

Witness Name: Alan Stuart

Statement No: WITN09070100

Exhibits: None

Dated: 24.9.23

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF ALAN STUART

I, Alan Stuart, will say as follows...

1. This witness statement is made to assist the Post Office Horizon IT inquiry (the "**Inquiry**") with the matters set out in the Rule 9 Inquiry Rules 2006.

Background

2. I am a former employee of Post Office Ltd ("POL") having joined in March 1986 and started working as a counter clerk at a variety of Crown offices in the Bromley area. I enrolled for evening classes and gained qualifications in Bookkeeping, Accounting at RSA level and then 'A' level in Accountancy. I then studied with the Association of Accounting Technicians, becoming professionally qualified with them in about 1996.

3. I became an auditor in 1990 auditing all types of post offices around the Bromley, Dartford, Croydon and south east London area. This mainly involved assisting at audits either counting cash, stock or checking the weekly docketts. Occasionally I would act as team leader whereby I would need to prep the necessary paperwork, complete a branch reconciliation on a document called a P32 and produce a written report of the findings.

4. My job title has never been Network Field Support Advisor, nor have I ever considered myself performing that function.

5. I cannot recall the exact year but around 2000/2001 I was promoted to Audit Manager for London and the southeast, which included Kent, Surrey, Sussex, Isle of Wight and parts of Hampshire. My duties were similar to before as regards assisting and leading audits with my focus being on larger (Crown) branches but included management of a team of up to 9 auditors.

6. In late 2006 I became the manager of the Audit Admin Support Team having oversight of the admin support processes and procedures.

7. In 2007 I became the Audit Scheduling Manager where my duties included management and delivery of a risk based annual audit programme. I scheduled the activities on a daily basis for all 36 auditors nationwide.

8. After a reorganization in 2009, I became a data analyst initially with the Branch Conformance Team. In 2011 I was promoted to a data analyst position in Risk and Compliance, and in another promotion during 2016 I moved to

another data analyst position within Network. I retired from POL on 30th January 2022.

9. To be an auditor, the prime requisite was to have a good understanding of balancing processes and have a high degree of accuracy. There was no formal training on being able to count as myself and all my colleagues had counter training and experience. Training was provided however on the introduction of new equipment and counter IT balancing aids such as ECCO, ECCO+ and Horizon.

10. I understood the role of auditor to be a verification of Post Office assets, ensuring a correct and true trading position for the branch and performance of a survey to confirm the agent had a satisfactory degree of knowledge on Post Office procedure.

11. Initially I reported to one of two Audit Managers who in turn reported to the Senior Audit Manager. As this was during the time of district segregation of post offices, the Senior Audit Manager would schedule audits and communicate them to us on a daily basis.

12. Throughout my career I have not faced any disciplinary action or been accused of any criminal offence. Likewise as a manager I've never had cause to doubt the honesty or integrity of any of my staff.

13. My involvement with agents did not extend to disciplinary matters or any interview. In cases of audit shortages, the matter would be referred to the Contracts Advisor who then take such action as appropriate. I have attended Crown Court a number of times with a potential view to be called as a witness

on branches that have been pursued for criminal activity though I haven't actually been called, except once for a civil case where an agent was suing a member of staff and I was called to provide guidance on Post Office procedure.

14. Throughout my career in audit, I have assisted at 8+ cash centre audits, led or assisted at 60+ Crown Office audits and led or assisted at 500+ smaller branches.

The audit process and the policies/practices in place

15. On receiving our scheduled audit activity for the week, the lead auditor would prep necessary paperwork (cash/stock sheets), check the location and size of the branch, opening times and if necessary, liaise with any other teams who may have requested the audit. A meeting time and location would be communicated to the other auditors in attendance.

16. Most audits were standard risk-based activity and no liaison was required with other teams, as audit activity was strictly confidential. I would say that less than 10% of audits were requested by other departments on the basis of suspicious activity. We would be informed of the source and/or potential concern and then the source would be contacted should additional information be required. It was not always necessary.

17. An audit would generally start about half an hour before the branch was due to open. Printouts from Horizon would be obtained for each stock unit operated and transfers between them would be reconciled. Each stock unit would be balanced individually checking cash and stock to the Horizon printout, and when verified would be allowed to serve. This enabled working

cash and stock to be assessed so that the branch would be able to open as normal. The bulk cash and stock would then be counted. Completed paperwork would then be assembled by the lead auditor who would enter the details on to an electronic P32 document and a balance derived. The other auditors would then start on the internal control questionnaire or compliance part of the audit.

18. Minor discrepancies would be noted and form part of the closing meeting with the agent. More significant discrepancies would be immediately noticeable and force a second audit to confirm the audit figures. The agent would be approached to confirm that all the cash and stock had been presented. If the shortage could not be found, the Contracts Advisor and if necessary, the Investigation Team would be contacted and the auditors would act on their decision. Sometimes it would be to allow the branch to continue operating, occasionally it would lead to the agent being suspended. This procedure was in place throughout my time in audit.

Recruitment and training of auditors

19. With regard recruitment and training of auditors, I cannot comment on documents **POL00032698**, **POL00086765**, **POL00088453** or **POL00088557** as they were all introduced after I left audit.

20. During my time within audit and especially as Audit Manager, I was aware that recruitment for auditors was advertised internally on completion of an application form and recommendation from their line manager. All POL employees were eligible to apply. As audit manager I was at times involved in the interview process. We did not recruit externally.

21. Auditors were graded as Postal Officers, the same grade as counter clerks. Their only requirement was to have a high degree of proficiency at counting cash and stock, with knowledge of balancing. With the move away from manual balancing to automated, basic IT skills were also favoured.

22. There was no formal training on how to be an auditor, most of the training was given on the job. It would be ascertained that the recruit could count and they would start by being given the dockets or stock to count whilst on audit and always with a team. The audit manager would then make an assessment of their capabilities before allowing them to act as team leader, but under close supervision. Once they had displayed a high degree of proficiency they could then act as team leader and potentially lead a solo audit on their own.

23. There were meetings and training events from time to time geared around reporting, computers (such as when the electronic P32 was introduced) and internal control, but as compliance regulations grew and we became more regulated these became more frequent and focused. At all times I felt that audit personnel had the necessary skills and experience to perform their roles. New starters were kept under close supervision until they displayed the necessary skill sets.

The planning and scheduling of audits

24. As regards scheduling of audits I compiled the document **POL00084650** in 2010. An annual audit plan would be agreed at board level with the audit committee, taking into account the size of the network, Directly Managed and Sub-Offices, and auditors available. At the time I took on the role of Scheduling Manager there were about 36 auditors nationwide.

25. The number of audits were scheduled for activity throughout the coming financial year and set as a target. Account would be taken of busy times such as Christmas when reduced activity would be scheduled and any other known factors that may have an impact. Mondays were given to auditors for completion of the previous week's work and preparation for the coming week. My audit schedule was issued on the previous Friday.

26. Every branch in the network was listed on a Branch Performance Profile which was a database into which was fed a variety of information from different sources to form a risk score. This information included such things as overnight cash holdings, excessive stock, calls to NBSC and error notices. The highest risk branches would form the basis of the scheduled audit activity as type 100 audits.

27. In addition to risk-based audits, a pure random selection of branches would also form part of the plan in order to test the effectiveness of a risk based approach as opposed to random. These were categorized as type 150 audits.

28. Each week, priority would be given to known transfers of branches from one agent to another or closures of branches where a branch would be permanently closed. Also I would receive information on burglaries or robberies of branches which would need an urgent audit and may cause the cancellation of other audit activity.

29. From time to time, I would receive a request for an audit to take place. I would investigate each request and either agree or deny it depending on

circumstances. Most would be agreed and be scheduled as type 200 audits taking priority above normal risk-based audits.

30. Audits would be denied if:

- They were requested by an agent.
- There was a lack of evidence to suggest a potential shortage.
- An audit of the branch had already been conducted within the last six months.
- The branch size and location might make an audit too costly if overnight stays were considered necessary.

31. No branch would be allowed to go beyond five years without having an audit. The last audit date was also factored into the Branch Profile.

32. I cannot comment on audit process beyond my time as Audit Manager (2006). All the documents quoted for me to consider **POL00083966**, **POL00084801**, **POL00085534**, **POL00087627**, **POL00088252**, **POL00087672**, **POL00084003**, **POL00084813**, **POL00085652**, **POL00086765**, **POL00087688**, **POL00087716** and **POL00087614** were produced after I left. They had no bearing on me or my activities.

33. Sources of information prior to an audit are described in point 14 above.

34. Special (type 200) audits would usually take place on the day after the agent had performed their own balance. The Horizon balance snapshot taken

at the outset of the audit would therefore reflect the cash and stock as declared by the agent. After identification of a shortage, beyond asking the agent if any further cash or stock is on hand, we would take no further investigation other than report to the Contracts Advisor and/or Investigation Team.

35. If a small discrepancy was established, it was common practice to ask the agent to make good the sum normally by their next balance period, not necessarily at the time of audit and witnessed. This was made clear to me on the day I joined audit.

36. On rare occasions after a Contracts Advisor had spoken to an agent regarding a shortage, the auditors may be asked by the Contacts Advisor to accept a cheque from the agent for the shortage. This would be entered into the accounts, remitted out from the office, taken off site and posted at a different branch.

37. Provided no suspension had taken place, agents would be perfectly at liberty to conduct their own investigation into losses arising at their branch.

38. Agents would be informed at every stage of how an audit was progressing. After a successful audit the audit leader would always conduct an informal closing meeting which would lay out the audit result, requirement for the shortage to be made good if necessary and highlight any concerns arising from the internal control questionnaire or compliance tests as they latterly became known.

39. There was no written process for dealing with issues raised by agents but being representatives of POL, we would listen to any concerns raised as sensitively as possible and provide what guidance we could to the agent. If the issue could not be resolved whilst on site, it would be taken away and put the Contracts Advisor to resolve. This would be entered on the report, and I would have no further involvement.

40. I would not consider it possible to conduct an audit at a branch where the Horizon system was not functional, though I do not recall any such incident ever arising. Provided there is one terminal operational within a branch, it would be possible to conduct an audit by logging on to each stock unit separately and producing a snapshot of each.

41. There was little or no difference between auditing a Crown branch or a Sub Post Office other than scale and resource required.

42. Fujitsu had no input to POL audit processes whatsoever.

43. Document **FUJ00001894** is a technical document that I have never seen. Having read through it, it seems to me to be more geared towards Internal Audit processes rather than the Audit Team. The two are distinct and separate. Internal Audit internal departments and processes for which audit trails are required, such as for Horizon. They also schedule and conduct audits at cash centres for which we provide necessary manpower and resource. The document **FUJ00001894** is high end and in my opinion has little impact on the Audit Team. Only the section entitled 'Access Using Standard Reports' appears to relate to audit activity.

44. In order to conduct an audit, the only information required would be the paperwork relating to the last balance performed by the agent and relevant snapshots produced on horizon for each stock unit operated. These documents would have been produced by the agent and signed off as a true reflection of the accounts and assets, and be available to him/her from the Horizon system as reprints.

45. I have no knowledge of Audit Global User Account **POL00002841**. The document was written after I ceased being an operational auditor, though it seems similar to a process that was in place previously and I seem to recall it being termed a 'one shot password'. This would allow auditors to log on to a branch Horizon terminal in the event of there being no branch staff.

Prosecution of Josephine Hamilton

46. Regarding the audit of South Warnborough post office, I still recall a fair amount of detail. The audit was scheduled by the scheduling manager at the time. I had no dealings with the schedule other than to receive details of the plan via email and communicate that plan to my team of auditors.

47. Due to the size of the branch the requirement was for just one auditor to attend. Normally for special audits there would be two auditors in attendance to ensure there could be no subsequent allegations of mis-dealings. However it was ascertained that the Area Intervention Manager Elaine Ridge and Graham Brander from the Investigations Team would also be in attendance so a second auditor was not considered necessary.

48. I met Elaine and Graham outside the branch which also doubled as a tea and cake shop on the retail side. As South Warnborough is a small village, I found it surprising that there seemed to be a lot of staff working on the retail side. We entered the premises, announced ourselves and was told the agent who I now know to be Josephine Hamilton had gone sick and would not attend the audit.

49. As the agent lived nearby, Elaine went to her house and retrieved the office keys. We entered the office and I set about opening the safe and checking drawers and cupboards for cash and stock.

50. I cannot recall if a one-shot password was obtained or if log-in details were supplied by Ms. Hamilton, but access was gained, and a balance snapshot of the accounts was produced. I then set about counting and recording the cash and stock. Graham and Elaine played no part in the asset verification, there were present as witnesses only. The balance snapshot told me how much cash and stock the agent had declared as being on hand. When a shortage became apparent, I recounted the cash and stock and rechecked my figures before entering it on to the P32. Ultimately the audit resulted in a shortage of £36,583.12 (thirty-six thousand, five hundred and eighty three pounds, twelve pence).

51. At no point did Ms. Hamilton attend the branch but on conclusion of getting a result, Elaine went to see Ms. Hamilton at her house to inform her of the result and suspend her. Arrangements were then made to transfer the branch to an interim agent who attended on the day and took over the cash and stock.

52. It was my opinion that a tea and cake shop with so many staff (I remember at least six) in a small village would not be able to support itself and from an accountant's point of view I questioned the business model. I further formed the opinion that funds were being taken from the Post Office in order to support the retail side.

53. The size of the discrepancy was unusually large for such a small branch.

54. I do not know what ARQ logs are, or who would have responsibility for obtaining them, if indeed anyone, or in what circumstances they would be required.

55. As Area Intervention and Investigations were already on site, I was able to discuss my initial findings with them on site. I completed an electronic P32 document on site and upon returning home I drafted a report of findings to the Area Manager Nigel Allen, my immediate line manager Shirley Hailstones and the National Branch Audit Manager Martin Ferlinc.

56. My dealings with South Warnborough were then complete, until now.

57. I have been involved with many cases of suspensions throughout my time as both auditor and audit manager due to the identification of shortages.

58. In drafting this statement, I have had no contact with any material person in respect of this case.

59. My role was to conduct an audit of the branch, where upon on completion of the audit my interest ceased. I was not made aware of, nor was I interested in the outcome of the case.

60. My reflection is that the investigation team should have looked more closely at the accounts for the retail business to see if it supported the employment of so many staff. The acid test however would have been to check the prepared balances of the incoming agent to see if the shortages continued.

61. As an auditor, my role was to check and verify the accounts and to report on my findings. I played no role in interviewing, investigating, litigation or disclosure other than to identify the location of cash and stock.

62. I have considered the Judgment of the Court of Appeal in Josephine Hamilton & Others v Post Office Limited [2021] EWCA Crim 577 at **POL00113278** (and in particular at paragraphs 142 to 148). What are your reflections in respect of this case? See part 60 above.

Prosecution of Ms Seema Misra

63. I have considered the audit report **POL00047738**.

Audits of West Byfleet Post Office

64. Please describe the circumstances in which the audit on 14 October 2005 was scheduled. I was notified that an audit had been scheduled and that I was to be the lead auditor. It was normal for new agents to receive an audit within about 3 months after taking on a branch.

65. I have no recollection of the audit.

66. I was designated as lead auditor and would have counted the cash and reconciled the accounts on an electronic P32. I would then have responsibility for reporting the findings and escalating any shortages to management.

67. The size of the branch required a minimum of 3 auditors. The lead auditor (myself) would count the cash and reconcile the accounts, one would count the stock and another auditor would verify any transaction dockets on hand.

68. As the audit did not follow a balancing day, any transaction dockets on hand would be verified as being on the Horizon system. Special attention would be paid to any suppression of dockets.

69. I have considered page 2 of **POL00054010**. There was no requirement to make any notes and there were no circumstances requiring notes to be made, other than by way of the audit report.

70. A closing meeting was held with Ms. Misra, to talk through the audit findings and area of weakness on compliance. It is important to stress that the audit result was not new nor unexpected by Ms. Misra. It became a confirmation of a shortage she had originally declared and rolled into suspense. There was no way that we could investigate the shortage whilst on site; the opportunity for such was when the shortage first became apparent.

71. With reference to the audit report I compiled, the differences found in cash, stock and foreign currency would ordinarily be considered a 'good' balance result. The area of concern was the amount held in suspense of a rolled shortage, particularly as the agent was relatively new to the branch.

72. I do not know what ARQ logs are, or who would have responsibility for obtaining them, if indeed anyone, or in what circumstances they would be required.

73. I completed an audit report addressed to the agent and copied to Angela James, Contracts Manager

74. I have considered paragraphs 53 to 60 of **SMIS0000101** in which Ms Misra describes the audit of her branch. I cannot recall the audit particulars or any discussion I may have had with Ms Misra.

75. I have considered paragraph 155.2 of **SMIS0000101**. I was not aware of requests for assistance prior to the audit, nor would it have had any bearing on the audit. All new agents are offered an off-site training course at their own expense followed by on-site training from dedicated trainers after appointment. All agents were supplied with instruction manuals, had on-line help via Horizon and also a helpline facility. At that time, auditors had no responsibility for training.

76. I have considered paragraph 4.1 of **POL00066262**. I had no involvement with the audit of 14th January 2008, though at the time I would have been the Scheduling Manager and would have therefore have scheduled the Audit. I have no recollection of this event specifically as I was then scheduling audits for the entire country.

77. I had no further involvement before proceedings commenced.

POL -v- Misra

78. I did not provide a witness statement to my recollection.

79. I had no discussions whatsoever with anyone regarding the prosecution.

80. I have considered the Judgment of the Court of Appeal in Josephine Hamilton & Others v Post Office Limited [2021] EWCA Crim 577 at **POL00113278** (and in particular at paragraphs 198 to 209). I have no reflections on the case against Ms. Misra.

General

81. I performed my role as an auditor only. I am not qualified to make judgements on the adequacy or otherwise of the Horizon system.

82. I am not qualified to make judgements on the adequacy or otherwise of the Horizon system as to the investigation into bugs, errors and defects in Horizon was sufficiently carried out by the Post Office or if sufficient information about the same was to the Post Office by Fujitsu.

83. I have no reflections to offer.

83. There are no other matters that I wish to bring to the attention of the Chair of the Inquiry.

Statement of Truth

I believe the content of this statement to be true.

Signed:



GRO

Dated: 24/09/2023

Annex to First Witness Statement of Alan Stuart

Document Description	URN	Control Number
"Assurance Review - Recruitment (Vetting & Training)" (version 1.0, 27 October 2009)	POL00032698	POL-0029633
"Network auditing approach, methods and assurance" (2013)	POL00086765	POL-0083823
"Training & Audit Advisor" (undated)	POL00088453	POL-0085511
"Audit Advisor" (undated)	POL00088557	POL-0085615
"Audit Plan & Scheduling, Chapter 1 of the Audit Process Manual" (Version 8.0) (2010)	POL00084650	POL-0081708
"Audit Charter" (version 4.0, undated)	POL00083966	POL-0081024
"Performing a Branch Audit", Chapter 3 of the Audit Process Manual (version 5.1, May 2010)	POL00084801	POL-0081859
"Core & Outreach Audit Process", Chapter 3a of the Audit Process Manual (version 1.0, 27 May 2011)	POL00085534	POL-0082592
"Follow Up Audit Process", Chapter 3b of the Audit Process Manual (version 3.0, May 2015)	POL00087627	POL-0084685
"Performing a Cash Centre Audit", Chapter 7 of the Audit Process Manual (version 5.0, Aug 2016)	POL00088252	POL-0085310
"Quality Assurance", Chapter 11 of the Audit Process Manual (version 5.0, Apr 2015)	POL00087672	POL-0084730
"Post Incident Auditing without Horizon", Chapter 14 of the Audit Process Manual (version 1.0, Nov 2006)	POL00084003	POL-0081061
"Condensed Guide for Audit Attendance" (version 2, Oct 2008)	POL00084813	POL-0081871
"Requirement of Network Field Support Advisors at audit, following discovery of discrepancy" (version 1.0, Oct 2011)	POL00085652	POL-0082710
"Training Guide: Compliance Audit Tool" (Sep 2015)	POL00087688	POL-0084746
"Training-Aide for Branch Asset Checking" (version 1.7, Nov 2014)	POL00087716	POL-0084774
"Terms of Reference Audits" (version 1, April 2015)	POL00087614	POL-0084672
"Audit Trail Functional Specification" (version 8.0, 18 October 2004)	FUJ00001894	POINQ0008065F

Global User Account (September 2016)	POL00002841	VIS00003855
the audit report to Nigel Allen	POL00044497	POL-0040976
the investigation report	POL00044389	POL-0040868
the investigation capture details form	POL00047887	POL-0044366
Alan Stuart witness statement	POL00064276	POL-0060755
List of exhibits re: R v Josephine Hamilton	POL00059372	POL-0055851
Judgment of the Court of Appeal in <i>Josephine Hamilton & Others v Post Office Limited</i> [2021] EWCA Crim 577	POL00113278	POL-0110657
Audit Report	POL00047738	POL-0044217
Email from Issy Hogg to Jarnail Singh RE: FW: R v Seema Misra Guildford Crown Court Trial 15th March 2010 - disclosure	POL00054010	POL-0050489
Seema Misra case study. Preliminary Draft Witness Statement of Seema Misra (High Court) in Sub-Postmasters Claimant Group and POL.	SMIS0000101	
Seema Misra Case Study - Schedule of Information regarding Alan Bates & Others - and - Post Office Limited	POL00066262	POL-0062741

