

Witness Name: Paul Graham Bosson

Statement No.: WITN09250100

Dated: 13th June 2023

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF PAUL GRAHAM BOSSON

I, Paul Graham Bosson, will say as follow:-

Introduction

1. I am a former employee of Post Office Limited and held the position of Network Audit Manager.
2. This witness statement is made to assist the Post Office Horizon IT Inquiry (the "Inquiry") with the matters set out in the Rule 9 Request dated 15th May 2023 (the "Request").

Background

3. I joined the Post Office straight from school in 1977 where I worked for 2 years at the Crown Office in Reading.

4. In the following 4 years or so, I worked in the Accounts Department, which dealt with the supply of cash and stock to Post Office Branches and also the return of items such as mutilated stamps; foreign coin; excess cash and claims for various allowances such as telephone calls and monthly charges.
5. I also worked for short spells in the Planning Department which dealt with monitoring of Post Office buildings and various projects such as build work; repairs; painting etc.
6. Following this, I moved to completing the Reading Head Office Cash Account each week, which also included summarising and submitting the Head Office Expenditure Schedule.
7. Around the early 1980's I joined the Audit Team in Reading which at that time covered Post Office Branches in the Reading Postcode area.
8. Following a Post Office reorganisation, I was promoted to an Audit Manager the date of which I think was towards the end of the 80's. The role involved managing and developing a team of around 8 auditors and scheduling audits of Post Office Branches, including Crown Offices each week in accordance with the annual audit plan. I remained in this role for around 20 years, during which time it was renamed to Network Audit Manager following another reorganisation.

9. I eventually moved to a new role which I think was around 2005 dealing with Governance and Compliance auditing, which involved carrying out reviews on a range of procedures throughout the business.

10. I eventually left the Business in 2011 after 33 years service.

The Audit Process & Policies/Practices in Place

11. My role as Network Audit Manager primarily involved managing a team of around ten auditors ensuring they had the appropriate skills for their role. This would be achieved through ongoing on the job training and monthly one to ones to address any skill gaps.

12. As I recall, each month I would receive a list of Post Office Branches to be audited which had been identified as scheduled or risk audits. These branches would be scheduled for audit within the month received and would be undertaken by varying numbers of auditors, dependant on the size of the Branch. A Lead Auditor would be assigned to each audit who would be responsible for the planning and leading of the audit. Branches were generally closed whilst cash and stock items were reconciled to declared figures. In some cases, where satisfied that sufficient cash and stock had been counted and reconciled, the office was allowed to open to reduce the impact on customer service. The remaining value items to be counted and reconciled would be isolated and given access to the Branch on completion of this.

13. The audit of the cash and stock used to be completed manually and recorded on an Audit Form, P32 which detailed all cash stock and vouchers checked to produce a Balance Due which should reconcile to the Branch figure. Any difference would represent the Branch surplus or shortage which Sub-postmasters would be requested to withdraw or make good which would be undertaken at the time of the audit. In cases where the discrepancy is proven to relate to a transactional error where a corrective error notice is due, the amount may be held in uncharged receipts or unclaimed payments pending the receipt of this. In some circumstances where the amount of shortfall was such that the Sub-postmaster was not in a financial position to make good the amount, authority was sought from the Retail Network Manager to hold the amount in unclaimed payments pending a formal repayment agreement being made.
14. An electronic version of the Audit P32 was created and superseded the manual version, but I am unsure when this was introduced.
15. In terms of the policies in place during my time as Network Audit Manager, I am unable to recall what would have been in place and when/if they were subject to change during that period.

Recruitment & Training of Auditors

16. I have been asked to consider the following documents, Assurance Review – Recruitment (Vetting & Training) version 1.0 dated 27 October 2009 [POL00032698], Network auditing approach, methods and assurance dated

2013 [POL00086765], Training & Audit Advisor [POL00088453] and Loss Prevention - Audit Advisor [POL00088557].

17. Auditor vacancies were advertised and recruited internally. My recollection is that there were no restrictions regarding what teams/department they worked in, but generally it was beneficial to have an operational background such as working in a Crown Office or Cash Centre. Candidates would be subject to an interview process to determine their capabilities and suitability for the role, with the best candidate being offered the post.

18. The successful candidate would be provided with induction training and on the job training with auditors within the team until both they and the Network Audit Manager were confident that their knowledge and skills were at a level where they could undertake audits on their own. This would always be at very small Branches. Generally, most audits required a staffing level of at least two or more people, so support was always available to new recruits. Regular monthly one to ones and Performance Reviews addressed any concerns or issues had by the new recruit or Network Audit Manager, with additional training on any specific areas of weakness identified. Again, this would be addressed by on the job training.

19. In my view even given the lack of an actual Audit training course, I had confidence that Auditors had sufficient training and expertise to effectively carry out audits at Post Office Branches. All Auditors received monthly one to ones which reviewed performance and any knowledge gaps identified by the

individual or Network Audit Manager. This would be subsequently addressed with appropriate additional training as required.

The Planning & Scheduling of Audits

20. I have been asked to consider document, Chapter 1 of the Audit Process Manual – Audit Plan & Scheduling version 8.0 dated 2010 [POL00084650].

21. Post Office Branches were audited based on risk. My recollection is that various risk models were used to establish branches that posed the greatest risk. Audits could also be requested if concerns/issues are identified by various departments such as Security or the Finance department in Chesterfield. A monthly program of audits was produced, and audits were scheduled each month from this, with the higher risk branches prioritised first. Branches potentially could be subject to several audits each year depending on previous audit findings or ongoing risk. From recollection, low risk branches could go up to 3 years without an audit. A percentage of randomly selected branches were also included for audit each year.

22. A Branch profile used to be held detailing hours of opening; number of individual tills where appropriate; whether it conducted National Lottery/ Bureau de Change/ Car Tax; ATM machine; Stamp Vending machine or other products/services unique to certain branches which would be used in determining the staffing level for the audit. This was originally in a paper format, but an electronic version was later introduced but I cannot recall when this was.

23. In cases where Branches were scheduled following a request from the Security Team, discussions between the Lead Auditor and the Security Lead team member attending would be had to determine what the issue/concern was, and the approach required by the Security Team leader. Generally, these types of audits would mean the branch would remain closed until all issues had been resolved by the Security Team.

24. I believe that Crown Offices were scheduled for audit every 2 years or sooner if risks/issues were identified, as I would assume they went through the same risk assessment as other Post Office Branches.

The Auditing Process

25. I have been asked to consider various documents in relation to the auditing process [POL00083966, POL00084801, POL00087627, POL00088252, POL00084003, POL00084813, POL00085652, POL00086765, POL00086839 and POL00087716].

26. When completing an audit, a number of printouts were obtained from the Horizon system. This would be achieved by requesting the Sub-postmaster or Branch Manager with manager's access, to produce the required reports. Alternatively, as I recall, the Sub-postmaster or member of staff with managers access could be asked to create a User ID for the lead auditor to allow them access to the Horizon system to produce the required reports. In the absence of anyone being available with managers access to the Horizon system, a One-Shot password would need to be obtained via the Horizon Helpdesk to enable the Lead Auditor access to the Horizon system. As I recall this was the

procedure for all audits. The following reports were obtained from the Horizon system –

- Previous Branch Trading Statement (Reprint.
- Office Snapshot
- Overnight Cash Holding Declaration
- Suspense Account
- Remittances In and Remittances Out
- Reversals
- Transaction Corrections Processed
- Transaction Corrections Outstanding
- User Summary
- Transaction Log over £5k

27. In the event of an unexplained discrepancy being discovered on the audit which the Sub-postmaster could not explain, and could not be attributed to any obvious error in the transactions or cash and stock declaration completed by the branch in the week the audit was conducted, or there was evidence of fraudulent activity discovered, this would be escalated to the Security Team, Network Retail Manager, and the appropriate line manager of the Lead Auditor for advice and any ongoing actions.

28. Errors made in transactions reported from the branch would, once reconciled by receiving departments result in error notices being issued to correct the error and enable the branch to offset losses or surpluses caused in their accounts as a result.

29. As previously mentioned in my statement, Sub-postmasters would be asked to make good losses or withdraw surpluses discovered on the audit. In cases where the discrepancy is proven to relate to a transactional error where a corrective error notice is due, the amount may be held in uncharged receipts or unclaimed payments pending the receipt of this. In some circumstances where the amount of shortfall was such that the Sub-postmaster was not in a financial position to make good the amount, authority was sought from the Retail Line Manager to hold the amount in unclaimed payments pending a formal repayment agreement being made. This was a longstanding requirement as far as I recall and was in place when I first joined the Audit Team in 1977.

30. I do not recall any incidents or need for an Auditor to take any form of payments from a Sub-postmaster as any losses would be processed through the Branch account.

31. I cannot say for certain, but if a discrepancy was found on the audit, I can see no reason why a Sub-postmaster could not provide their own information or investigate it further through direct contact with the relevant department/agencies to determine if any transactional errors had been made to account for the discrepancy at the Branch. Errors made in transactions submitted to the various departments would be identified in due course and correction (error) notices issued to the Branch.

32. If a Sub-postmaster was suspended as a result of a discrepancy found on an audit, given he would not have access to the relevant documents/information it

is unlikely that they would be able to pursue any enquiries of their own. My assumption would be that enquiries would be made by the Security team as part of their investigation.

33. At the start of the audit, Sub-postmasters would be appraised of what would be happening during the audit and what documentation would be required from the Horizon system. They would be asked to identify where all cash stock and vouchers were held, and to provide them to the Auditor. They would be advised that where possible the Branch would be reopened as soon as possible to minimise disruption to customers. If this was found to be not possible for example because cash declared by the Sub-postmaster did not accurately match that produced to the Auditors, this would be communicated to the Sub-postmaster. If a compliance audit is also being undertaken, the Sub-postmaster would be advised that questions would need to be asked to them and staff members. Throughout the audit the Sub-postmaster would be updated on progress. On completion of the audit, the result of the financial audit would be advised to the Sub-postmaster and a close of meeting held to discuss findings and recommendations following the compliance audit.

34. Sub-postmasters were freely able to discuss with the Lead Auditor any concerns they may have regarding the audit or perhaps issues with staff members that gave them cause for concern. Where possible, issues would be resolved at the time or where necessary, referred to the appropriate Retail Line Manager or Security team for advice or assistance. I do not recall any instances of having to do this in my time working in Audits.

35. In the event of a Horizon system failure at a branch my understanding would be that a complete audit would not be possible due to the lack of available reports from the Horizon system. In the event of damage to the Horizon system through incidents such as fire where the building is deemed unsafe, assets would be removed to a secure location in sealed pouches and bags by Cash in Transit and held at a secure location. Where possible any documentation should be retrieved from the branch to assist in the completion of a P32 Audit of Accounts. I have no recollection of incidences of this in my time as an auditor.

36. The approach to Crown Office audits is different to other branches given that it is managed by Post Office managers who have responsibilities to undertake random spot checks of counter stocks held by Post Office staff members. Checks on audit would include any stocks held by the Branch Manager including where applicable Automatic Teller Machines (ATMs), Stamp machines. Additionally, any dormant unused stocks and a minimum of 50% of live counterstocks must be checked. Any stocks with a high cash on hand figure recorded should also be checked. Where time allows additional checks of live counter stocks can be made.

37. From recollection each Auditor had their own unique password to have limited access to the Horizon system when auditing a branch. In order to access the reports etc that they required; the Sub-postmaster would be required to add them to the Branch Users on Horizon where they would then log on using their password. On completion of the audit the auditor would need to log out of the Horizon system and be removed by the Sub-postmaster from the user list.

38. In the event that a Sub-postmaster or a person with manager access was not present at the Branch to add the auditor to the Horizon system a phone request is made on the day to the Horizon Helpdesk to obtain a one shot password which provides the Auditor with additional access to the Horizon system which has the same as access rights of the Sub-postmaster or person with manager access. This level of access would also be required in the event that the Branch was closed or transferred.

39. Checks were carried out on the Office Horizon system as part of the audit process to determine if the Office Horizon User List was up to date and reflected the current staff at the branch, and if they held the correct user level. Sub-postmasters would be asked to ensure staff had correct user levels and to remove any staff no longer employed at the Branch.

40. I have been asked to consider documents, Audit Trail Functional Specification, version 8.0 dated 18 October 2004 [FUJ00001894] and Global User Account dated September 2016 [POL00002841].

41. As I recall, although I cannot be certain, Fujitsu had a limited role in the auditing of branches. The only involvement I believe was providing a one shot password on request to enable an Auditor access to the Horizon system to obtain various reports.

42. From memory I am not aware that Auditors had access to information that was not accessible to Sub-postmasters.

43. I have been asked to explain my understanding of an Audit Global User Account. I cannot remember and am not familiar with the Audit Global User Account during my time as Network Audit Manager.

Prosecution of Mr David Yates

44. I have been asked to set out my recollection of this case and to assist me to consider the following documents, my witness statement in the proceedings against Mr Yates [POL00066598], taped record of Mr Yates interview on 7 March 2003 [POL00047494] and the Post Office Ltd Offender Report of Mr Yates [POL00061010].

45. On the 6th March 2003, I received a telephone call from Mr Michael Dadra who was the Operations Manager within the Security & Audit Team. The call related to a previous audit that had been conducted at Walton on Thames Post Office on the 15th November 2002. As I recall, I believe I would have been the Lead Auditor on this particular audit. Mr Dadra informed me that following post audit checks on remittances dispatched from Walton on Thames (which had been included in the audit), it was discovered that they had not been received by the Post Office Cash Centre and had also not been recorded in the subsequent cash account submitted by Walton on Thames Post Office. This amounted to a discrepancy of £330,000.00.

46. To clarify, Post Office branches, where required, receive cash from the Post Office Cash Centre and will receive sums of cash through various transactions throughout the day. In some circumstance, branches could receive large deposits of cash from local businesses. They will also throughout the day make cash payments to customers and clients, again through various transactions. In

some instances branches, where cash deposits far out way the cash payments, will end up with excess cash, which would need to be remitted back to the Post Office Cash Centre. In some branches this could be quite significant amounts.

Audit of Walton on Thames Branch

47. I have been asked to consider document, Memo from R Parker to David Yates re audit of Walton on Thames branch dated 21 June 2002 [POL00047328] and letter to David Yates from R Parker re finding of audit dated 26 November 2002 [POL00047481] and to set out my involvement or awareness of the audits completed at the Walton on Thames Branch prior to 7 March 2003.

48. In view of the findings following the audit conducted at Walton on Thames on the 15th November 2002, an audit was arranged for Friday 7th March 2003. The audit was led by myself, and I was assisted by Sue Le May, an Auditor in the Audit Network Team. Sue Le May would have assisted me in the counting of cash and stock held at Walton on Thames.

49. When we arrived at the branch at approximately 08.55am, Mr Yates was not present but one of his staff members was in situ preparing the branch in readiness for opening at 09.00am. I informed the staff member of our intention to audit the branch, and that the branch would remain closed until a result had been reached. Shortly after, at around 09.05am, Mr Yates arrived whereupon I apprised him of the process of the day as previously discussed with his staff member. I asked Mr Yates to print an Office Snapshot from the Horizon system which on examination indicated an overall cash holding of £410,354.67. I further

requested from Mr Yates, the previous days Over Night Cash Holding declaration (ONCH). On examination of this, it showed a total ONCH holding of £43,566.00 which was significantly different to the figure indicated on the Office snapshot. I asked Mr Yates why there was such a large variance between the two, and he informed me that he had sent a remittance the previous day but had not yet processed it through the Horizon system. I asked Mr Yates to provide me with the Cash in Transit collection book, which bears the signature of the Cash in Transit collecting officer, evidencing that they had been received for dispatch to The Cash Centre. On examination of the CIT collection book there was no evidence of a collection on the 6th March 2003, the last entry being the 5th March 2003.

50. I further asked Mr Yates to provide me with the remittance under copies P5257MA, which would detail what cash in denomination, had been remitted to the Post Office Cash Centre but he claimed that he could not find them. He then went on to admit that no remittance had been despatched the previous day and subsequently we would find an audit discrepancy of £350,000.00.

51. Following these admissions by Mr Yates, I phoned the Operations Manager, Mr Michael Dadra and informed him of the position. He in turn then contacted Paul Dawkins, the Internal Crime Manager for that area, who arranged for Mr Dave Posnett and Mr Rob Fitzgerald to attend the branch and conduct an interview with Mr Yates.

52. At this point I documented details confirming the events thus far. This was then signed by myself and Mr Yates and given to Mr Posnett on his arrival.

53. In the meantime, the audit of the branch continued in order to determine the true extent of the loss. This was achieved by a physical check of all cash, stock and vouchers on hand and compared to the office snapshot as provided by Mr Yates at the commencement of the audit, in order to verify they were present.

54. The audit revealed a total Branch shortage of £359,325.35 which was notified to Mr Posnett, and is broken down as follows –

Cash shortage - £356,541.35
National Lottery Tickets Disallowed (out of date)
- £483.00
Littlewoods Tickets Disallowed (out of date) - £650.00
National Lottery Tickets Shortage - £208.00
Net Shortages in Stock - £1987.84
Charge Error Notice Accounted for on audit - £112.00
Claim Error Notice Accounted for on audit +£512.28
Previous weeks Declared Surplus not withdrawn
+£144.20

55. The size of this audit shortage was by far the largest I encountered during my audit career. At the time I would not have been aware of the circumstances that caused it, as this was for the Security Team to determine in interview, and to pursue any further enquiries.

56. I cannot recall what ARQ logs are and who would have been responsible for obtaining them from Fujitsu or indeed if they were obtained.

57. Although I cannot recall, it is very likely that I would have spoken to Mr Posnett regarding the previous audits performed at Walton on Thames and that it was highly likely that Mr Yates produced bogus CIT receipts and P5257MA documents to conceal a discrepancy. It is unclear as to why this was not picked up following post audit checks of outward remittances.

58. Retail Network Managers are responsible for the decision to suspend Sub-postmasters, so in this instance Elaine Wright would have suspended Mr Yates.

59. Following this decision, we were advised by Elaine Wright to secure all cash, stock and value items in the Branch safes pending arrangements being made for the branch to be transferred to a temporary Sub-postmaster.

60. I have been asked to consider document, Memo from Paul Bosson to David Posnett dated 4 September 2004 [POL00066457]. Following the audit on 7 March 2003, I completed an audit report to Dave Posnett and copied in Elaine Wright, Retail Line Manager, detailing my findings on the audit of Walton On Thames. A further copy would have been submitted to my line manager Mr Martin Ferlinc for information. This is normal policy in the event of an audit involving the Internal Crime Team.

61. I am not aware at what point Mr Yates was charged. As I recall the only involvement following the audit at Walton On Thames was to provide a witness statement on the 7th July 2003.

Criminal Proceedings

62. Prior to this case I do not recall if I was involved in any proceedings against Sub-postmasters, their managers or assistants, or Post Office employees relating to shortfalls shown on the Horizon IT system.

63. I cannot recall who would have asked me to provide a witness statement, but it would most likely have been someone from the Internal Crime Team. My assumption is it would have been Mr Posnett, but this may not necessarily have been the case. I cannot recall who if anyone I had contact with when drafting my statement or any discussions that may or may not have taken place.

64. I do not recall if any discussions were had with Counsel or POL Legal representatives regarding my role as witness. As far as I am concerned my role in this case was to describe the events leading up to, and during the audit performed at Walton On Thames, which subsequently led to the audit discrepancy discovered.

65. From what I recall, the prosecution seemed to follow the usual process and was conducted in the same way as any other.

66. I am sure I would have been informed of the outcome of the case against Mr Yates. I am not surprised at his guilty plea given the admissions he made in his statement that he had used POL funds to pay for staff wages and bills. As regards to his sentence, which I believe was a 3 year prison sentence, I was not really surprised given the amount of discrepancy involved in this case.

67. I have been asked to consider the Judgment of the Court of Appeal in Josephine Hamilton & Others v Post Office Limited [2021] EWCA Crim 577 [POL00113278] and my reflections on the investigation that was done in Mr

Yates case. Reflecting on the case against Mr Yates, it seems that despite his admissions that he used POL cash for personal use, there seems to be a significant unknown sum of money that related to unexplained losses reported on the Horizon system over a number of years which does not appear to have been investigated further to determine how or why they occurred.

Knowledge of bugs errors and defects in the Horizon system

68. During my time working in POL, I did not have any reasons for concern regarding the robustness of the Horizon system, as I accepted that given it had been thoroughly tested prior to roll out, that it was reliable and fit for purpose. I am not aware of any instances where concerns were raised to me by anyone including members of my audit team regarding the integrity of the Horizon system. In the event that concerns had been raised by POL regarding the Horizon system they should have been communicated to the audit teams across the country as well as Retail Line Managers and the Internal Crime Team.

69. Auditors in my team would not have been instructed to ignore Horizon issues if they were raised as possible reasons for shortfalls. In the event of any such concerns being raised on an audit, the auditee should have in my view, been advised to speak to their Retail Line Manager who is responsible for the managing of the Branch.

Other Matters

70. I have completed this statement as honestly and as accurate as possible. As you can appreciate this refers to a case over 20 years ago and remembering events and policies during that time is quite challenging for someone like myself who has a poor long term memory. Many of the documents provided to me are dated after I moved from my role of Network Audit Manager and after I left the Post Office.

Statement of Truth

I believe the content of this statement to be true.

Signed:

GRO

Dated: 13th June 2023

Index to First Witness Statement of Paul Graham Bosson

<u>No.</u>	<u>URN</u>	<u>Document Description</u>	<u>Control Number</u>
1	POL00032698	Assurance Review - Recruitment (Vetting & Training)" (version 1.0, 27 October 2009)	POL-0029633
2	POL00086765	Network auditing approach, methods and assurance (2013)	POL-0083823
3	POL00088453	Training & Audit Advisor	POL-0085511
4	POL00088557	Loss Prevention - Audit Advisor	POL-0085615
5	POL00084650	Chapter 1 of the Audit Process Manual – Audit Plan & Scheduling Version 8.0 2010	POL-0081708
6	POL00083966	Audit Charter - Branch and Cash Centre Audit Activity	POL-0081024
7	POL00084801	Audit Process Manual – Chapter 3 Performing a Branch Audit – version 5.1	POL-0081859
8	POL00087627	Audit Process Manual – Chapter 3b – Follow up Audit Processes version 3.0, May 2015	POL-0084685
9	POL00088252	Audit Process Manual Volume 4 – Chapter 7 – Performing a Cash Centre Audit (version 5.0)	POL-0085310
10	POL00084003	Audit Process Manual - Post Incident Auditing without Horizon, Chapter 14 of the Audit Process (version 1.0, 1 November 2006)	POL-0081061
11	POL00084813	Condensed Guide for Audit Attendance" (version 2, October 2008	POL-0080453
12	POL00085652	Requirement of Network Field Support Advisors at audit, following discovery of discrepancy" (version 1.0, October 2011)	POL-0082710
13	POL00086765	Network auditing approach, methods and assurance" (2013	POL-0083823
14	POL00086839	Training Guide: Compliance Audit Tool" (December 2013)	POL-0083897
15	POL00087716	Training-Aide for Branch Asset Checking" (version 1.7, November 2014	POL-0084774
16	FUJ00001894	Audit Trail Functional Specification (version 8.0, 18 October 2004)	POINQ0008065F
17	POL00002841	Global User Account (September 2016)	VIS00003855

18	POL00066598	Witness statement of Paul Bosson dated 7 July 2003	POL-0063077
19	POL00047494	David Yates – Record of Taped Interview dated 7 March 2003	POL-0043973
20	POL00061010	Post Office Ltd - Offenders Report on David Yates	POL-0057489
21	POL00047328	Memo from R. Parker, Security & Audit to Mr David Yates, Agent re: Audit of Walton on Thames Branch Code 090023 dated 21 June 2002	POL-0043807
22	POL00047481	Letter to David Yates re audit findings dated 26 November 2002	POL-0043960
23	POL00066457	Memo from Paul Bosson to David Posnett re Audit of Walton On Thames dated 4 September 2014	POL-0062936
24	POL00113278	Judgment of the Court of Appeal in <i>Josephine Hamilton & Others v Post Office Limited</i> [2021] EWCA Crim 577	POL-0110657