). NBSC advised her of the correct procedure.
45. **20 January 2004, call reference H21265950.** This is a request to have a copy of week 43/03 counter news to be sent to the office. Counter News is a weekly publication sent to all branches that lists operational changes, it could be the branch lost or did not receive a copy.
46. **20 January 2004, call reference H21265965** the sub-postmaster had not received a copy of the sales report for the last period and wanted to know how one could be ordered. The sub-postmaster was advised that the reports were late and he should receive it by the end of the week at the latest as they were being dispatched.
47. **21 January 2004, call reference H12987381** the sub-postmaster called because they had a cash account discrepancy of £4,294.67. The call was logged with the suspense team. (At this time, there was a suspense team to try to

ensure that nothing was transferred into the suspense account that was not permitted).

48. **22 January 2004, call reference H12987919** the sub-postmaster reported a loss of £4,000. He said he was in the office until 11pm last night but could not find anything. The NBSC went through all the balanced cheques with him. It appeared that the sub-postmaster had checked the REMs in and out, his cash, stock and pensions and allowances but was unable to find the loss. The sub-postmaster was therefore advised that this matter would be passed through to the suspense team. (When cash or stock goes into a branch, it is "remmed" in ie entered into or out of the system. The sub-postmaster has to check the rem foils to verify that he receives the cash or stock listed on the foil).
49. **22 January 2004, call reference H12987957** the sub-postmaster called. There was a loss in week 43 of £4,230.97. This was an unknown error. That means that the sub-postmaster should not transfer the loss into the suspense account.
50. **22 January 2004, call reference H21268317** a disabled customer's card had arrived in an incorrect name of Bernice instead of Denise and the sub-postmaster wanted to speak to EDS. An answer was given from the knowledge base.
51. **27 January 2004, call reference H12999552** this refers to a training event in Scarborough.
52. **28 January 2004, call reference H13003838** the sub-postmaster enquired whether there was a service available for customers to send money to somebody in another part of the country. That answer was provided from the knowledge base.
53. **28 January 2004, call reference H21272735** the sub-postmaster had called to say that since he had broadband installed, every time he receives stock into his office it was showing short by the same amount. He had checked to make sure that it was remmed in properly but it was still showing £2,500 short. After NBSC spoke to the sub-postmaster, it appeared that he was entering all the transactions correctly, so the sub-postmaster was advised that if he felt that that was a technical system problem he should call the Horizon System Helpline (**HSH**) that deals with technical issues, so that they could investigate. The NBSC advisor would have gone through the rem procedure with the subpostmaster and it looks like he established he was remming the cash in correctly. He was advised to "balance and roll for a definite figure" i.e. to produce a trial balance, since it is

only at this stage you can get an accurate picture of what the value of the discrepancy is and to call HSH if he didn't have any success.

54. **29 January 2004, call reference H13005452** the branch called and said they were showing a loss of £2,523.12 and that this was the third discrepancy in as many weeks. NBSC checked through the figures using a transaction log and also looked at the REMs declaration and the cash flow. No trace of the discrepancy was found and this was referred to the suspense account team to review.
55. **29 January 2004, call reference H13005643** a call was created by NBSC and assigned to the Suspense Account team to deal with. The call notified the suspense Account Team that the branch had an unauthorised or unidentified loss of £6,754.09. The Suspense Account Team would then contact the office to determine if it was an unidentified loss and they would decide if the sub-postmaster is authorised to hold the loss or not.
56. **29 January 2004, call reference H21274188** the sub-postmaster wanted to have his transactional archives (presumably to try to identify what was going wrong at his branch). Horizon only holds about 30 days worth of data and after this period all the transaction data is archived by Fujitsu. The Post Office can request office archived data from Fujitsu. He was having a lot of losses over the past three weeks and thought that there was a system fault with his remittances. It appears that the subpostmaster's request was passed on to Adele Kilcoyne of NBSC.
57. **30 January 2004, call reference H13011960** the sub-postmaster called in relation to automated payments: the customer's account had not apparently been credited with payment. An answer was provided to the sub-postmaster from the knowledge base.
58. **30 January 2004, call reference Q13009942** Mrs Catherine Oglesby, the Retail Line Manager reported that the sub-postmaster had authorised losses of £6,754.09 for week 44. Apparently he could not identify what had caused the loss and was unable to make good. The sub-postmaster had stated that he had made good a loss of £1,100 in week 42. Mrs Oglesby asked NBSC to contact the branch to try resolve his query. The sub-postmaster had applied for a hardship form (which is what they do when they do not have the means to make good unauthorised shortfalls). He was waiting for a return of an I&E form.
59. **30 January 2004,** the customer's account had not been credited with the payment. NBSC provided an answer from the knowledge base.

60. **2 February 2004**, The branch called to say that they had message on their computer which stated that desk top initialisation had failed and that an operational violation had been detected. This was passed to HSH.
61. **3 February 2004**, the sub-postmaster called to query whether nominations are being taken for pre-pay mobile phone vouchers. NBSC gave an answer from the KB.
62. **3 February 2004**, the branch asked for a telephone number for Girobank.
63. **3 February 2004**, the branch called and asked for the telephone number for Hanco. Hanco is the name of a company that supply some ATM machines in the post office branch.
64. **4 February 2004**, the branch called and asked for the procedure for producing an overnight cash holding (ONCH) report.
65. **6 February 2004**, this is a card account query. The PID (this stands for personal invitation document) had the wrong customers address on. The branch would probably have been asking what they should do in this situation.
66. **9 February 2004**, the branch called because a customer wished to transfer £3,000 from her ordinary account to open an investments account. The clerk wanted to know which form was used to process this and whether they could process it. An answer was supplied from the knowledge base.
67. **10 February 2004**, the branch called and asked how to rem out coin. The branch does a remittance on the computer to record stock or cash coming into the office or leaving the branch. It is not often that a branch would have excess coin and would need to rem this out, so that is probably why they asked for the procedure on how to rem coin out.
68. **11 February 2004**, the sub-postmaster called who had a customer who has a disabled son and is an appointee at the moment and had been told that she could not be an appointee for her son. This is a query regarding Post Office Card Account. If someone is unable to operate the account (possibly if they have a disability) then they must have an appointee to operate the account on their behalf. An answer was supplied from the knowledge base.
69. **12 February 2004**, the sub-postmaster called and wanted to know the procedure for opening a card account. The call log refers to COM7. COM stands for Counter Operations Manual. These manuals list all Post Office transactions and



accounting procedures (there are 5 volumes and all office have these). The knowledge base is linked into the COM's to give answers. COM7 this means that the answer was given from the Counter Operations Manual number 7.

70. **12 February 2004**, the branch reported an unauthorised loss of £8,243.10 in week 46. There was an accumulated loss over the last four weeks. The branch had applied for a hardship form. An amount was entered into the suspense account pending completion of the hardship papers.
71. **13 February 2004**, the branch called and asked how to pay out on a capital bank Lloyds TSB Bank cheque made out to Post Office Limited. The sub-postmaster was advised that he should not pay out cash for this cheque. It should only be used to pay for products or services.
72. **13 February 2004, It is unclear who generated this call.** The log recalls that there was a loss of £8,243.10 in week 46 accumulated over the last four weeks. The Suspense Account team may have chased the subpostmaster for an I&E form (the form used to apply for hardship) on 27 February 2004. There was a further loss of £3,509.68 in week 48. This was added to the suspense account and the total loss was now £11,752.78. Mrs Oglesby was aware of this and was visiting to assist the sub-postmaster in completing the form. NBSC spoke to Mrs Oglesby on 25 March. The sub-postmaster had been suspended and the loss transferred to the late account.
73. **13 February 2004**, the sub-postmaster called and wanted to arrange a system check due to small faults he had encountered with the system. He was referred to HSH.
74. **16 February 2004**, the sub-postmaster called and reported that the card could not be read by the system and wanted to know what to do. He was given an answer from the knowledge base.
75. **16 February 2004**, the branch called and stated that the system was unavailable and wanted to know whether they could do a withdrawal. They were given an answer from the knowledge base. If the customer wanted to withdraw from a Post Office Card Account then a payments of up to £20 can be made in an emergency if the system is not available. If it is a different kind of on line transaction then the customer would be asked to go somewhere else or come back later.
76. **16 February 2004**, this call simply states Horizon KB0628. I believe (but am not completely sure) that this means that there was a Horizon issue and the



subpostmaster was referred to HSH. The number KB0628 in the resolution could be referring to the number of the answer from the Knowledge base.

77. **16 February 2004**, the sub-postmaster wanted to speak to HSH because his screen was frozen. He was given an answer from the knowledge base.
78. **19 February 2004**, the branch called and wanted to know what the telephone numbers were for transaction processing. They were given an answer from the knowledge base.
79. **21 February 2004**, the sub-postmaster called and asked how to deal with the death of the card holder and was given an answer from the knowledge base.
80. **24 February 2004**, the sub-postmaster called asking for Mrs Oglesby to call him regarding the previous conversation about the ongoing system problem. NBSC advised Mrs Oglesby that the sub-postmaster had called.
81. **25 February 2004**, the sub-postmaster called to state that he had been having problems with the system and balance for about six weeks. The sub-postmaster wanted to know whether they have started or completed a system check. Sandra at NBSC spoke to HSH team leader who advised that they were now looking into this for the sub-postmaster. NBSC called the clerk on Tuesday and she confirmed that HSH had been in touch. She was given a call reference and asked to call back if she had any further problems.
82. **25 February 2004**, the sub-postmaster called and wanted to speak to HSH regarding system problems. He was transferred to HSH.
83. **26 February 2004**, the branch reported a discrepancy and wanted a call from service support reference H13071268 because there was a £3,509.68 shortage and they wanted to use the suspense account. The sub-postmaster was advised that the suspense account team would not deal with this until the sub-postmaster "been to the correct cap" i.e. had actually rolled over and committed the discrepancy. NBSC advised that HSH was still investigating the problem.
84. **26 February 2004**, the sub-postmaster called and stated that he was entering into a smart post item on the system and it was an airsure going to the USA with the value of £300. The sub-postmaster put the value into the system but the price did not increase and wanted to know why. NBSC discussed with the sub-postmaster and went through the procedure with him. It transpired that the sub-postmaster was erroneously entering the high value at the start of the transaction, so it set the price at the high value compensation rate.

85. **26 February 2004**, the sub-postmaster reported £3,509.68 unauthorised losses for week 48. He said that he had an ongoing problem which HSH were investigating. The sub-postmaster was completing an I&E form to start the hardship process for previous discrepancies. Accordingly, although the losses were unauthorised, they were entered into the suspense account pending the hardship process.
86. **3 March 2004**, the branch reported that a customer had called and asked for a change of name on the CAPO card (Card Account at Post Office) since it had the wrong names. The branch was given an answer from the knowledge base.
87. **4 March 2004**, Mrs Oglesby reported that she had called HSH as a branch was constantly showing losses every week and the sub-postmaster thought this may be down to software as the amount was getting worse each week. HSH had put her straight through to NBSC without checking any incidents. This is when Sarah Pennington was asked to outline what investigations she had made (as set out in paragraphs 20-24 above).
88. **8 March 2004**, the branch was asking about a cash declaration on the system as he had £7,579. The sub-postmaster was going to send through snapshots from Saturday today.
89. **8 March 2004**, the branch called and asked what to do with impounded Department of Works and Pensions (**DWP**) allowance docketts. The sub-postmaster was advised that DWP makes the policy, not the Post Office.
90. **8 March 2004**, the branch called and asked who the cheque should be made payable to for premium bonds. An answer was given from the knowledge base.
91. **9 March 2004**, the branch called and asked what the process was for a buy back pre-order accounting and dispatch. They were given an answer from the knowledge base.
92. **10 March 2004**, the branch called and asked for the telephone number for Chesterfield and were given the answer from the knowledge base.
93. **15 March 2004**, the branch called and stated that the balance on the card account was less than what is in the account and wanted to know what to do. They were given an answer from the knowledge base.

94. **15 March 2004**, the branch called and asked for the address for Nairn Post Office and were given an answer from the knowledge base.
95. **18 March 2004**, the sub-postmaster called and wanted the branch details for Post Office No. 225840. They were given an answer from the knowledge base.
96. **22 March 2004**, the sub-postmaster wanted to know how to issue a vault card to a customer. The advisor followed the procedure from the knowledge base.
97. **23 March 2004**, the auditor called and wanted to know if the office had had a new base unit. They were told to try calling HSH.
98. **23 March 2004**, the auditor called and wanted to know if there were any losses that had been authorised from about week 40. They were told that there are three losses and all are unauthorised.
99. **23 March 2004**, It appears that the subpostmaster forgot his password so could not log on to Horizon and telephoned NBSC for a One Shot Password (**OSP**).
100. **23 March 2004**, the branch had to close and other nominated branches were informed and told to serve customers from the Marine drive branch.
101. **23 March 2004**, the subpostmaster or a post office clerk called NBSC to confirm that the branch would be open tomorrow at 9am.
102. **23 March 2004**, the auditor wanted to speak to HSH to confirm that the sub-postmaster had a new base unit fitted. The auditor was transferred to HSH.
103. **24 March 2004**, it appears that the subpostmaster called to ask how to declare his Bureau De Change (foreign currency). The select edit F10 is the procedure to follow when declaring the bureau in the balance screen. I can only assume the Hung Up means the SPMR hung up.
104. **30 March 2004**, NBSC spoke to the new, relief sub-postmaster, Ruth Simpson. They took NS & I details and would pass to the customer when and if they came in.
105. **31 March 2004**, the branch called and asked for what the concession number was for a disabled rod licence. They were given an answer from the knowledge base.

106. **1 April 2004**, the branch called and asked how to correct errors, this was relating to revaluation. Revaluation happens when the price of postage goes up or down and certain activities have to be undertaken on the Horizon system. They were given an answer from the knowledge base.
107. **1 April 2004**, the new sub-postmaster stated that she could not balance a roll over as the system was stating that she had negative/re-valued stock figures. She was advised to complete the re-valuation during Cash Account period week 1 (CAP01). This would then permit the system to allow her to roll over into week 02.
108. **2 April 2004**, the branch had received ocean liners stamps with the incorrect price. The sub-postmaster was told to rem in and contact Hemmel Hempstead to notify them. Hemmel Hempstead is the National Secure Stock Centre where all stock and cash is sent from and to.
109. **13 April 2004**, the branch called and wanted an office address. They could have been asking for another post office address or they could be asking for the address of Transaction Processing at Chesterfield or other business owned locations.
110. **15 April 2004**, the office wished to contact their retail line manager. The call was passed to the admin team and a message was left for the retail Line Manager to contact the office.
111. **19 April 2004**, the branch called and asked for the telephone number of National Savings and was given an answer from the knowledge base.
112. **19 April 2004**, the branch called and asked for a telephone number of Transaction Processing and was given an answer from the knowledge base.
113. **20 April 2004**, the sub-postmaster called and wanted to speak to the retail line manager regarding a problem that she is already dealing with. This call is a Page RLM (Retail Line Manager) call. These calls are passed to the Administrative team to contact the RLM. In the resolution it says "RLM Cath Oglesby Left Message on Voicemail @ 14.28." This means the administrative team left a message on Catherine Oglesby's voicemail at 2.28pm that day.
114. **21 April 2004**, the branch called to report a change in the opening hours and the details were logged.

115. **22 April 2004**, the branch called and asked the retail line manager to contact the branch regarding a problem that they were all dealing with. The message was passed on by NBSC to Mrs Oglesby.

116. **22 April 2004**, Mr Castleton's father-in-law called and stated that his son-in-law and daughter had been suspended and somebody else had been put in and was losing business. He wanted to speak to somebody more senior to Mrs Oglesby. His message was passed to the area office for Head of Area (**HOA**) i.e. Mrs Oglesby's Line Manager to get in touch with Mr Franks.

117. **22 April 2004**, a call was taken from the sub-postmaster's father-in-law and he was given an answer from the knowledge base.

118. **23 April 2004**, Mr Castleton wanted to know if there was any way of printing out all the calls he had made to NBSC and for them to be sent to him. He was advised that if he wanted information regarding calls made to NBSC, he should make his request in writing to Adele Kilcoyne of NBSC.

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

Signed .....

**GRO**

Date .....



Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 7/9/06

**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**

**WITNESS STATEMENT OF ANDREW  
WISE**

**BOND PEARCE LLP**

**GRO**

**Solicitors for the Claimant/Part 20  
Defendant**

Filed on behalf of the: Claimant  
Witness: A Wise  
Statement: 1  
Exhibits: "GJ1"  
Date made: 7/09/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No.**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant**

**- and -**

**LEE CASTLETON**

**Defendant**

**EXHIBIT "AW1"**

This is the Exhibit marked "AW1" referred to in the Witness Statement of Andrew Wise  
dated 2006.

Filed on behalf of the: Claimant/Part 20  
Witness: Defendant  
Statement: C OGLESBY  
Exhibits: 1  
Date made: CO 1  
6/9/2006

IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION

Claim No: HQ05X02706

BETWEEN:-

POST OFFICE LIMITED

Claimant/Part 20 Defendant

-and-

LEE CASTLETON

Defendant/Part 20 Claimant

**SECOND WITNESS STATEMENT OF CATHERINE OGLESBY**

I, CATHERINE OGLESBY of [GRO]

[GRO] WILL SAY AS FOLLOWS:

1. Since April 2005, I have been a Sales Account Manager for the Post Office Limited (the Post Office) with responsibility for ensuring that 24 directly managed post office branches achieve their sales targets. Before that, I was a Retail Line Manager (RLM) for approximately 8 years. As an RLM, I was responsible for ensuring that sub postmasters in 85 sub post offices properly carried out their duties to maintain service standards (for example, in relation to waiting times and office appearance) and reach sales targets. I have worked for the Post office for 23 years.
2. I make this witness statement from facts within my own knowledge unless otherwise stated. I have had the benefit of reading through my correspondence and papers. References to page numbers in this witness statement are to page numbers of Exhibit CO2 to this witness statement.

Post Office branch at [GRO]

3. I have been asked to give a brief overview of the layout of [GRO] (the Marine Drive branch) and describe how the business works, for the benefit of the Court. At pages 1 to 3 are office copy entries which show that Mr Lee Castleton and Mrs Lisa Marie Castleton have been the registered

proprietors of the freehold since 17 October 2003 and that they bought the freehold on 18 July 2003. At page 4 is a rough plan I have drawn from memory of the interior of the Marine Drive branch [*Cath, please can you draw and send to me a rough plan of the ground floor?*]. The ground floor of the freehold contains a rectangular shaped shop and from the entranceway, the Post Office counter is in the far left hand corner of the shop. The shop counter and National Lottery till are on the right as you enter the shop. [*Are there living quarters upstairs for Castleton?*]

4. From 18 July 2003 to 23 March 2004 Mr Castleton was subpostmaster of the Marine Drive branch. His contract for services was in the standard format used for subpostmasters at the time and a copy of that contract together with the signed page is at pages [ ] (**the Contact**).
5. Section 1, paragraph 3 of the Contract provides that the subpostmaster must provide and maintain at his own expense, reasonable office accommodation required by the Post Officer and pay, also at his own expense, any assistants he may need to carry on post Office business. At the material time, Mr Castleton retained Christine Train as his assistant who work behind the Post Office counter and I believe that she had worked at the Marine Drive branch for many years. [*Do you remember whether anyone else worked behind the P.O counter too? Mrs Castleton's wife, Lisa-Marie, worked in the shop. [Do you remember whether anyone else worked in the shop?]*]
6. There are 2 Post Office counter positions at the Marine Drive branch, each with its own computer terminal, barcode scanner and printer. Before open of business each day, the subpostmaster and any assistant logs on to their computer. They must record all transactions they perform on their computer. They can record transactions either by using their touch sensitive screen or keyboard. The computer system in the branches is called Horizon. Horizon is in effect, a sophisticated computerised calculator.
7. Almost every transaction recorded by the subpostmaster and his assistant on to their computer has one or sometimes more corresponding physical documents. For example, when a customer pays their TV license, the subpostmaster will retain the TV licence counter foil. If that customer paid for their licence by cheque, the subpostmaster will also have the cheque.

8. [*Do you feel comfortable saying this para?*] At the end of each day, the subpostmaster prints from their computer various reports. The procedure is slightly different for different products, but broadly speaking, they then compare these reports against the physical documents they have (such as cheques or licence counterfoils) to ensure they match. They then send the reports and accompanying documents off to be processed. When these are processed, if the covering report printed out from the branch's computer does not match the accompanying physical documents, an error notice is generated. An error notice is a correction statement. Its creation would help explain whether there was any legitimate reason for an error having been made (for example, because subpostmaster or his assistant made an incorrect entry into the computer when recording a transaction).
9. At the material time, the subpostmaster also had to balance on a weekly basis and produce a cash account. The cash account contained information such as cash and stock in hand at the end of that week, receipts, payments, the balance due to the Post Office and whether there were any discrepancies such as a surplus or shortfall. The subpostmasters had to sign the cash account to certify that it is accurate.

### **December 2003**

10. Between approximately Christmas 2003 and the New Year, I was contacted by telephone by Mr Castleton who told me that on week 39 (the week ending 23 December 2003), he had been £1,100 short in his cash account. We discussed what might be the usual explanation for this, for example the Giro Bank error or cheque deposits going through as cash. I suggested that he contact Giro Bank and National Savings to see if there were any problems. I also asked him to make good the sum of £1,100, because a Giro Bank error notice may take up to 8 weeks to arrive. Mr Castleton said that he could make the amount good and we left things at that.
11. This had been the first time since Mr Castleton took over the Post Office in July 2003 that he had any major problems in balancing. Copies of the Cash Accounts signed by Mr Castleton for the weeks ending 23 December 2003 (cash account week 39), 30 December 2003 (cash account week 40), 7 January 2004 (cash



account week 41) and 14 January 2004 (cash account week 42) are at pages 53 to 91.

#### **Shortfalls in January 2004**

12. In accordance with my normal visiting plan, I visited the Marine Drive Branch on Friday 16 January 2004. At the time, no reason had come to light to explain the loss of £1,100. The previous 3 weeks' balances seemed to be fine.
13. On or around 21 January 2004 (cash account week 43) Mr Castleton contacted me because his balance was over £4,000 short. A copy of the Cash Account he signed for that week is at page 92. I again asked him to contact Giro Bank and National Savings to see whether there were any problems. I also asked him whether the cash was kept secure and who had access to it. Mr Castleton did not believe that any of his staff could have taken the money. He stated that on this occasion, he was unable to make good the shortfall. I advised him to contact the helpline to get a hardship form. (A sub postmaster is contractually obliged to make good any shortfalls without delay. However if a sub postmaster cannot immediately make good the shortfalls, he may complete and submit a hardship form setting out details of his earnings and other relevant information to seek the Post Office's permission to make good the shortfalls by instalment payments rather than immediately).
14. We also discussed at length ways for him to double check all of the paperwork leaving the Marine Drive Branch (for example, the giro paying in slips, pension and allowance dockets and certain types of cheques) and to perform a snapshot each evening to check the cash. (Effectively, the balance snapshot is just a facility to allow the sub postmaster to quickly check transactions through the week. It is a report that contains what the computer believes *should be* the total cash in stock figure, not what cash the branch *actually does* have. It looks at the previous week's declared cash in stock and adjusts items as they are sold, so if someone forgets to enter an item that a customer has purchased, then the balance snapshot figure will be inaccurate).
15. I contacted Mr Castleton by telephone on or around 28 January 2004 (cash account week 44). After he said he was a further £2,500 short, again, we had a lengthy discussion to discuss all the daily workings. A copy of the Cash Account for that week signed by Mr Castleton is at pages 102 to 111. I brought up in the

conversation the possibility that somebody might be taking the cash, but Mr Castleton discounted that possibility. I suggested that he carry out individual stock unit balancing. Small post offices such as the Marine Drive Branch which has 2 cashier positions run a shared stock system: All the cash and stock is contained on 1 balance sheet. However, with individual stock balancing, each computer has its own separate stock and cash balance. Mr Castleton did not wish to do this, as he felt that Marine Drive Branch did not lend itself to doing this sort of balancing. I was surprised that Mr Castleton did not take up my suggestion because although there is some work involved setting up individual stock balancing, it would have enabled us to identify whether the losses were caused by any individual cashier.

#### Shortfalls in February 2004

16. The next week ended 5 February 2005, (cash account week 45) the Marine Drive Branch was only £25 short (pages 112 to 123) [*Cath can you check this because looking at the cash account, I think it was £25 over this week, not short*]. However, the week after ending 11 February 2004 (cash account week 46) the Marine Drive Branch was £1,500 short (pages 124 to 135). By now, after just 4 weeks, the Marine Drive Branch was a total of £8,243.10 short, not counting the sum of £1,100 that Mr Castleton had made good to start with. I visited the Marine Drive branch around this time and asked Mr Castleton whether he had obtained a Hardship Form. He said that he hadn't and I advised him to obtain one. I understand that he did, and he placed the sum of £8,243.10 into the suspense account. Sub postmasters are contractually obliged to make good all losses without delay and Mr Castleton should not have been rolling them over each week. The purpose of having a suspense account was simply so that a shortfall that a subpostmaster does not immediately made good could be temporarily moved to the suspense account rather than being left in the cash account. By this time, I was very concerned and contacted the investigations team and asked them to carry out an audit.
  
17. In cash account week 48 (the week ending 25 February 2004) the short fall for that week alone was £3,509.18 (pages 148 to 159). Mr Castleton informed me that he and his assistant Mrs Christine Train spent many hours double checking the transaction logs to try to prove that it was the computer equipment that was changing the figures. I asked him if he had found anything, but he had not. However, he was convinced that since he had a processor changed about the time the losses started occurring that it was the processor that was causing the losses.

I asked Mr Castleton to contact Fujitsu services (who were responsible for designing, implementing and operating the Horizon system) to obtain a system check. He did this and the system check came back fine. I asked Mr Castleton to contact the Horizon system helpline (HSH) which he did and I understand that he sent cash accounts to the National Business Support Centre (NBSC) to review. I also asked Mr Castleton to contact the Post Office's Transaction Processing section to see whether there were any error notices pending.

18. On 27 February 2004, I visited the Marine Drive Branch and we discussed the losses shown in the various cash account figures again. Mr Castleton became distressed and angry and Mrs Train was also upset. I asked them what else I could do to help. We had discussed all the usual possibilities. Mr Castleton and Mrs Train repeated that they had not taken the money and that it must be the Horizon system. Mr Castleton stated that HSH had confirmed that the Horizon system was working correctly, but he was not sure precisely what HSH had checked.

19. Mr Castleton thought that the 2 computer processors were not communicating with each other and that when he remmed in the stock the Horizon system altered the figures. (When stock or cash ("a remittance") is delivered to a branch, the sub postmaster is obliged to physically check that the stock and cash matches that which the Post Office say is delivered ***[do they get a covering note or stock list with the delivery? If not, how does the sbpmr know what the P.O says is being delivered?]*** and enters the details of the remittance into the branch's computer, which is called "remming in"). To prove whether or not the Horizon system had changed anything I suggested that he:

- a. firstly print out an end of day snapshot;
- b. remmed in; and then
- c. print out a second snapshot.

I advised that if the 2 computer processors were not communicating, then work done on the second machine would not show up on the summary sheets. However, all the Pensions and Allowances reports and the Giro Bank receipts agreed with the information from the computer, which to me suggested that there was no computer error.

#### **Shortfalls in March 2004**

20. In the week ending 3 March 2004 (cash account week 49), Mr Castleton transferred the previous weeks balance to the suspense account. The suspense account then totalled £11,752.78. In addition, the Marine Drive Branch Cash Account showed a further shortage of £3,512.26 (pages 160 to 171). Mr Castleton did not make good this amount.
21. In the week ending 10 March 2004 (cash account week 50) the previous week's shortage of £3,512.26 was rolled over and the shortage in the cash account increased to £10,653.11 (pages 172 to 183).
22. In the week ending 17 March 2004 (cash account week 51), the Marine Drive Branch showed a shortage in the cash account of £11,210.56 plus a shortage in the suspense account of £11,752.78 (pages 184 to 189).

#### **Audit on 23 March 2004**

23. On 23 March 2004, Helen Rose (nee Hollingworth) of the Post Office carried out an audit of the Marine Drive Branch together with Chris Taylor. The audit concluded that there was a total unauthorised shortfall of £25,758.75 (page 1).
24. I arrived at the Marine Drive Branch in the afternoon of 23 March 2004 and took Mr Castleton into the back room to speak to him. I told him that as a precautionary measure, and with his permission, I would like to remove him and his staff from the Marine Drive Branch and to operate the branch with a temporary post master to see how it would balance. I wanted the temporary subpostmaster to retain the same Horizon system that Mr Castleton and his team had been working with to try and keep everything the same. Mr Castleton and his assistant Mrs Train were both angry. Mr Castleton said that he could not wait until the temporary sub postmaster was "thousands short next week" and that "heads will roll" for the distress that he had suffered.
25. On the same day, Lesley Joyce (the Post Office's contract manager) wrote to Mr Castleton to confirm that he was suspended as a precautionary measure pending further investigations (page 3).

**Events following Mr Castleton's suspension**

26. I asked a very experienced post master, Mrs Ruth Simpson, from the First Lane Post Office in Hull if she would run the Marine Drive Branch on a temporary basis. Mrs Simpson agreed, but was only able to run the Marine Drive Branch for a few weeks as she had other commitments. She opened the Marine Drive Branch on the morning of Wednesday 24 March 2004 and balanced £2.14 short on that night. She brought with her a part time assistant to help out on Mondays. On the close of business on the first Monday (the week ending 31 March 2004), she was £100 short and explained that this was because her assistant had left something in the stack and erroneously paid this amount twice. (The stack is an on screen list of transactions for the individual customer that is being served at the time. Each time a new customer is served, the stack should be cleared so that it starts from zero). A copy of the Cash Account for that week is at pages 196 to 201.
27. I telephoned Mr Castleton to see what his reaction would be. He stated that Mrs Simpson was only using 1 computer rather than 2 as he had done, so it was not a true reflection of how he ran the Marine Drive Branch. He also stated that Mrs Simpson had misbalanced (i.e there was a shortfall of £100). I said that I would speak with Mrs Simpson regarding his concerns. I contacted her and asked her to use both machines. She stated that on a Monday she had 2 people working all day, so 2 machines were used. The rest of the week she was on her own, but logged on to the system with 2 usernames and had 2 machines running, she was serving customers from both machines, remming in on both and putting the lottery cash on both.
28. On the week ending 7 April 2004 (cash account week 02), Mrs Simpson was £19.38 over (pages 202 to 207). We discussed how she was getting on every other day and she would text me to confirm that she was okay. On her next balance for the week ending 14 April 2004 (cash account week 03) she was £10.76 short (pages 208 to 213).
29. On 16 April 2004, I visited the Marine Drive Branch and spoke to Mr Castleton away from the counter. He was distressed. We discussed Mrs Simpson's balancing results. Mrs Train wanted to know where the £100 shortage had gone in Mrs Simpson's first full week and I explained what she had thought. Mrs Train became aggressive and threatening. I said that I felt the balance reflected any normal



Sub-Post Office. Mr Castleton again stated that it was the computer that was making the losses. I told Mr Castleton that Mrs Simpson would be finishing on Wednesday 21 April 2004 due to other commitments and said that I wanted more time and more balance results and wanted another temporary subpostmaster to take over. Mr Castleton said that he did not wish to go back on the counter as things stood anyway.

30. On the week ending Wednesday 21 April 2004, (cash account week 04) there was a surplus for the week of £0.02 (pages 214 to 219). Mr Greg Booth took over as temporary Sub-Postmaster on the same day. He completed his first week on Wednesday 28 April 2004 and declared a gain of £14.76 (pages 220 to 225).
31. On 23 April, Mr Franks (Mr Castleton's father-in-law) contacted me by telephone to discuss the way in which Mr and Mrs Castleton had been treated. I explained the situation and told him that the suspension was a precaution and that I was hoping that by having a temporary Sub-Postmaster in the office, that if there were any problems with the computer equipment, this would come to light. Mr Franks demanded that Mr Castleton be reinstated immediately. I referred him to the Post Office Head of Area, David Mellows-Facer and told him that I could not agree to reinstate Mr Castleton at the time. I understand that Mr Franks spoke with David Mellows-Facer and asked for a speedy conclusion to the situation. David Mellows-Facer spoke to me and asked me whether Mr Castleton could be interviewed as soon as possible.
32. On 26 April 2004, I wrote to Mr Castleton and stated that there was a shortage of £25,758.75 and that he had reported large, unexplained losses over the preceding 12 weeks. I asked him to explain the reasons why his contract should not be terminated summarily (pages 4 and 5).
33. On 28 April 2004, Mr Castleton replied and queried whether the losses existed or whether they were "a figment of a computer's imagination". He asked me to send to him various documents and information (pages 6 and 9).
34. I contacted the Transactions Processing Department again on 29 April 2004 to see whether there were any outstanding error notices. There was an error for the National Lottery that had yet to be investigated for £125. There had also been an error for cheques that later cleared and did not generate an error notice. There was also an error for an Easy Access Account that had been processed incorrectly.

I contacted Girobank to see whether there were any errors outstanding with them. I asked them to look back to week 43. They looked back as far as week 43 and came forward to week 02. There was a small error of £1.43, but that would not be reported. Everything else was fine.

35. Mr Castleton telephoned me on 4 May 2004 and stated that he had found £15,000 of the losses. I asked him where he had found the cash. He stated that the suspense account had doubled the figures. When he had put the cash into the suspense account, although the amount was showing in the suspense account, it was also still showing as a loss in the cash account again the next week. Mr Castleton asked for the suspense account software to be checked. I again contacted the NBSC to request this.
36. To test whether the suspense account was having any effect on the balance, I contacted the temporary Sub-Postmaster, Greg Booth on or around 5 May 2004. I asked him how he was balancing that week on his snapshots. He told me that he had a few pounds over. I told Mr Booth what Mr Castleton had said about the suspense account. I asked Mr Booth to put £100 into the shortages line on the suspense account. First he ran an office snapshot (pages 232 to 233), then he placed the £100 into the account, then he ran a second snapshot (pages 234 and 235) and a suspense account report (236 and 237). During this time, the same Horizon kit was still being used by the assistant. The £100 was in the correct place and the cash figure on the snapshot had changed by £100. This demonstrated that the system worked correctly. I asked Mr Booth to balance with those amounts still in the account. He should balance £100 over. I would then call into the Marine Drive branch on 7 May 2004 and we would take the amount out, to see if the opposite occurred. Mr Booth left me a message on my telephone later that evening to state that he had balanced over, just as we had expected.
37. For the week ending 5 May 2004 (cash account week 06), the Marine Drive branch declared a small gain of £103.11 (pages 226 to 231).
38. On 6 May 2004, I wrote to Mr Castleton and sent to him a copy of an email from Fujitsu and logs of calls to the NBSC and HSH (pages 10 to 20). I also sent to him a copy of the Horizon System User Guide, System Failure Sub-Sections 12 and 13 and a copy of the Audit Report (pages 21 to 37). The email from Andrew Price at the NBSC dated 20 April 2004 to me stated:

"The PM sent cash account information to NBSC and it was looked at by Andrew Wise, he was unable to find any errors. The only amount questioned was a large amount on the cheques to processing centre which Andrew was able to confirm was a cheque for the purchase of Premium Bonds. The PM was advised there was nothing more we could do and we suggested that he works on a manual system at the side of Horizon to see if any problems were highlighted. Also, when doing the REMS the PM should take a snapshot before and after to see if any problems were occurring when doing a remittance. Andrew Wise and I both feel that the Horizon system is working properly and we are unable to help the PM any further."

39. The email from Julie Welsh, Service Delivery Manager HSH Fujitsu Services stated:

"There is no evidence whatsoever of any system problem... please tell the PM that we have investigated and the discrepancies are caused by the difference between the transactions they have recorded on the system and the cash they have declared, and are not being caused by the software or hardware." (page 42).

40. On 6 May 2004, I also contacted the Transaction Processing Department at Chesterfield again to check whether there were any outstanding errors. Only the easy access error was still showing. I also contacted Mr Castleton by telephone and informed him that I had received his letter and was doing all I could to get him the information he had requested. I said that I would probably not be able to obtain everything that he had asked for.

41. On 7 May 2004, I visited Greg Booth at the Marine drive branch, as arranged. First he ran an office snapshot (pages 238 to 239), then he removed the £100 from the suspense account and ran a second snapshot (pages 240 to 241) and a suspense account report (242 to 243). Again, the cash figure in the snapshot and the suspense account had changed by £100 which demonstrated that the system worked correctly.

#### **Interview with Mr Castleton on 10 May 2004**

42. On 10 May 2004, I interviewed Mr Castleton. Ms Lesley Joyce (Contract Manager) and Mrs Train were also present. A copy of the Minutes of the interview meeting are at pages 43 to 45. At the interview, I explained that it was his opportunity to

give any explanation as to why his contract for services should not be terminated. I summarised the events which lead to his suspension on 23 March 2004 due to an unexplained shortage at that time of £25,758.75. During the 12 weeks prior to this audit, the Marine Drive Branch had several large unexplained losses. The figure for cash on the system was not the same as the physical amount of cash at the Marine Drive Branch. Mr Castleton stated that the Horizon system was to blame.

43. I informed Mr Castleton that since he had been suspended, the same Horizon system had remained in place and that there had not been any further complaints about it from the Marine Drive Branch and that the cash account showed no large losses. The Horizon system did crash whilst Mrs Simpson was running the branch, but when she rebooted it, this did not effect the balance. When Mrs Simpson had finished, Mr Booth was appointed as a temporary sub postmaster, and again, he had no problems.
44. Mr Castleton stated that he had not taken any money and that he trusted his staff not to have taken anything. Mr Castleton said that he had asked for 10 pieces of information and I explained that I had only received his letter 2 working days prior to the interview and that I was working on obtaining this.
45. I checked that Mr Castleton understood how the cash account worked with regards to balances and losses and gains and he confirmed he understood it. I then went into detail with balances, error notices, losses etc and the evidence I had with the snapshots and declared cash. I provided all of this information to Mr Castleton, together with a list of the results of the balance.
46. At the end of each day the subpostmaster is supposed to count their cash [*is that right?*], type the details into their computer stating the quantity of each denomination they have and then print a cash declaration [*is this exactly the same thing as the ONCH report?*] to declare the quantity of cash in the tills overnight. I referred Mr Castleton to some of the cash declarations which had been manually altered or written on. Specifically I referred him to week 47 and also the declaration on 12 February 2004 which had a figure of approximately £7,000 written onto the bottom of the cash declaration. Mr Castleton thought it was Mrs Train's writing, but she was not sure. I said this was very important because although the cash account for week 46 showed a loss of £8,243.10, the following snapshots and declared cash did not match. For example:

- (a) The balance snapshot timed at 5.27p.m. on 13 February 2004 (page ) showed that the Marine Drive Branch needed £92,095.36 cash to achieve a perfect balance. The cash declaration shows that the branch had cash of £99,128.40 (page ), an apparent gain of £7,033.44.
- (b) The balance snapshot at 14 February 2004 showed that the Marine Drive Branch needed £95,896.59 to achieve a perfect balance (page ), but the cash declaration showed that it actually had £102,706.10 (page ), an apparent gain of £6,809.51.
- (c) The balance snapshot of Monday 16 February 2004 showed that the Marine Drive Branch needed £77,958.28 to achieve a perfect balance (page ), but the cash declaration showed that it had £84,909.54 (page ), an apparent gain of £6,951.26.
- (d) The balance snapshot dated Tuesday 17 February 2004 showed that the Marine Drive Branch needed £68,163.08 to achieve a perfect balance (page ), but the cash declaration showed that he actually had £74,939.85 (page ), an apparent gain of £6,776.77.

In other words, according to the cash declarations, the Marine Drive branch had more cash than it required to balance.

- 47. Crucially, the cash account on Wednesday 18 February 2004 showed that the cash is an exact match for the cash required on the balance. I asked Mr Castleton where the surplus had gone. He had no explanation and stated that it was something to do with Horizon. I gave Mr Castleton other examples where there were shortages in subsequent weeks and that they did not match the snapshot in the cash declaration.
- 48. I explained to Mr Castleton that the Horizon system is a double entry accounting system and that everything I had checked worked through. The evidence does not support Mr Castleton's theory that the Horizon system went wrong when he entered the stock remittances on to the system.

#### **Post interview**



49. After the interview, I sent copies of the cash and suspense accounts to Elizabeth Morgan and Davlyn Cumberland in Leeds who were two people very experienced in dealing with the suspense accounts. Neither of them could see anything wrong with the way that the computers were working.
50. On 14 May 2004, I wrote to Mr Castleton to clarify the entries at the top of the final balance that he had queried and to explain why the 2 final balances he had mentioned did not look similar (page 46). I also sent him a copy of the interview notes.

#### **Mr Castleton's dismissal**

51. Mr Castleton did not provide any evidence of a computer problem. All the entries in his cash accounts were double checked. The figure declared for cash on the system did not match the physical amount of cash he had in his office. This showed that there was an actual loss, rather than a computer problem.
52. Mr Castleton denied taking the cash, but he would not take my advice to try individual balancing, or listen to my suggestion that a member of his staff might be taking the money.
53. The Transaction Processing Department at Chesterfield and Girobank have stated that they had no outstanding error notices to issue. Fujitsu Services had checked the software and could not find any problems.
54. Since Mr Castleton had been suspended, the temporary sub postmasters had worked with exactly the same Horizon kit and the balance had continued to be fine each day. In the circumstances, I decided to terminate summarily Mr Castleton's Contract, due to the large unexplained losses that he had failed to make good in breach of his Contract. I wrote to Mr Castleton on 17 May 2004 to confirm that I had decided to terminate summarily the Contract effective from 23 March 2004, the date of his suspension (pages 47 to 48).

#### **Events following Mr Castleton's dismissal**

55. On 23 May 2004, Mr Castleton wrote to me to confirm that he wished to appeal against my decision (page 49). He also stated that he was seeking further information relating to the computer fault. On 1 June 2004 he wrote directly to

David Mellows-Facer for this information (page 50). On 2 June 2004, David Mellows-Facer replied to Mr Castleton (page 51). I understand that Mr Castleton's appeal was dealt with by Mr John Jones, Area Development Manager, which upheld my decision.

56. In the circumstances, I believed (and still believe) that my decision to dismiss Mr Castleton was entirely justified.

**Outstanding indebtedness**

57. At page ( ) is a Former Subpostmasters Accounts Statement of Outstanding Debt. This shows that the outstanding indebtedness (excluding interest) is £25,858.95. I should perhaps clarify that the following error notices were not issued until 24 March 2006, but that they relate to 23 March 2006, when Mr Castleton was still in office:

- (a) £176 of this relates to a lottery charge error (i.e. an error notice against the subpostmaster) (pages ); and
- (b) £75.80 relates to a lottery claim error (i.e. an error notice in favour of the subpostmaster) (pages ).

I believe that the facts stated in this Witness Statement are true.

Signed.....

**GRO**

Dated.....2006

Filed on behalf of the: Claimant/Part 20  
Defendant  
Witness: C OGLESBY  
Statement: 1  
Exhibits: CO 1  
Date made: 06/09/2006

**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  
CATHERINE OGLESBY**

**BOND PEARCE LLP**

**GRO**

**Solicitors for the Claimant/Part 20  
Defendant**

Filed on behalf of the: Claimant/Part 20  
Defendant  
Witness: C OGLESBY  
Statement: 1  
Exhibits: CO 1  
Date made: 06/09/2006

**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 CATHERINE OGLESBY**

This is the Exhibit CO2 referred to in the Witness statement of Catherine Oglesby  
dated

**IN THE HIGH COURT OF JUSTICE**

**Claim Number: HQ05X02706**

**QUEENS BENCH DIVISION**

*Draft*

**BEFORE MASTER FONTANE**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20  
Defendant**

- and -

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

\_\_\_\_\_  
**ORDER BY CONSENT**  
\_\_\_\_\_

UPON reading a letter from the Claimant's solicitors

**BY CONSENT**

IT IS ORDERED as follows:

1. That the Claimant/Part 20 Defendant do have permission to amend the Claim and Particulars to £25,858.95 plus interest and costs.
2. The Defendant/Part 20 Claimant do have permission to make consequential amendments to the Defence, if so advised.
3. The Claimant/Part 20 Defendant do have permission to make consequential amendments to the reply, if so advised.
4. Costs in the case.

.....  
Bond Pearce

**GRO**

Dated ..... 2006

1A\_1196123\_1



CLAIM NO HQ05X02706:

IN THE HIGH COURT OF JUSTICE

QUEENS BENCH DIVISION

BEFORE MASTER FONTANE

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20 Defendant**

**-v-**

**LEE CASTLETON**

**Defendant/Part 20 Claimant**

---

**ORDER BY CONSENT**

---

**Bond Pearce**

**GRO**

Ref: SJD3/348035.134

Filed on behalf of the: Claimant  
Witness: Ann Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 8/8/06

IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION

Claim No. HQ05X02706

BETWEEN:

POST OFFICE LIMITED

Claimant/Part 20  
Defendant

- and -

LEE CASTLETON

Defendant/Part  
20 Claimant

WITNESS STATEMENT OF ANN CHAMBERS

I, ANN CHAMBERS of Fujitsu Services,

GRO

GRO WILL SAY AS FOLLOWS:

1. I am a [*insert job title*] employed by Fujitsu. I have worked for Fujitsu since [*insert date*]. I am responsible for [*insert details*]. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by Post Office Limited (**Post Office**). I am authorised by Fujitsu Services to undertake extractions of audit data held on the Horizon system and to obtain information regarding system transaction information processed on the Horizon system.
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 "AC1" to this Witness Statement.
3. Any records to which I refer in my statement form part of the records relating to the business of Fujitsu Services. These were compiled during the ordinary course of business from information supplied by persons who have or may reasonably be supposed to have personal knowledge of the matter dealt with in the information

supplied, but are unlikely to have any recollection of the information or cannot be traced. As part of my duties, I have access to these records.

#### **Horizon System Helpdesk and National Business Support Centre**

4. An important element of the support provided to subpostmasters and Counter Clerks is the Horizon System Helpdesk (**HSH**). The HSH is the Horizon user's first 'port of call' in the event of their experiencing a problem with the Horizon system or requiring advice and guidance. If the system were to malfunction, upon discovery Horizon users (Post Master, Counter Clerk) would raise a call to the HSH seeking clarification or advice. Comprehensive processes and procedures exist to manage the receipt, analysis and final disposition of calls made to the HSH. All calls to the HSH are captured by the Audit Server and stored as part of the overall Audit Trail. HSH is a service run by Fujitsu for the Post Office.
5. The Post Office also provides a service to subpostmasters and Counter Clerks called the National Business Support Centre (**NBSC**). This has a helpline which subpostmasters can call to try to resolve any business related queries.
6. I have been asked to provide details and confirmation on the reports that monitor faults, polling failures, equipment failures and calls for advice and guidance logged by the Horizon System Helpdesk recorded during the period December 2003 to April 2004 for the Marine Drive branch - FAD Code 213337.

4-6  
9-10

#### **Tivoli Event Logs**

7. Horizon operates under the Microsoft Windows NT operating system. In this operating system an event is any significant occurrence in the system or in an application that requires users to be notified. For critical events such as a server breakdown or an interrupted power supply, there may be an Alert message on a control screen. For many other events that do not require immediate attention, this operating system adds information to an event-log file to provide information without disturbing normal work. This event logging service starts automatically each time a computer running Windows NT is started. In the Horizon system these events are collected by the Tivoli Event Monitor and are captured by the Audit Server and stored as part of the overall Audit Trail.

#### **Non Polling Reports**

8. A daily report is produced that lists those branches that have not polled for 24 hours, and the number of days they have been 'out of contact'. Polling : Branches

are 'contacted' periodically by the Correspondence Layer (where all transactions for all branches are stored prior to despatch to other systems) to deposit and collect information pertinent to that branch. This reduces the telephony costs incurred were branches to be permanently connected to the Correspondence Layer. Branches can operate in a disconnected state for up to 27 days.

### HSH Call Logs

9. The Tivoli Event Logs and Non Polling Reports for the period December 2003 to April 2004 are contained in the call logs at pages [ ]. **[Ann is this correct, or are these different from the attached logs?]** Details of the calls and an overview of them is set out in date order below:
10. **9 December 2003, 9.54am, call reference e-0312090261** The sub-postmaster had a power blip following which, the keyboard was not accepting the PMMC card, which is used by sub-postmasters to log onto their terminal. The Post Master was advised to reboot his terminal. He rebooted, inserted his PMMC/pin and was happy to continue. The call was then closed.
11. **20 January 2004, 2.05pm, call reference e-0401200574** - this is a log simply to record that there was an ASDL update from ISDN **[please explain what ASDL and ISDN stand for]**. This was a scheduled visit to the Marine Drive branch to install broadband. The upgrade was completed, but the broadband was not turned on at that time.
12. **28 January 2004, 11.13am, call reference e-0401280325** - the call was taken by Dane Meah at HSH from the caller who stated that there were discrepancies going through the system for three weeks in a row. The caller was advised that the problem would need to be thoroughly investigated by the National Business Support Centre (NBSC) before the issue could be investigated because a software problem and the caller was transferred to the NBSC and the call closed.
13. **29 January 2004, 10.26am, call reference e-04012903568** - a call was taken by Mary Rainbow at HSH. The sub-postmaster reported that he was having problems on his system connected to remittances (REMs). The Sub-postmaster has to enter a remittance when he receives a delivery of new stock. He stated that every time he entered in the new stock, it left him with a discrepancy. The

Sub Post master was transferred to the NBSC, since this was a business issue and the call was closed.

14. **2 February 2004, 8.49am, call reference e-0402020111** – Ben Horseman at HSH took a call from Cath at NBSC who stated that terminal (node) 2 had failed to initialise and that he also has “operational integrity violation has been detected” and “unable to connect to the repost service”. The Post Master was advised that he would be called back whilst the counter is reviewed.
15. Both counters had been upgraded with ADSL (Broadband). The Sub-postmaster called back at 9.18am and was advised to reboot. It was recommended that an engineer swap or adjust the base unit on terminal 2. At approximately 3.30am, the PCs do a refresh [*what does this mean?*] and occasionally this can cause an installation failure. An un-operational integrity violation points to a refresh not starting up properly. An engineer was sent out to sort out the base unit and node. The engineer arrived on site at 1.30pm, replaced the node and the call was closed.
16. **13 February 2004, 10.41am, call reference e-0402130261** – call was taken by John Lockyear at HSH. The sub-postmaster had stated that he had a rem issue and this was referred to NBSC. The call was then closed.
17. **13 February 2004, 10.46am, call reference e-0402130267** – this call was taken by Tony Law at HSH, referred from Marie at NBSC. The sub-postmaster had stated that his system was doubling up cash declarations and cutting off cheques, yet they still apparently appeared the next day. NBSC advised that they had checked that he was cutting everything off properly and that the catch figures were being done correctly. The sub-postmaster had insisted on a system check being carried out. He said that the problem had been happening for five weeks and that every time stock had been remmed in, they had a loss that night. The sub-postmaster also stated that the cheques he had recorded on the 10<sup>th</sup> were showing on the 11<sup>th</sup> February as well.
18. The call was escalated to Heather Dryden at HSH. As a sub-postmaster is supposed to send cheques to the EDS Processing Centre each evening, the next day you would expect to see the cheque figures cleared to zero on the Horizon system. The sub-postmaster, initially stated that this had happened more than once, but when Heather went through his cheques, it had happened just the once. It appears that the sub-postmaster forgot to cut off and the cheque listing had



two days worth of cheques in it. There is no option to cut off retrospectively ie if the sub-postmaster reveals that he has not cut off the previous days cheques, they will show up the next day and a failure to cut off previously cannot be corrected later. However, the point is that the system will not put the cheques in the balance and process them twice. It will reconcile each cheque against the transaction.

19. **16 February 2004, 8.32am, call reference e-0402160081** – David Lawrence at HSH took a call from Marie at NBSC. The sub-postmaster had called NBSC to state that both his terminals were at Post Office Log On (**POLO**), but were rebooting ok subsequently. The call was therefore closed.
20. **16 February 2004, 11.12am, call reference e-0402160628** – Tony Law took a call from Pat at NBSC. The sub-postmaster had stated that he needed an OBCS check. This is the bar code reader that each sub-postmaster has at their terminal and was used for pension books. The OBCS was checked and the results given [*do we know what the result was?*]. The call was then closed.
21. **25 February 2004, 11.03am, call reference e-0402250454** – A call was taken by Mary Rainbow. The clerk reported that they had been having problems on the system with balancing that week, which seemed to be related to stock being remmed in through the week. The clerk reported that over the past 7 weeks, they have had losses every week and at one point they had a problem with cash on hand, but they found that this was an issue with ID numbers that had been resolved. The clerk also reported that last week when they rolled over they put a loss into the suspense account and then took the computer terminal back to the trial balance which came out with a zero net discrepancy to start the new week with. The clerk reported that she had printed out a balance snapshot on Monday and that looked OK, but since then they had remmed in some stock which appears to have given them a loss.
22. The clerk was advised that she would need to check her stock position for last week and then check her rems in summary. This would show the stock that she should be holding and that figure could be compared with the stock showing in the adjust stock [*what does this mean?*] and this would highlight any problems with the stock on hand. The clerk was advised that we would need her to take her computer terminal to trial balance this evening and come back to us before she rolls over so that we can take down any details she can give us. The clerk confirmed that they are working on a shared stock unit and would call back if

further assistance was required. The balance sheet would show the old discrepancy until they can do a trial balance. The call was then closed.

23. **25 February 2004, 12.03pm, call reference e-0402250553** – a call was taken by Robert Congerton. [*Is he at the NBSC?*]. The clerk had told the NBSC she had problems regarding the balance. The NBSC were advised that HSH had told the PM to call back tonight when they had a net discrepancy on the cash account. The call was then closed.
24. **25 February 2004, 12.12pm, call reference e-0402250565** – Call was taken by Nicola Goodson at HSH. Jane at the NBSC had a call in relation to a call that had been closed.
25. **25 February 2004, 4.56pm, call reference e-0402251011**- Call was taken by Niall Vincent, because a critical event was seen stating "error message. An error has occurred = see the audit log". This call was not generated by the sub-postmaster calling the help desk, but by the System Management Centre (SMC) which automatically triggers a call when there is an unusual event. The call was referred to the SSC [*what does that stand for?*], so the SMC closed their call.
26. **25 February 2004, 5.33pm, call reference e-0402251077** – Call was taken by Kuljinder Bhachu at HSH. The sub-postmaster reported that the branch was getting large discrepancies for the past few weeks. The closed calls were reviewed and it was noted that a number of calls had been logged regarding discrepancies and that the NBSC had been in contact with the sub-postmaster could not find any user error. Kuljinder spoke to Sandra at NBSC. They checked the Tivoli events and the system appeared to be OK. Given that a critical event had been noted earlier that day, the event logs were downloaded for review. The sub-postmaster advised that the problem had started ever since the BT engineer came to move the BT box for preparation for the installation of the ADSL. Kuljinder recommended that SSC investigate why the sub-postmaster is experiencing large discrepancies. A known error log (KEL) reference was given and the problem was re-assigned within HSH to group EDSC1 [*what does this stand for?*].

At this point I investigated the matter. The critical event earlier that day was part of a storm ie a central problem causing lots of event storms which had occurred over the entire Horizon system that night as a result of a faulty software fix. The KEL had nothing to do with the discrepancies.

27. Various built in checks occur at the end of each day. For example, the gate way terminal will total all the transactions. The gate way terminal will only send in information from these built in checks, once all the terminals in the branch have communicated with it. Reports are only produced if there are discrepancies. A weekly cash account is produced and sent to the data centre. The gate way terminal will do daily cash accounts. This is summarised weekly and compared to the weekly branch cash account to check for discrepancies. The data centre also produces a weekly cash account which is compared to the branch weekly cash accounts. There are therefore effectively three weekly cash accounts:
- The branch weekly cash accounts;
  - The branch daily accounts, which is accumulated at the weekend; and
  - The data centre weekly cash account.
28. I checked the discrepancies between these three accounts and found none. Cheques were handled correctly (as far as the system was concerned). I also checked the remits were correct which they were apart from one day when the sub-postmaster forgot to cut off the cheques. I also noticed that occasionally the sub-postmaster's identification declaration number was used incorrectly. For example if a sub-postmaster uses number 01 and enters £10,000 and then changes their number and uses 11 to record it elsewhere, the system will think that the branch has £20,000 whereas it only has £10,000. The clerks used 2 declaration numbers for daily cash handling, but this would not affect the weekly balance. I went through the transactions day by day and compared them with the over night declarations. I expected to find:
- Starting cash position;
  - Transaction; and
  - A system cash figure which should be close to the actual cash holding.
29. I was surprised to discover that at the end of the day, the cash the branch declared in the drawer was tens, hundreds or thousands of pounds stray from what they had recorded on the system. This meant that it was possible that the sub-postmaster was not accurately recording all transactions on the system, although if that had been the case, an error notice or error notices would have been generated to explain the discrepancy.
30. There was no evidence whatsoever of any system problem. I therefore asked HSH to revert to the sub-postmaster and explain that we have investigated and

the discrepancies are caused by the difference between the transactions they have recorded on the system and the cash they have declared and are not being caused by the software or hardware.

31. **4 March 2004, 8.42am, call reference e-0403040165** – A call was taken by Hayley Minnis, a HSH retail line manager. The caller reported discrepancies in the office and was advised to speak to NBSC about this, since it was not a HSH issue. The call was then closed.
32. **4 March 2004, 11.28am, call reference e-0403040524** – A call was taken by Elspeth Neilson. The sub-postmaster's line manager stated that the sub-postmaster was getting large discrepancies. They were advised that the discrepancies are caused by the difference between the transactions they have recorded on the system and the cash they have declared and are not being caused by the software or hardware. The call was then closed.
33. **23 March 2004, 11.44pm, call reference e-0403230583** – Call was taken by Jacqueline Wilcock at HSH. The auditor wanted to know when the base unit had been exchanged at the Marine Drive branch. They were advised that it was exchanged on 2 February 2004. The call was then closed.
34. **23 March 2004, 2.20pm, call reference e-0403230628** – Call was taken by David Dawe at HSH. Brett from the NBSC asked for a One Shot Password (OSP) for the auditor. An OSP is issued so that the auditor can log on to the sub-postmaster's system. An OSP was given and the call was closed.
35. **1 April 2004, 12.45pm, call reference e-0404010718** – A call was taken by Adam Goldstein at HSH. The new sub-postmaster stated that the screen had frozen. A check was carried out which showed the events were normal [*what does this mean?*] and the sub-postmaster was advised to reboot. The call was then closed.
36. **19 April 2004, 9.57am, call reference e-0404190387** – A call was taken by Elspeth Neilson at HSH. The Retail Line Manager (RLM) stated that there had been discrepancies on the system since the base unit was swapped in February and wanted to know why. The RLM was advised that events appeared to be normal and that a health check had been passed. The sub-postmaster was happy to continue unassisted. The RLM stated that the new sub-postmaster had been in



the office and there had not been any discrepancies in the balance. The RLM was advised to contact NBSC for advice on balancing. The call was closed.

37. **21 April 2004, 9.10am, call reference e-0404210187** – A call was taken by David Dawe. The sub-postmaster stated that the gateway was saying to enter the PMMC and that the screen had been blue for 10 minutes. The sub-postmaster had to wait for the screen to clear. The sub-postmaster was told to wait for 20 minutes and as that screen was normal and the sub-postmaster was told to call back if this had not changed within the next 20 minutes. The call was then closed.
38. **21 April 2004, 1.32pm, call reference e-0404210701** – A call was taken from Bernard Michael at SMC. This was an SMC call and related to a software upgrade. It was when ADSL (broadband), that had been installed in 20 January 2004, was actually switched on. The call was then closed once the switch over to ADSL had been successful.
39. **23 April 2004, 3pm, call reference e-0404230660** – A call was taken by Jason Lockyear. The sub-postmaster wanted to know if he could get a list of his calls and of software. The sub-postmaster was advised to contact NBSC for a full list and the call was then closed.

#### Conclusion

40. There are no reasonable grounds for believing that the information stored on the Horizon system would be inaccurate because of improper use of the computer terminal. To the best of my knowledge and belief, during the material time, the Horizon system was operating properly at the Marine Drive branch or if not, any respect in which it was not operating properly was not such as to affect the production of audit record or accuracy of their contents.

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

Signed .....

ANN CHAMBERS

Date .....



Filed on behalf of the: Claimant  
Witness: Ann Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 8/8/06

**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**

**WITNESS STATEMENT OF ANN  
CHAMBERS**

**BOND BEARCE LLP**

**GRO**

**Solicitors for the Claimant/Part 20  
Defendant**

Filed on behalf of the: Claimant  
Witness: A Chambers  
Statement: 1  
Exhibits: "AC1"  
Date made: 8/8/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No.**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant/Part 20  
Defendant**

**- and -**

**LEE CASTLETON**

**Defendant/Part  
20 Claimant**

**EXHIBIT "AC1"**

This is the Exhibit marked "AC1" referred to in the Witness Statement of Ann Chambers dated August 2006.

**DRAFT**

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 11/8/06

IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION

Claim No. HQ05X02706

BETWEEN:

POST OFFICE LIMITED

Claimant/Part 20  
Defendant

- and -

LEE CASTLETON

Defendant/Part  
20 Claimant

WITNESS STATEMENT OF ANDREW WISE

I, ANDREW WISE, of Human Resources GRO  
GRO WILL SAY AS FOLLOWS:

1. I am currently a Training Manager employed by Post Office Limited (the Post Office). I have worked for the Post Office since 1999. I am responsible for training sub-postmasters and branch counter staff and co-ordinating national training issues. From May 2001 to November 2004, I was a postal officer at the National Business Support Centre (NBSC). However due to my experience and knowledge, I was often asked to stand in as a team leader. My responsibilities included those of a service support advisor involved in answering calls which were generally more complex than the first tier of calls that sub-postmasters ~~provide~~ <sup>include</sup> NBSC. Prior to that, I was a Horizon field support officer from 1999 to 2001 and prior to that I spent 8 years as a counter clerk. I have a working knowledge of the computer system known as Horizon, which is a computerised accounting system used by the Post Office.
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 "AW1" to this Witness Statement.

5. The counter positions in the post office branches each have a computer terminal, a touch sensitive screen, a keyboard, barcode, scanner and printer. Once a clerk logs on, any transactions they perform are recorded and entered into the computer.

**National Business Support Centre**

3. The Post Office provides a service to sub-postmasters and clerks called the NBSC, which is a helpline they can call to try to resolve business related queries.

6. There are two tiers of service support at NBSC. Tier one is essentially customer services and is a separate entity. Tier two is run by the post office and is for calls that tier one are unable to deal with. I understand that an individual at tier one could take approximately 2,000 calls each day [is it correct to say that an individual will take 2,000 calls per day or that tier one overall will take 2,000 per day] and at tier two, an individual could take approximately 30 calls each day. Basically a sub-postmaster would call the NBSC telephone number, select the options to get through to tier one and then explain their problem. It may be a pre-recorded standard response, but if there is none available, the sub-postmaster could get put through to tier two. A lot of time on tier two is spent prompting sub-postmasters and clerks to double check information they should have been checking any way.

Bold

Double entry accounting and daily reporting procedures

6. Post Office branches operate double entry accounting. Every transaction recorded by the clerk on to their computer has a corresponding physical document, such as a TV license counter foil, savings bank deposit and withdrawal slips or cheques.

7. A summary of the prescribed daily procedures that sub-postmasters must follow is at pages 1 to 2. This includes the following:

**TV Licenses - Non Barcoded** - Remove bold. Underline instead

8. Each day the <sup>subpostmaster</sup> clerk must enter details on the green daily summary form P5744 which is retained at the branch. They have to print a daily report and check that the totals of the counter foils agree with that report. If they do, they cut off the report on the computer to reset it to zero for the next day. They then paperclip <sup>together</sup> none barcoded TV counter foils and non barcoded <sup>together</sup> daily 75 to the counter foils and send them to the EDS Processing Centre. <sup>over</sup>

same ->

**Personal Banking** <sup>hand</sup> cheques, cash bank deposits, bond withdrawals etc

9. <sup>daily</sup> Every day the subpostmaster goes through a similar daily procedure for per

Subpostmaster

- 9. The ~~clerk~~ <sup>Subpostmaster</sup> has to print a report each day and check that the totals on the print out agree with the documents to hand (whether cash deposit, cheque deposit envelope or ~~cheque~~ <sup>cheque</sup> encashment <sup>envelope</sup>) if the totals agree, they then have to cut off the report so that it resets for the next day, paperclip the cash deposit slips, check deposit envelopes and then ~~cash~~ <sup>encashed</sup> cheques together and place in the envelope to go to the EDS Processing Centre.

10. The ~~subpostmaster~~ <sup>Subpostmaster</sup> goes through a similar daily procedure for cheques, giro bank deposits and withdrawals, daily cash declarations and Savings Bank Deposits and Withdrawals

- 10. Each day the clerk has to print a report and check that the cheques agree with the printout. If they do, they cut this off so that it resets to zero the next day. They then have to paperclip the cheques together and send them in the envelope to go to EDS Processing Centre. Before the cheques are sent, the clerk will record details of the transaction on the back of the cheques.

ie For each of these a, the report  
Subpostmaster has to print a report, check that the cheques, giro slips, cash etc or other documents agree with the report, paperclip the documents together and send them to the EDS Processing Centre.

**Giro Bank Deposits and Withdrawals**

- 11. Each day the clerk prints off a report for giro deposits and withdrawals. The check that the deposits or withdrawal slips appear on the printed form and that the amounts are correct. If they are correct, they cut them off. They then place the deposit and withdrawal slips and despatch them [do these also go to EDS? If not who do they go to?].

underline not bold

**Daily Cash Declaration**

- 12. Within 25 minutes of the branch closing, the clerk has to enter details of their actual cash on hand and to print a daily cash declaration. The Marine Drive branch where Mr Castleton was a sub-postmaster has two counter positions whose transactions are combined together and recorded as one shared unit, so that all cash and stock is contained on one balance sheet. It is recommended for shared stock units that sub-postmasters compare their cash declaration with the system derived figure by selecting cash variance to view any differences that may occur, as it is easy to rectify any discrepancy on a daily basis.

**Savings and Bank Deposits and Withdrawals**

- 13. At close of business the clerk has to print a report setting out the NS and I deposits and withdrawals and check that the deposit or withdrawals that appear on the print out are in fact the correct amount. They then clip together the daily summary deposit and withdrawal slips and the daily account sheet and send to the National Savings Bank at Glasgow the next day.



**APS Transactions**

*Underline, not bold*

- 14. **[what does APS stand for?] each day at close of business the sub-postmaster has to print a list of APS transactions and check that they have the correct number of APS slips. If they do, they then cut this off, staple the rise in APS daily report to their receipts and retain in the branch. [do they retain these indefinitely? If not what happens to them?].**

*Weekly*

**Balance Procedure**

*bold*

- 14. Each week the sub-postmaster has to go through a balancing procedure. **[Is this something they do weekly or daily or both?]**, a summary of this procedure is at pages 3 to 6. <sup>figs</sup> ~~Nextly~~, they have to check outstanding transaction corrections, which must be resolved before the end of the week's trading period. **[what is a Transaction Correction? Is a trading period from week to week or do you mean each day?].**

- 15. They then have to complete the counter daily reports **[are those the reports that are mentioned above or are they something else? What are the daily reports? And what do they look like?]**. They then have to complete counter weekly reports **[what are these and what do they look like and what information do they contain?]** <sup>are</sup> they then are encouraged to print a balance snapshot and use that to check against the actual stock in their branch, to ensure that the system held stock figures matches the actual stock holdings. They also have to check all receipt and payment transaction totals with the supporting vouchers/documentation. There are ways in which they can amend any stock discrepancies. They then have to print the mandatory office weekly reports **[what are these?]**.

*Red*

- 16. The sub-postmaster then completes all other manual summaries and reconciliations, for example National Savings Weekly Summary, ~~change~~ ~~given~~ ~~return~~, ~~Electric~~ ~~tokens~~, ~~Promotional~~/~~payment~~ Vouchers, MVL Weekly Reconciliation, ~~7~~ ~~licence~~ ~~reconciliation~~, ~~Gift~~ ~~Voucher~~ ~~weekly~~ ~~reconciliation~~, DVLA Premium Service Summaries, UK PA Check and Send summaries, ~~Electric~~ Schemes and National Lottery ~~cheque~~ ~~prize~~ ~~payments~~.

- 17. The sub-postmaster then prints foreign currency **[what is this? Is it a list of what foreign currency they have?]** and to check the figures against their actual stock holdings. They then make new declarations for cash and stamps, entering on the system the cash nominations they have and a number of each different type of stamps. They then print a report which is kept with their branch

under copies *[what do the words under copies mean?]* they then print the balance report and have to check that all the totals are correct.

19. On the last Wednesday of the trading period, the lottery figures must be included prior to final rollover into the next trading period.

20. Each week, the sub-postmaster sends to Chesterfield the paid postal and money orders slips, a giro bank change summary *[what is that?]*, UKPA check and send *[what is that?]* a form setting out redeemed post office and TV savings stamps, National Lottery prize payments (£500 plus) *[what sort of information would this contain?]* and DVLA premium service forms *[what is that?]*.

17. 21. At the end of the trading period, they also complete the <sup>M M</sup> DVL monthly stock report *(P652a)* *[what is that?]* and the gift voucher monthly stock report form *[again what is that?]* *(P652b)*. The branch then completes the Branch Trading Statement which they have to sign and date stamp and retain in a suitable folder for 6 years.

22. **Andrew please can you check that these were the procedures in place in December 2003 to March 2004, which is the period that we are looking at and if they weren't can you amend accordingly and insert what procedures were actually in place at that time?**

*at which stage they have to check and sign*  
**The Horizon System** *themselves that they deem it right or subpostmaster*  
*have match what they have entered on the system.*

18. 23. Accordingly, it can be seen that if the clerk makes a mistake when inputting transaction details into their computer, there are a number of points at which this can be picked up, because there are <sup>both</sup> daily and weekly reports that <sup>subpostmaster</sup> they have to produce. In addition to that, there are various teams responsible for different sorts of paperwork, including a giro bank team, cheques team and pension team. For example, if the clerk records an item as a cheque rather than cash, they <sup>subpostmaster</sup> should pick this up on either their daily or weekly report. However if they failed to do so, this will be picked up at the EDS Processing Centre. Merely because an item has been recorded as a cheque rather than cash (or visa versa) would not of course cause an overall loss to the branch. If an item has been wrongly recorded, an error notice would be generated, although this can <sup>easy</sup> take up to 12 weeks or so. This will mean that if there has been an over or underpayment there will be either a claim or charge error respectively.

**Sub-Postmaster Training**

**Andrew can you add some details of what the sub-postmasters and clerks have to be trained on when they join the post office?**

*(Note to SJD3 please emphasise that the sub-postmaster has to count the cash each day and each week as part of the reports procedure)*

### NBSC Call Logs

19. 24. Details of the call logs from the Marine Drive branch and an overview of them from December 2003 to ~~January~~<sup>April</sup> 2004 are set out below - FAD code 213337. (There were no calls recorded for February and March 2004). ~~[Andrew please can you check that this is definitely correct and that there were no other calls for February or March 2004].~~
20. 25. 1 December 2003, call reference H12881564 the sub-postmaster wanted to know where they sent their application for telephone claims. The resolution was stated to be KB [does this mean that a standard answer was given from the knowledge bank ie an automated answer?].
21. 26. 1 December 2003, call reference H12881573 the caller wanted a telephone number for human resources. An answer was given from the knowledge bank.
22. 27. 11 December 2003, call reference H12903595 there was a power failure on the street and the office has electronic shutters so was unable to open. [what does gave nom offices mean?]
23. 28. 11 December 2003, call reference H12904136 the clerk called to confirm that the office had been reopened.
24. 29. 12 December 2003, call reference H12906756 the clerk wanted to know what the counter procedure was for a local collect when a customer comes to pick it up. [what is local collect?]. They were provided with an answer from the knowledge bank.
25. 30. 13 December 2003, call reference H12908771 this was a call because the customer had received a card in the name of Vera instead of Violet. This was resolved by providing the clerk with an answer from the knowledge bank.
26. 31. 13 December 2003, call reference H12908772 the office was open but was showing up as closed [what does this mean? how was this resolved?].
27. 32. 22 December 2003, call reference H12925312 the postmaster sent off an application with the PID [what does that stand for?] for the opening of an account and identification form which was erroneously rejected by the EDS. They





30. 22 January 2004, call reference H12987957 the sub-postmaster called. There was a loss in week 43 of £4,230.97. This was an unknown error, which means that the sub-postmaster <sup>should transfer</sup> could not put the loss into the suspense account. <sup>That</sup> until you know when the error report was made and an error report was returned.
39. 27 January 2004, call reference H12999552 this refers to a training event in Scarborough.
36. 28 January 2004, call reference H13003838 the sub-postmaster enquired whether there was a service available for customers to send money to somebody in another part of the country. That answer was provided from the knowledge bank.
37. 29 January 2004, call reference H13005452 the sub-postmaster called. <sup>branch called and said they were</sup> They <sup>at this bank</sup> are showing a loss of £2,523.12 and reported that this was the third discrepancy in as many weeks. NBSC checked through the figures using a transaction log and also looked at the REMs declaration and the cash flow. No trace of the discrepancy was found and <sup>this was referred to</sup> a call was created for the suspense account team to review.
38. 29 January 2004, call reference H13005643 there was an unauthorised or unidentified loss of £6,754.09. <sup>branch called and stated there</sup> [what was the purpose of the call? Was it just to report that the loss was unauthorised?].
349. 30 January 2004, call reference H13011960 the sub-postmaster called in relation to automated payments: the customer's account had not apparently been credited with payment. An answer was provided to the sub-postmaster from the knowledge bank. <sup>→ Please note this into chronological order</sup>
445. 23 December 2003, call reference H21243010 the postmaster wanted to know if the procedures for printing <sup>the</sup> postage <sup>label had</sup> changed and was advised that the pre-paid will be reduced by an amount of extra service (recorded). [what does this mean? Also, why is the call not printed in the date order here?].
446. 20 January 2004, call reference H21265950 [what does 1xweek 41/03 required mean?]
447. 20 January 2004, call reference H21265965 <sup>s.b</sup> the postmaster had not received a copy of the sales report for the last period and wanted to know how one could be ordered. <sup>s.b</sup> The postmaster <sup>was</sup> advised that the reports were late and he should receive it by the end of the week at the latest as they were being dispatched.



48 22 January 2004, call reference H21268317 a disabled customer's card had arrived in an incorrect name of Bernice instead of Denise and the sub-postmaster wanted to speak to EDS. An answer was given on the knowledge bank.

49 28 January 2004, call reference H21272735 the postmaster had called to say that since he had broadband installed, every time he receives stock into his office it was showing short by the same amount. He had checked to make sure that it was remmed in properly but it was still showing £2,500 worth of stock. The postmaster was advised that if he felt that that was a technical problem he should call the Horizon System Helpline (HSH) that deals with technical issues. However, after talking to the sub-postmaster, he was entering all the transactions to dispatch correctly, so this could be the case. [What does that mean?] He was advised to balance a roll for a definite figure and to call HSH if he didn't have any success [again what does this mean?].

50 29 January 2004, call reference H21274188 the sub-postmaster wanted to have his transaction on archives looked at more closely to try to identify what was going wrong with his branch. He was having a lot of losses over the past three weeks and thought that there was a system fault with his remittances. The NBSC followed KB instructions and sent an e-mail to Adele Kilkoyne [who is she?] so that the postmaster can study his archives to try to identify what had gone wrong. [what was the result of this? Please can you follow through with Adele Kilkoyne?].

51 19 January 2004, call reference Q12980113 there was an incorrect cash dispatch [what does this mean?] Lisa [Lisa who?] was not too sure of the correct procedure, but NBSC informed her what it is.

52 30 January 2004, call reference Q13009942 there was an authorised loss of £6,754.09 in week 44. Kath Oglesby, the retail line manager reported that the sub-postmaster had authorised losses of £6,754.09 for week 44. Apparently he could not identify what had caused the loss and was unable to make good. The sub-postmaster also stated that he had made good a loss of £1,100 in week 42. Kath Oglesby asked NBSC to contact the branch to resolve the loss. The sub-postmaster was applying for a hardship form. He was waiting for a return of the I&E form. [what is the I&E form?].

53 Kath Oglesby asked NBSC to review what could have been causing the errors. Sarah Pennington (who has since left the Post Office) reviewed this and discussed it with me. She then reported to Andrew Price (NBSC) who in turn reported back to Kath Oglesby. (page 13). This shows that Sarah Pennington spoke to the sub-postmaster at Marine Drive who wasn't sure what was causing the errors and

Please move into chronological order

computer to enter his stock and cash  
was told  
that he had been using the slave terminal for his REMs, which he assured me that  
this would not cause a problem as long as it was attached to the correct stock  
unit. If there was any communication problem between the two computers, the  
words "no node disconnected" would flash up on screen.

54) The sub-postmaster apparently thought there were some errors relating to the  
National Lottery. Sarah phoned the lottery team at transaction processing who  
confirmed that there were some errors, but for every charge error there was a  
corresponding claim error, as the clerk had entered the lottery figures in the  
wrong cash account period. If the cash account period (week number) is wrong  
one week, the next week this would balance out, hence the sub-postmaster would  
receive a charge error in the first week and a claim error in the second week. The  
postmaster was also concerned that when entering the lottery figures, the  
terminals did not appear to be communicating. However if that had been the  
case, the sub-postmaster would have a very large number of errors on every  
report and product.

55) I looked at the cash account information that the sub-postmaster sent to me but  
was unable to find any errors. [do you still have this?], the only amount  
questioned was a large amount on the cheques to Processing Centre, which I was  
able to confirm that this was a cheque payment for the purchase of the premium  
bonds. Accordingly, there is nothing more NBSC could do and we suggested he  
work a manual system at the side of Horizon to see if any problems were  
highlighted. He was also advised to take a snapshot before and after he did the  
REMs to see if there were any problems occurring when he did a remittance.

56) In summary, we considered that the Horizon system was working properly and  
did not appear to be the cause of the unauthorised  
losses incurred.

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

Signed .....

**GRO**

Date .....

Filed on behalf of the: Claimant  
Witness: Andrew Wise  
Statement: 1  
Exhibits: "AW1"  
Date made: 11/8/06

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

WITNESS STATEMENT OF ANDREW  
WISE

BOND PEARCE LLP

**GRO**

Solicitors for the Claimant/Part 20  
Defendant

Filed on behalf of the:	Claimant
Witness:	A Wise
Statement:	1
Exhibits:	"GJ1"
Date made:	18/08/06

**IN THE HIGH COURT OF JUSTICE  
QUEENS BENCH DIVISION**

**Claim No.**

**BETWEEN:**

**POST OFFICE LIMITED**

**Claimant**

**- and -**

**LEE CASTLETON**

**Defendant**

**EXHIBIT "AW1"**

This is the Exhibit marked "AW1" referred to in the Witness Statement of Andrew Wise dated August 2006.

**DRAFT**