

Witness Name: Richard Cross

Statement No.: WITN09270100

Dated: 31 August 2023

POST OFFICE HORIZON IT INQUIRY

FIRST WITNESS STATEMENT OF RICHARD JOHN CROSS

I, Richard John Cross, will say as follows...

1. I am a former employee of Post Office Ltd
2. This witness statement is made to assist the Post Office Horizon IT Inquiry with the matters set out in the Rule 9 Request dated 18th August 2023.
3. I have been asked to set out a summary of my career and qualifications, an account of my role and the policies/practices in place in relation to the audit, and inspection process, and my recollections of three specific cases that had resulted in prosecutions.

Career Summary

4. I first started working for Post Office, (later to become Post Office Ltd), as a Postal Officer, in October 1978. My first branch was Tarporley Salaried Sub Office. I remained there until 1990 when I became Assistant Branch Manager at Whitchurch Branch Office. Following the closure of the branch in 1995 I

transferred to Ellesmere Port Branch Office. At Ellesmere Port I performed the roles of Postal Officer, Assistant Branch manager, and occasionally Branch Manager.

5. During 1999, a classroom for training new Postmasters, and POL staff was being set up at Ellesmere Port. Talking with the trainer setting up the room, I became very interested in the training process. When an advertisement for a reserve trainer came up, I successfully applied for the position. This involved completing Postmaster training when insufficient regular trainers were available to satisfy the demand.
6. During 1999 the regional training team was temporarily expanded, and I was seconded to the team full time.
7. After returning to the Branch Office, for a short time, I was offered a permanent position in the regional training team.
8. My experience of working in the different types of crown post Offices, and my extensive knowledge of transactions and procedures, having grown up in a retail environment, and understanding the challenges facing Sub Postmasters starting their first post offices, meant I was well suited to my role.
9. The regional training teams were united and became one national team. My title became Field Support Officer. The role included training, and intervention visits to branches that were experiencing specific problems they needed help with.
10. As a national team, we were split into several teams of approximately 12 members. Each team had a team leader, of management level, who was our immediate line manager. Above the Team Leader there were regional,

managers, and a national manager. Unfortunately, I no longer remember their correct titles.

11. During 2008 the National Field Support team merged with the national Audit team. We were expected to perform each other's roles. I was not given a choice whether I wanted to become an auditor. The only other option would have been to leave the team.

12. During my time in the Field Support Team. I found my colleagues to be knowledgeable, committed to performing a good job, and genuinely trying to give an excellent service to our customers.

13. On 30th October 2016 I left Post Office Ltd. I currently work on a part time basis, for a Postmaster who runs nine post offices.

The Audi Process and policies/ practices

Recruitment and training

14. I have been asked to consider the following documents: **POL00032698**, **POL00086765**, **POL00088453** and **POL00088557**.

15. My job as an auditor consisted of assisting at audits, and leading audits. The lead audit would manage the audit and delegate tasks to other members of the team performing the audit. The lead would explain to the Postmaster the reason for the visit, and explain what is about to happen, liaise with the Contracts Manager, and other departments. Explain to the Postmaster the results of the audit, and finally complete all the reports.

16. I understood, as an auditor I must always remain impartial, and not apportion blame to any individual if discrepancies were discovered. I knew any possible investigation was outside of my role.

17. As stated, I became an auditor in 2008. This was due to the merging of the Field Support Team and the Audit team. I had never considered applying for the role of auditor. I am not aware of the process by which the members of the existing audit team were recruited. To my knowledge they had all been recruited internally.
18. My training for the role of Auditor consisted of one day of induction training, by an experienced audit manager, in a classroom. I went on three audits to observe how they were performed. Most of my learning of the audit process was gained by performing audits. I was lucky that my first Team Leader was an experienced Audit Manager, and she gave excellent guidance. At regular team meetings she would give useful advice on completing reports, and how to conduct ourselves during audits. The experienced auditors in our team were always available to guide me when unexpected developments were come across for the first time.
19. I was never aware if there was a minimum qualification and/or experience an auditor needed before conducting a branch audit. In my case, I had thirty years of experience working in all types, and sizes, of post offices, I was well aware of the rules and regulations, and I was accurate when counting cash and stock. Above all, my experience of working with Sub Postmasters meant I knew how their branches were run, and the pressures, they were very often under.
20. I consider the training given to perform my role as an auditor was adequate. I would have preferred more time shadowing an experienced auditor before being sent to conduct live audits. Looking back, I do not think telling a whole team they were going to be auditors was an ideal thing to do. I personally

embraced the challenge, but telling people they must now perform a role they had never considered could have led to lack of commitment for some.

The Planning and Schedule of Audits

21. I have been asked to consider document **POL00084650**.

22. I did not have any input in planning and scheduling audits. Audits were scheduled for several reasons. At the time I was auditing there were very few random audits, apart from ones used to give us new auditors experience. Most audits were scheduled as a result of concerns shown by other departments, such as cash management. There were other audits scheduled for branch closures and transfers to new Postmasters.

23. I do not know how long it took from planning, and scheduling an audit, to it being carried out. It would depend on the volume of work being undertaken at any one time, and the availability of auditors. Audits following a branch robbery or burglary would take precedence, and performed on the same, or next, day.

24. I would be sent a schedule of duties, that could be updated daily. It would tell me where I was to go, and the activity that was required. In my case this was usually an audit or a training activity. When performing an audit all I would be required to do is research the location, opening hours, and name of the Postmaster. Occasionally I would be sent additional information relating to the specific audit, for example the branch was not making daily cash declarations, and cash management were suspicious of why this was happening, I am sure enquiries and investigations were carried out before the audits, but I cannot say who did them.

25. I am unaware of any variations in respect of scheduling audits at Crown Offices and other branch.

The Auditing Process

26. I have been asked to consider the following documents: **POL00083966**, **POL00084801**, **POL00085534**, **POL00087627**, **POL00088252**, **POL00087672**, **POL00084003**, **POL00084813**, **POL00085652**, **POL00086765**, **POL00087688**, **POL00087716** and **POL00087614**.

27. Before completing an audit, the only databases, I had access to, gave me the details of the branch location, opening times, Postmaster's name etc. Occasionally I would be sent extra information about any concerns other departments had about the branch. As a rule, I was just told where and when to perform the audit. No investigations were carried out by me.

28. If a discrepancy or shortfall was found at an audit the lead auditor would contact the relevant Contract Advisor who deals with that branch. The Contract Advisor would decide what action was to be taken. No further enquiries or investigations would be carried out by the auditor, except simply asking if the Postmaster had any ideas what had caused the enquiry.

29. I was not aware of Auditors asking Postmasters to make good discrepancies on the day of the audit, in normal circumstances. My understanding was that discrepancies had to be made good at the end of the next Trading Period. However, I was sometimes asked by the Contract Advisors to ask the Postmaster if they wanted to make good the discrepancy, if they were to be suspended from the office. These were known as "without Prejudice Payments" as they would not affect the outcome of any investigation, or possible prosecution. These payments were voluntary. There was a proforma

we carried specifically for these payments. The Postmaster would be given a copy, and a second copy would be filed with the audit paperwork.

30. If a discrepancy or shortfall was discovered at audit the Postmaster was always invited to undertake a check on the figures we had produced.
31. The Postmaster would be kept fully informed at each step of the audit, and invited to ask any questions, or voice any concerns throughout the process. Any concerns raised would be addressed by the Lead auditor, if possible. Any serious issues, or things the Lead Auditor was unable to deal with would be escalated. If it was the conduct of a member of the audit team, the issue would be raised to the Auditor's line manager. If the issue was about the audit result, or the Postmaster was unhappy that the audit was taking place, it would be raised with the Contract Manager.
32. I am not aware of how an audit could have been carried out without the Horizon IT system.
33. I don't recall audits at Crown branches being any different to other branches, apart from the Postmasters of sub offices were liable for any shortfall discovered during the audit. In a Crown branch the person responsible for the shortfall would be subject to internal disciplinary measures that may, or not, lead to that person making good the shortfall.
34. I have been asked to consider the following documents: **FUJ00001894** and **POL00002841**.
35. I am totally unaware of what involvement Fujitsu had in the audit process, if any.
36. My understanding of an Audit Global User Account was it was a personal log on ID given to Auditors that enabled them to log on to the horizon IT system,

at any terminal in the network. Usually when obtaining access to the Horizon system the Auditor would ask the Postmaster to create a user ID for them.

The Global User ID was only to be used to log on when there was no one of manager level available to add the Auditor to the system.

Prosecution of Ms Allison Hall

37. I have been referred to the following documents: **POL00091046** and **POL00091109**.

38. The audit of 3 September 2010, at Hightown, took place during the migration to the Next Generation Horizon system. As part of the migration process the migration officer would check the cash on hand on the evening prior to the migration. On the evening of 2 September 2010, the migration officer, Tracey Bedford, found a shortfall in the cash of £13,624.41. She reported it to the migration team, and they requested an audit of branch, before the migration could take place.

39. The lead auditor was Jeff Roper. I went along to assist him. I counted all the cash and stock in the branch. Jeff entered all the figures onto the audit tool, known as a P32. After completing the audit, it was discovered the overall branch shortfall was £14,842.37. Jeff Roper relayed the findings to the Contract Advisor, Karen Arnold, who suspended Ms Hall.

40. I, personally did not have any discussions with Ms Hall. Jeff Roper was Lead Auditor; any discussions were between the two of them.

41. The only documents considered during the audit were daily cash declaration print outs, these clearly showed Ms Hall had been falsifying her cash declarations to conceal the shortfall.

42. Ms Hall told Jeff Roper, in my presence, that she had been having problems with accounting for National Lottery scratch cards. The Post Office Lottery team confirmed this. They said Ms Hall had been receiving transaction corrections caused by failing to enter scratch card receipts on to the Horizon system, over a period of eighteen months.
43. The size of the shortfall was not particularly unusual, considering that Ms Hall had been experiencing problems over a long period.
44. I had no awareness of any previous audits, carried out at Hightown. This was the first, and last time, I visited the branch.
45. Following the audit, I had no further involvement in this case. I had no contact with either Paul Whittaker or Christopher Knight and was not required to give a witness statement. The audit result was reported to the Contract manager, Karen Arnold. Karen made the decision to suspend Ms Hall. After the audit I was never informed of the investigation, and, to today's date, I never been told of the outcome to the case and was unaware Ms Hall had been prosecuted.
46. I would like to add, in my opinion, given that the problems with the lottery accounting had been continuing over an extended period, help should have been offered to Ms Hall earlier. The shortfall would have been minimised, or, possibly, avoided.

The Prosecution of Angela Sefton and Anne Nield

47. I have been referred to the following documents: **POL00094273**, **POL00044159**, **POL00057374** and **POL00044198**.
48. I was assigned, by the audit scheduling team, to attend an audit of Fazakerley branch, on 5th September 2012. The lead auditor was Tim Gordon-Pounder.

49. During the audit, my role was to count the cash and valued stock. Tim, as leader, input my figures onto the Horizon system, and to produce the audit reports. It was his job to contact the Contracts Adviser, and liaise with Fraud Investigators, following the audit.
50. During the audit Steve Bradshaw and Kevin Ryan, Fraud Investigators, were both present at the branch. The Postmaster, Mr Asker, was not at the branch during the audit.
51. I was told, by Tim Gordon Pounder, that the audit had been requested by Steve Bradshaw, following complaints by Santander bank that cash deposits made at Fazakerley were being held back. From what Tim said, I understood that one of the staff had told Steve Bradshaw that they had been suppressing the bank payments to cover an ongoing shortfall at the branch.
52. The audit resulted in a surplus of £559.07. The audit was concluded. The result would not normally have raised any concerns.
53. Our role in this case was concluded. After the audit, the Fraud Investigators took over. They discovered bank debit slips, in the branch, that had not been inputted onto Horizon. If they had been inputted the branch would have had a shortfall. The role of Tim Gordon-Pounder and I was to verify the cash and stock on hand. Any shortfall that was later found was outside the parameters of the audit.
54. Tim Gordon-Pounder was asked to complete an audit report. He would not normally have made a report unless there had been a shortfall at the audit. I do not recall who asked him to make the report. I have no knowledge of any delayed reports.

55. After completing the audit part, of this case, I had no further involvement. I was never asked to write any reports, or witness statements. I was never told about what subsequently happened to Angela Sefton and Anne Nield and was never aware of any prosecution.

Prosecution of Grant Allen

56. I have been referred to the following documents: **POL00089081**, **POL00089229**, **POL00089426**, **POL00089670** and **POL00089071**.

57. On 2nd February 2012 I was scheduled to lead an audit at Winsford Post Office. I had been told by the Contract Advisor, Denise Reid, that the reason for the audit was Mr Allen's landlord had reported the rent for the premises had not been paid for several months. I was sent to verify the assets of Post Office Ltd, in the branch, were correct.

58. I was accompanied on the audit by, my colleagues, Rob Lyon, Jane Timms, Paul Hayhurst, and Tim Gordon-Pounder. This was a branch with eleven individual stock units.

59. My role was to lead the audit by managing the other team members, assigning them tasks to perform, and inputting all the figures onto the audit reporting tool (P32). My colleagues were there to count, and verify the cash and stock on hand,

60. Before the audit was started, at 8.40, Mr Grant Allen, took me aside, and asked if he could talk to me in private. We went into his office. There, Mr Allen, informed me that when his personal stock unit (KK) was checked it would be found to be approximately £10,000 short.

61. Mr Grant told me he had been having financial difficulties running the branch, and he had not been able to make good some large losses that had occurred

at the branch. Mr Grant had asked the Post Office for an overscale payment to enable him to carry on running the branch. And he had been inflating the daily cash on hand figures, in the hope that the payment would be granted, enabling him to make good the shortfall.

62. I prepared a Record of Conversation, and asked Mr Allen to sign it. He declined to do so. I believed he would not sign the record because at that stage it was only between the two of us, and signing could have been seen as an admission of guilt.

63. At 8.45 I contacted the Contracts Advisor, Denise Reid, with what Mr Allen had told me, and to expect a shortfall of £10,000. At 8.45 I contacted Steve Bradshaw, Fraud Investigator, to relay my concerns.

64. I told my team members that we were now performing what is known as a tier 2 audit. This meant the cash, and all items of stock was checked down to the last penny. The audit revealed a shortfall of £17,811.18, this included a previously declared shortage of £4645,24 that had not been made good.

65. I contacted Denise Reid and gave her the audit result. She decided to suspend Mr Allen. I did not have any input in this decision, but agreed it was necessary to suspend him until an investigation had been carried out.

66. I collected documents from the branch that included copies of Branch Trading Statements, and Overnight Cash Holdings, to give to a Fraud Investigator later.

67. I wrote an audit report. It was sent to Lesley Frankland, Fraud Team Leader, Denise Reid, Contracts Adviser, and David Patrick, Field Support Leader.

68. This was end of my involvement in the case, except for writing a witness statement requested by Steve Bradshaw, Fraud Investigator, in October 2012

(POL00089071). I was never involved in any investigation of Mr Grant Allen. I was never involved in the proceedings against Mr Allen. I was never told of the outcome of any proceedings against him.

69. I have been asked were ARQ logs sought by POL from Fujitsu. I do not know. I don't know what ARQ logs are. They are not something auditors would have been expected to deal with during my time in POL.

70. I am not aware of any previous audits at Winsford post office while Mr Allen was Postmaster. I had attended an audit at the branch for a transfer to Mr Allen from the previous Postmaster.

71. I would like to state here that as a POL auditor my role was very clear. I was to carry out an impartial check, of a branch, to verify the amounts of cash and stock were what they should be. If a discrepancy was found it was my duty to inform the relevant Contracts adviser. I was never involved in any of the subsequent investigations, except to occasionally be asked to complete a witness statement. On only two occasions did I get summoned to a court. And only once did I have to give evidence. I was never told the results of the investigations and was never told the outcomes.

General

72. During my time with POL, possible bugs, errors and defects in Horizon were never openly discussed. I still do not know what these consisted of. Had I been given more information on what was believed to be happening I would have known what to look for when visiting branches.

73. POL used to tell me it was a company that listened to its staff, but I was made to feel that included anything but bugs and errors on Horizon.

74. I was told never to speak to Postmasters about the subject. If asked I was to say it was a robust system, and don't worry there is nothing wrong. I no longer remember who I spoke to, but I was told off by a manager who suspected I had agreed with a Postmaster that there were possible errors.

75. As bugs and errors were rarely discussed I was unaware of what investigations were being carried out, and corrections being made. It would have been good to have regular updates. As I was in a role that involved working in branches, and talking to Postmasters, on a daily basis I may have been able to feed back any potential problems before they fully developed if had known if Horizon could be the cause.

76. Finally, this episode in the history of POL highlights the need for open, and timely, communication between all levels of employees. No one should be afraid to raise genuine concerns.

Statement of Truth

I believe the content of this statement to be true.

Signed: R J Cross

GRO

Dated: 31st August 2023

Index to First Witness Statement of Richard John Cross

No.	URN	Document Description	Control Number
1	POL00032698	Assurance Review - Recruitment (Vetting & Training) (27 October 2009)	POL-0029633
2	POL00086765	Network auditing approach, methods and assurance	POL-0083823
3	POL00088453	POL's advert for training and audit advisor role (undated)	POL-0085511
4	POL00088557	POL job poster for audit advisor role within loss prevention team (undated)	POL-0085615
5	POL00084650	Chapter 1 of Audit Process Manual – Audit Plan & Scheduling	POL-0081708
6	POL00083966	Audit Charter: Branch and Cash Centre Audit Activity - undated This policy document sets out the standards and code of ethics that apply to those staff performing audits of branches and cash centres within Post Office Ltd.	POL-0081024
7	POL00084801	Audit Process Manual: Chapter 3 - Performing a Branch Audit (v5.1)	POL-0081859
8	POL00085534	Audit Process Manual: Chapter 3a - Core & Outreach Audit Process (v1.0)	POL-0082592
9	POL00087627	Audit Process Manual	POL-0084685
10	POL00088252	Audit Process Manual Volume 4 - Chapter 7 Performing a cash centre audit	POL-0085310
11	POL00087672	Audit Process Manual Volume 4: Chapter 11 - Quality Assurance V5.0	POL-0084730
12	POL00084003	Audit Process Manual for compliance team process for auditing branches without access to horizon	POL-0081061
13	POL00084813	Condensed Guide For Audit Attendance	POL-0081871
14	POL00085652	Requirement of Network Field Support Advisors at audit, following discovery of discrepancy	POL-0082710
15	POL00087688	Training Guide - Compliance audit tool v 6.1	POL-0084746
16	POL00087716	Training-Aide for Branch Asset Checking (v1.7)	POL-0084774
17	POL00087614	Terms of Reference Audits	POL-0084672
18	FUJ00001894	Fujitsu Services Audit Trail Function Specification (v8.0)	POINQ0008065F
19	POL00002841	Global User Accounts Guidance for Sandra McBride	VIS00003855
20	POL00091046	Note of Audit of Post Office, Hightown (Alison Hall) from Jeff Roper to Karen Arnold, V6.5	POL-0090690

21	POL00091109	Post Office Investigation - Theft & False Accounting, Miss Alison Loraine Hall, Hightown branch	POL-0090753
22	POL00094273	Excel spreadsheet showing message from Time Gordon-Pounder to Mr Ali Asker re Audit of Post Office branch.	POL-0093219
23	POL00044159	Email from Paul X Williams to Tim Gordon-Pounder re audit of Fazakerley Branch (Code 214420).	POL-0040638
24	POL00057374	Field Support Team- Event Capture Form Fazakerley - Sefton & Nield	POL-0053853
25	POL00044198	Angela Sefton and Anne Nield case study: List of Offences Report by Stephen Bradshaw re: Fazakerley Branch	POL-0040677
26	POL00089081	Branch Audit Report of Winsford Post Office (217401) - Identifying Mark: RC2	POL-0086056
27	POL00089229	Branch Audit Report for Winsford	POL-0086204
28	POL00089426	Post Office Ltd: Legal Investigation - Offences report	POL-0086401
29	POL00089670	POST OFFICE LTD Record of Taped Interview of Mr Grant Ian Allen	POL-0086645
30	POL00089071	Witness Statement of Richard John Cross (Version April 2012)	POL-0086046