



Graham

7 Dec 05

Re: Letter from Bond Pearce Solicitors Dated 18 Nov 05 PO Vs Mr Castleton

In response to your email request dated 28 Nov 05 concerning the questions raised at para (3) of the above document;

Q1. We need to explain to a Judge who will know nothing about Horizon exactly how it works, what precisely happens when a customer goes into a Post Office to buy an item? How is this recorded? Is it manually recorded into the Horizon system at the same time or later in the day? Is the cash register linked to Honzon?

This should be directed to the POL IT probably Bob Booth

Q2. Precisely what steps Fujitsu took to examine the Horizon system at the Marine Drive Post Office in 2004 and what their conclusions were.

Ann Chambers response: attached.

Q3. Whether there have been any similar or serious problems with the Horizon system at the Marine Drive Post Office since Mr Castleton's suspension and dismissal.

No comment however Steve Holbert should be able to assist here

Q4. Whether you believe that the suggestion put forward by Mr Castleton's experts is likely to be correct and your reasons, either way (if you are able to comment on this).

No comment.

Q5. If there have been human errors in recording the transactions, could an explanation be that:

- (a) There was nothing wrong with Horizon, because it simply reflected the information entered on to it; but
 - (b) If staff entered the wrong numbers into Horizon there may have been no real loss (even though Horizon would show a loss), because there could be a human error in accurately recording transactions.
- If so, would that be a likely explanation?

Gareth Jenkins response :attached.

Q6. Any other Information that you believe may be relevant.

No comment

Kind Regds

Brian Pinder
Security Manager PO Account
FUJITSU Services GRO

Details of investigation by Ann Chambers

I looked at the reconciliation reports for any entries for this outlet for two weeks preceding the date of the query (25/2/2005). There were none. This indicates that:

- the transactions completed on the Horizon system were correctly formed and written
- the value and quantity of transactions completed on the Horizon system at the outlet matched the value and quantity of transactions copied to the Horizon central systems
- the Cash Account produced at the outlet at the end of each week included all transactions completed on the Horizon system at the outlet
- the payments and receipts balanced on the Cash Account

I examined the messagestore - this holds, amongst other things, all transactions completed on the Horizon system, also the stock, stamp and cash declarations entered by the clerk.

Firstly I checked the cheques recorded on the system during the week, to make sure that they had been removed correctly from the system via the Remit Out process. There had been one error in process on 10th Feb when the clerk forgot to cut off the report, but this didn't cause a discrepancy.

Then I added up all cash components of transactions for an accounting week plus the cash brought forward, and found that the difference between this system total, and the end of week Cash Declaration, matched the discrepancy generated when the stock unit was balanced.

I then repeated the process on a daily basis, comparing the system totals with the overnight cash holding declarations, to see if I could identify a particular day when the discrepancy had occurred. I found that there were varying and large differences between the system totals and the declared amounts each day, and it was not possible to pin down the discrepancy to a particular day.

Anne Chambers

Comments from Gareth Jenkins:

If there have been human errors in recording the transactions, could an explanation be that:

(a) There was nothing wrong with Horizon, because it simply reflected the information entered on to it; but

This is certainly True (ie Horizon simply reflects the information entered into it).

(b) If staff entered the wrong numbers into Horizon there may have been no real loss (even though Horizon would show a loss), because there could be a human error in accurately recording transactions.

Again, this could be True. However if there is some sort of miss-entering of data into Horizon, then there would be another corresponding error which should be picked up eg as a Stock Error or some AP Client being credited with an incorrect amount. Also, any such error should show up as part of the Balancing Process.

If so, would that be a likely explanation?

Not able to comment on this.

**Gareth Jenkins
Distinguished Engineer
Applications TDA
Post Office Account**

Graham

7 Dec 05

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No comment

I hope this is helpful

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FUJITSU Services GRO

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Anne

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If so, would that be a likely explanation?

Not able to comment on this.

Gareth Jenkins
Distinguished Engineer
Applications TDA
Post Office Account

29 Nov 05

David

Ref A: Letter from Bond Pearce Solicitors Dated 18 Nov 05 PO Vs Mr Castleton

Ref B: Email ref two cases; Marine Drive and Torquay Road. ARQ Ref No 405 & 421 - 423

I have received a copy of a letter regarding Marine Drive, from Bond Pearce Solicitors Ref A refers, which concerns the loss of some £27,115.83 from Marine Drive sub PO between 18 July 03 and 25 Mar 04 of which Mr Castleton was the Sub Postmaster. Mr Castleton was suspended 23 Mar 04 and dismissed 17 May 04. The PO have now issued a claim against him to recover these losses and he in turn has issued a counter claim stating that any shortfall is entirely the fault of problems with the Horizon computer and accounting system at the Marine Drive Post Office.

The process for the security team in dealing with all routine PO Investigations is always initiated by an ARQ issued by Graham Ward from the PO Fraud Investigations team. Both these cases were initiated within the last two months by an ARQ from Graham and the details were forwarded to him on CD. After an initial discussion with Graham on this matter he acknowledged the request and has asked us (FJ) to formally respond through him to the solicitors concerned Ref B refers.

The letter (ref A) is directed at FUJITSU requesting answers to 6 questions which are fundamentally outside of the scope of the POA Security Team and also outside the scope of the ARQ process. It is clear that some investigatory work has already been undertaken by FUJITSU dated 5 May 04 by Julie Welsh (SDM) of which all parties seem aware and for this reason I would recommend caution before any comment is made without reference to any previous report and would also recommend that this letter is re-directed through our Legal and Commercial team at the earliest opportunity for guidance and way forward. I am still awaiting requirements re Torquay Road from Graham Ward.

Brian



Microsoft Word
Document

AUDIT RECORD QUERY

Originator:	Graham Ward Post Office Ltd Security Casework Manager PO Box 1 CROYDON CR9 1WN	Date:	04/11/05
Telephone:	GRO		

Witness Statement (delete as applicable)	NO	REF NO.	ARQ 0506/421 - 423
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Information Requested			
Date range:	01/01/04 – 31/03/04	Post Office	Marine Drive 213337
GENERAL DESCRIPTION FORMAT REQUIREMENTS:	<p>A report of all transactions and events for the office for the relevant days (See attached list), including remittances received, transfers between stock units and error notices.</p> <p>We would like the following format for logs (in Excel format with each category in a separate column):</p> <p>Balancing Period; Cash Accounting Period; Session Type - i.e. Serve Customer, Reversal. Rem In etc Transaction No; Session Indicator; Date; Time; Stock; User ID; Transaction Type; Amount £p</p> <p><i>2 columns specifying whether an OBCS (& state) of scan accompanied the transaction</i></p> <p><i>(Session Indicator is whatever way the system has of indicating that individual transactions are linked)</i></p>		
Specific Details:	(PAN or equivalent identifier)		
Signed	Graham Ward	Date	04/11/05

AUDIT RECORD QUERY

Originator:	Graham Ward Post Office Ltd Security Casework Manager PO Box 1 CROYDON CR9 1WN	Date:	26/10/05
Telephone:	GRO		

Witness Statement (delete as applicable)	NO	REF NO.	ARQ 0506/405
--	----	----------------	-----------------

Information Requested			
Date range:	1 Jan 2004 – 31 March 2004 inclusive	Post Office	Marine Drive 213337
GENERAL DESCRIPTION FORMAT REQUIREMENTS:	<p>Please also conduct an analysis of all Helpdesk calls for the above period, commenting on any calls that may indicate faults / problems with the system</p> <p>Please also supply a report of all transactions and events for the office for the relevant days, including remittances received, transfers between stock units and error notices.</p> <p>We would like the following format for logs (in Excel format with each category in a separate column):</p> <p>Balancing Period; Cash Accounting Period; Session Type - i.e. Serve Customer, Reversal. Rem In etc Transaction No; Session Indicator; Date; Time; Stock; User ID; Transaction Type; Amount £p</p> <p><i>2 columns specifying whether an OBCS (& state) of scan accompanied the transaction</i></p> <p><i>(Session Indicator is whatever way the system has of indicating that individual transactions are linked)</i></p>		
Specific Details:	(PAN or equivalent identifier)		
Signed	Graham Ward	Date	26/10/05

Brian

As discussed by phone this morning, could I please ask that the request below be expedited.

Both the ARQ requests detailed in the Subject title are Civil matters , where there is a suggestion that the losses incurred at the offices are as a result of faults with the Horizon software.

Marine Drive - In this case Bond Pearce Solicitors acting on our behalf have asked for an investigation into the workings of the system (their letter dated 18/11/05 refers, copy posted back to you today details exactly what analysis is required). Could I ask that you deal with the questions raised and prepare a formal response to be returned via me as soon as possible.

Torquay Road - The same scenario as above applies. I am awaiting details from our Solicitors dealing with the matter, outlining exactly what is required and as soon as I receive this information, I will be asking for a formal response from you, much the same as with Marine Drive.

I am assuming that in both cases, you have copies of the ARQ information already supplied.

Regards

Graham

Casework Manager
Post Office Ltd Investigation Team

PO BOX 1, CROYDON, CR9 1WN

Postline: N/A, STD Phone: [REDACTED] GRO, VoiceMail:
N/A, Mobex: [REDACTED] GRO, Mobile: [REDACTED] GRO, External Email:
graham.c.ward@[REDACTED] GRO

Pinder Brian

From: graham.c.ward [GRO]
Sent: 28 November 2005 12:42
To: Pinder Brian
Cc: Lowther Neneh; Thomas Penny; Sewell Peter (FEL01)
Subject: Re: Marine Drive Post Office - ARQ 0506/405 & 421-423 & Torquay Road ARQ 0506/368

Brian

As discussed by phone this morning, could I please ask that the request below be expedited.

Both the ARQ requests detailed in the Subject title are Civil matters where there is a suggestion that the losses incurred at the offices are as a result of faults with the Horizon software.

Marine Drive - In this case Bond Pearce Solicitors acting on our behalf have asked for an investigation into the workings of the system (their letter dated 18/11/05 refers, copy posted back to you today details exactly what analysis is required). Could I ask that you deal with the questions raised and prepare a formal response to be returned via me as soon as possible.

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I am assuming that in both cases, you have copies of the ARQ information already supplied.

Regards

Graham

Casework Manager
Post Office Ltd Investigation Team

PO BOX 1, CROYDON, CR9 1WN

Postline: N/A, STD Phone: [GRO], Fax: [GRO], VoiceMail:
N/A, Mobex: [GRO] Mobile: [GRO] External Email:
graham.c.ward [GRO]

Pinder Brian [GRO]
<Brian.Pinder [GRO]>
<Penny.Thomas [GRO] "Sewell Peter (FEL01)"
Neneh <Neneh.Lowther [GRO]>
405/ 05/06

To: graham.c.ward [GRO]
cc: Thomas Penny
<Peter.Sewell [GRO] Lowther
Subject: Marine Drive Post Office - ARQ

Graham

Please be advised I am sending you a FAX (today) for your attention re Mr Castleton.
I believe this refers to the helpdesk calls which we sent to you on CD on 2nd Nov 05.

Kind Regds

Brian

Security Manager

PO Account

FUJITSU

c/o FUJITSU Services, Lovelace Road, Bracknell. Berkshire RG12 8SN

+ Email brian.pinder@GRO

+Mobile @GRO

Web <http://uk.fujitsu.com>

Fujitsu Services Limited, Registered in England no 96056, Registered Office
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Bond Pearce

18 November 2005

Fujitsu Services

Bond Pearce LLP
Ballard House
West Hoe Road
Plymouth PL1 3AETel: + [GRO]
Fax: [GRO]
DX 8251 Plymouthstephen.dilley [GRO]
Direct: [GRO]Our ref:
SJD3/ABG1/348035.134
Your ref:**URGENT**

Dear Sirs,

**Post Office Limited -v- Mr L Castleton
14 South Marine Drive, Bridlington, WY15 3DB ("the Marine Drive Post Office")****(1) Background**

We act on behalf of the Post Office Limited ("PO"). From approximately 18 July 2003 to 23 March 2004, Mr Castleton was a Sub Postmaster at the Marine Drive Post Office. He was strictly responsible for the safe custody of cash and stock and was obliged to make good all losses caused through his own negligence, carelessness or error and losses of any kind caused by his assistants.

Between 18 July 2003 and 25 March 2004, net losses of £27,115.83 occurred at the Sub Post Office. Mr Castleton was suspended on 23 March 2004 and dismissed on 17 May 2004. The Post Office has now issued a claim against him to try and recover these net losses. Mr Castleton has issued a Counterclaim claiming wrongful termination of his contract.

(2) Mr Castleton's Defence

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 Post Office and that the PO wrongfully terminated his Sub Postmaster contract in respect of which has suffered loss not exceeding £250,000.

We attach copies of the following:

- A. Without prejudice letter dated 30 September from Mr Castleton's solicitors to Bond Pearce LLP.
- B. Bentley Jennison's Report dated 23 September and attachments;
- C. White & Hoggard's Report dated 18 August.

Bentley Jennison state that deficiencies have probably been brought forward despite the fact that they have been entered onto the suspense account entry. They suspect this is because the Horizon system, despite the suspense account entry, has failed to recognise the entry on the daily snapshots. They have drawn this conclusion through looking at the discrepancy of £3,509.18 on Thursday 26 February 2004. They then suggest that this double accounting could have continued over a number of weeks and that as such, Mr Castleton's Defence, "appears to hold potential merit based on the limited documentation" they have so far reviewed. White & Hoggard reach a similar conclusion in their Report.

Mr Castleton believes that if he can obtain further documents, such as the daily snapshots, he will be able to undertake a manual reconciliation of the cash account in order to substantiate his belief that the losses are not real but attributable to computer error. We attach an email from Fujitsu to Richard Benton at the Post Office dated 5 May 2004 in which Fujitsu state "It is possible that they are not accurately recording all transactions on the system" and that there was no evidence whatsoever of any system problem.

(3) Report

Please could you review Mr Castleton's experts' Reports and prepare a formal Report dealing with the following points (to the extent you are able):

1. We need to explain to a Judge who will know nothing about Horizon exactly how it works. What precisely happens when a customer goes into a Post Office to buy an item? How is this recorded? Is it manually recorded into the Horizon system at the same time or later in the day? Is the cash register linked to Horizon?
2. Precisely what steps Fujitsu took to examine the Horizon system at the Marine Drive Post Office in 2004 and what their conclusions were.
3. Whether there have been any similar or serious problems with the Horizon system at the Marine Drive Post Office since Mr Castleton's suspension and dismissal.
4. Whether you believe that the suggestion put forward by Mr Castleton's experts is likely to be correct and your reasons, either way (if you are able to comment on this).
5. If there have been human errors in recording the transactions, could an explanation be that:
 - (a) There was nothing wrong with Horizon, because it simply reflected the information entered on to it; but
 - (b) If staff entered the wrong numbers into Horizon there may have been no real loss (even though Horizon would show a loss), because there could be a human error in accurately recording transactions.If so, would that be a likely explanation?
6. Any other information that you believe may be relevant.

(4) Duty to the Court

As a result of the instruction you may be asked to give evidence before the Court. Whilst the PO will be liable to pay your fees, in preparing your Report and giving evidence, your overriding duty will be to help the Court on the matters within your expertise.

You agree to meet the requirements of the Civil Procedure Rules Part 35 Practice Direction (copy enclosed) and that your Report will:-

1. Be addressed to the Court and not to the Post Office (but it should be sent to Mr Dilley of this firm).
2. Confirm that you understand your duty to the Court and that you have complied and will continue to comply with that duty;
3. Contain a statement setting out the substance of all material facts and instructions (whether written or oral) on the basis on which your Report is written. This statement should summarize the facts and instructions given to you which are material to the opinions expressed in the Report or upon which those opinions are based and if any of the facts are within your own knowledge which they are;
4. Contain a chronology of the relevant events;
5. Contain a Statement of Truth in the following form:

"I confirm that insofar as the facts stated in my Report are within my own knowledge I have made clear which they are and I believe them to be true and that the opinions I have expressed represent my true and complete professional opinion".
6. You should not that proceedings for contempt of Court may be brought against you if you make a false statement and Report verified by a Statement of Truth without an honest belief it was true;
7. Contain a declaration that the Report has been prepared in accordance with the Code of Guidance on Expert Evidence (enclosed);
8. Give details of your qualifications;

9. Give details of any literature or other material which you rely on in making the Report;
10. So who carried out any test or experiment which you use for the Report and whether or not the test or experiment has been carried out under your supervision;
11. Give the qualifications of the person who carried out any such test or experiment;
12. Where there is a range of opinion on the matters dealt with in the Report - sub-paragraph 11.1 summarises the range of opinion.
13. Give reasons for your own opinion.
14. Contain a summary of the conclusions reached including any qualifications to the same;

Given the fundamental importance of meeting these requirements, you should endeavour in your Report to be not only accurate but complete. You should mention all matters which you regard as being material to the opinions you express and draw the Court's attention to any matter to which you are aware which might adversely affect the validity of those opinions. This applies in relation to the factual matters to which you refer and also to the opinions which you express.

You should not include in your Report anything that is suggested to you by anyone without forming your own independent view.

If, on reading the Report of any other expert in this matter, or for any reason, you consider, at any stage, that any existing report of yours requires correction or qualification you will immediately notify us in writing of that fact.

(5) Duty to the Post Office

In performing all your duties for which the client will pay, you will owe a duty to the client to act with the professional standards of skill, care and diligence adhered to by experienced and competent consultants acting as expert witnesses.

You will take reasonable care of any documents, materials or samples sent to you by the clients and shall return them immediately (together with any copies taken) to the clients upon request.

In complying with your duties to the Court, you will not, without having first obtained prior written approval of the client, divulge to any third party any information relating to the dispute.

You confirmed that you:

1. Are an independent party and not the client's employee or agent, other than at the material time Fujitsu was responsible for looking after the Horizon system;
2. Know of no reason why you should not act as a witness for the Post Office in relation to the dispute;
3. Will advise us in writing immediately if any conflict between your interests and the Post Office's interests should arise in relation to the dispute.

We would be grateful if you could treat this matter as urgent, because Mr Castleton's solicitors have applied for Judgment against the Post Office, so we will need to obtain your report quickly.

We look forward to hearing from you.

Yours faithfully



Bond Pearce LLP

Date: 30 September 2005
 Your ref: DEGI/NJM1/348035.134
 Our ref: MDT.113969
 Please ask for: Mark Turner
 Direct dial: GRO
 Direct fax: GRO
 E-mail: m.turner@rowecohen.com GRO



Bond Pearce
 Solicitors
 DX 8251
 PLYMOUTH

Without Prejudice

Dear Sirs

Our client: Mr L Castleton - Marine Drive Post Office, Bridlington
Your client: Post Office Limited

We refer to our recent without prejudice telephone discussions (Mark Turner/Denise Gammack).

As we mentioned when we spoke, we have instructed an expert accounting witness, Chris Hine of Bentley Jennison, to review the documentation that your client has made available to date. His brief was to consider certain of those documents in light of our client's pleaded defence to the effect that the alleged shortfall is (at least in part - and we cannot be any more specific than that given the incomplete disclosure which has been given) attributable to problems with the Horizon system.

In order to assist you and your client in understanding our client's position, we are prepared to disclose to you on a without prejudice basis the report which Mr Hine has prepared. Since the report refers to a report prepared by Andrew Richardson of White & Hoggard, a copy of his report together with supporting documentation is also enclosed.

By way of explanation, Mr Richardson acts as auditor to the business owned by our client's father in law. His report was obtained directly by our client as a "second opinion" on the methodology that our client had used in reviewing the available documentation. To avoid any question of partiality, we commissioned Bentley Jennison to consider the same documentation as had been available to Mr Richardson, as well as his report, and to comment on whether they agreed with its findings.


For the complete avoidance of doubt, both documents are made available to you and your client on an entirely without prejudice basis. Whilst the substance of the Bentley Jennison report is likely to form the core of any formal report prepared for use in court, we reserve the right to rely on a report which may differ in form to that which we have presently disclosed.

As you will see, both Mr Richardson and Mr Hine concur with our client's position that there, at the very least, discrepancies in the way in which the Horizon system appears to treat weekly balances. This simply serves to reinforce what both we and our client have said from the outset, namely that the daily balance snapshots which have not yet been disclosed will be of fundamental importance in analysing whether there is a problem caused by the way in which the Horizon system operated during our client's tenure as sub-postmaster at Marine Drive Post Office.

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 M.C. Widdell • R.J. Spratton • S. Bawa • A. Carrara • R.J. Myles • D. Wynn • H. Durrant Associates: L.J. Spurling • A.D. Owens • R.P. Sutton • M. Molloy • Associates: M.T. Horvich

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 G:MARKTABBETCASTLETON30903 LETTER TO BOND PEARCE
 HAVE STAFFED THE SERVICE

21/11 '05 11:25 FAX GRO

COMMERCIAL TEAM

05

We look forward to hearing from you once you and your client have had an opportunity to review the enclosures to this letter.

Yours faithfully

ROWE COHEN

Enc

Bentley Jennison

Our ref: CH/PIB/C1024
Your ref: MDT.113969

Rowe Cohen
Quay House
Quay Street
Manchester
M3 3JE

Litigation Support

26 Pall Mall
Manchester
M2 1JR
DX 14418 Manchester 2
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E-mail manchester@GRO
www.bentley-jennison.co.uk

23 September 2005

Dear Sirs

The Post Office -v- Lee Castleton

Further to your letter of instruction dated 6 September 2005 in the above matter, I set out below my thoughts on the papers provided for my review.

I have reviewed the following documentation:

- Various correspondence between Rowe Cohen and Bond Pearce, between 8 February and 3 August 2005
- Daily 'snapshots' for the Marine Drive Post Office, from Thursday 26 February 2004 to Wednesday 3 March 2004, representing week 49 of the accounting year
- Letter dated 18 August 2005 from Andrew Richardson, principal at accountants White & Hoggard, to Mr Lee Castleton
- Copy of final audit, dated 25 March 2004, as carried out by Miss Helen Hollingworth (and as attached to the letter dated 25 May 2005, from Bond Pearce to Rowe Cohen)
- Horizon Cash Account (Final) for Week 49
- Statement of Claim, dated 9 June 2005
- Defence and Counterclaim, dated 15 August 2005

Rowe Cohen

23 September 2005
Page 2 of 5**Daily snapshots for week 49**

At Document 1 is a copy of the daily snapshot printed at the end of Thursday 26 February 2004, being Day One of the week. This shows a discrepancy of £3,509.18.

I note that this an identical amount to that recorded by the Horizon system as having been deficient in week 48, as identified in the audit undertaken by Helen Hollingworth, the schedule for which is set out at Document 2.

This schedule also shows that cumulative deficiencies of £8,243.10 were put into a suspense account relating to weeks 43-46, although I note that no figure appears to be disclosed specifically for the following week, week 47.

The identical amounts of £3,509.18 point to two possible scenarios, either that (a) there has been a deficiency suffered on day one of week 49 that exactly matches the sum of the deficiency for the whole of week 48, or (b) the figure is the brought forward deficiency from week 48. I consider it reasonable to assume that option (b) is the most likely scenario.

On Day Two of Week 49, being Friday 27 February 2004, an entry for £3,509.68 is shown as "Loss a 2a in", per Document 3.

I am unable to explain the difference of 50 pence between the suspense account figure and the daily snapshot deficiency, although I note that in White & Hoggard's report they explain that Mr Castleton informed them this was a manual entry following instructions from Horizon technical support.

The £3,509.68 appears to represent the entry on the suspense account (Document 4) for the same amount, processed on 27 February 2004, which I would expect given the daily snapshot entry.

Suspense account

A suspense account is generally used by accountants to 'park' transactions that have either been erroneously posted and are pending correction, or which, as is the case here, are transactions that are either unreconciled or unexplainable.

From my experience, the impact of a suspense posting would allow a line to be drawn under the cumulative deficiencies on the daily prints, effectively resetting the figure to zero, which should be reflected as such on the end of day print.

However, it is evident that on the end of day print (Document 5) there is still a deficiency of £3,509.18, notwithstanding the suspense account entry.

Bentley Jennison

Rowe Cohen

23 September 2005
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This again leads to two possible scenarios, either that (a) following the suspense account entry an identical shortage of £3,509.18 was again borne by the branch during the course of the day, or (b) the Horizon system, despite the suspense account entry, has failed to recognise the entry on the daily snapshot, leaving the figure of £3,509.18 unchanged.

Again, after considered reflection, it is more probable that scenario (b) has occurred.

For Days 3, 4, 5 and 6 (Saturday 28 February 2004 - Tuesday 2 March 2004), identical entries occur in relation to the figure of £3,509.68, with a cumulative deficiency of £3,509.18 being shown at the end of each day.

For the final day of week 49, Wednesday 3 March 2004, the entry of £3,509.68 again is recorded, however the total deficiency now shows £3,512.26 (Document 6), an increase of £3.08, and supported by the final Horizon Cash Account print (Document 7).

I note that in week 49 the cost of a first class stamp was 28 pence. The increase of £3.08 could, therefore, represent (and in line with Andrew Richardson's opinion) a scenario whereby a book of 12 first class stamps was sold, but only money for one single stamp was taken (ie $(12 \times 0.28) - 0.28$).

Having already concluded that the system should have no longer been recognising the £3,509.18 (posted to suspense) on a daily basis, the only discrepancy for the week should, in my opinion, have been the £3.08 deficiency apparently borne on Wednesday 3 March 2004.

The system has, therefore, appeared to overstate the deficiency for the week by the amount of the deficiency in week 48, being £3,509.18.

The report of White & Hoggard essentially appears to reach the same conclusion, in that this sum has been erroneously double counted.

Cumulative deficiencies

I would note that the Horizon system, from the documentation I have reviewed, appears to record deficiencies on a cumulative basis, hence the running total of £8,243.10 up to the end of week 46 being rolled into week 47's suspense account and carried forward to week 49 (Document 4).

Based on this approach, the integrity of the system is heavily dependent upon weekly figures being both accurate, and carried forward correctly.

In the isolated case of week 49 this appears not to have taken place, with the implication that errors could, theoretically, have been double counted over a number of weeks.

Bentley Jennison

Rowe Cohen

23 September 2005

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As such, Mr Castleton's defence, that the root of the problem lies with the inaccurate figures produced by Horizon, appears to hold potential merit based on the limited documentation I have so far reviewed.

Clearly, however, I have only had sight of the daily snapshots for week 49, which although appearing to indicate an error within the Horizon system for that short period, does not necessarily mean that it has been replicated for other weeks. This can only be checked through an analysis of the daily snapshots for all relevant periods.

Andrew Richardson's conclusion that *"the balance of probabilities would suggest that it is quite likely that this has also happened in earlier periods"* is, I suspect, a little premature and can only be proven following a more detailed review.

Equally, other issues aside from the discrete problems evident in Week 49 may be uncovered, upon a more detailed inspection of relevant Horizon documentation.

Disclosure

The documentation I would ideally need sight of (further to that listed in your letter dated 11 April 2005, and presuming such papers were used in the normal course of business at the branch) to gain a clearer picture of how Horizon worked, and whether it was working as intended, is as follows:

- Daily snapshots for the period preceding, during, and following the alleged deficiencies borne under the management of Mr Castleton, which as suggested in copy correspondence might be from weeks 39-52 inclusive, although for completeness (and if considered cost effective) it may be appropriate to analyse the period from when Horizon was first used in the branch to gauge the effectiveness of the system from Day One
- Copy of the full audit report following the inspection made by Helen Hollingworth and Chris Taylor, on 25 March 2004, to include a breakdown of the week 51 balance of £11,210.56 (Document 2)
- P&A reports produced for weeks 39-52, summarising sums paid to customers in allowances through vouchers, and any vouchers supporting the reports
- Cash and stock count at the points in time when Mr Castleton began/left his post as subpostmaster
- Events log produced by the Post Office centrally, summarising which individuals are working on the Horizon system, and when the various reports were produced within the branch - for weeks 39-52 inclusive

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- Transaction log produced by the Post Office, which should summarise all financial transactions undertaken by the branch - weeks 39-52 inclusive
- Any contemporaneous notes made by Mr Castleton in relation to the Horizon system, or by any other employees, or by anyone who may have been assisting Mr Castleton in the initial period following his appointment as subpostmaster

I trust the contents of this letter are self-explanatory, but if you should require clarification on any of the matters raised herein, please do not hesitate to contact me.

Yours faithfully

GRO

PH **Chris Hine**
National Litigation Support Partner
Enc.

chris.hine GRO

Document 2

To:	From:	cc:
Cath Oglesby	Helen Hollingworth Inspector	

Date: 25th March 2004

Audit of Post Office ® Marine Drive branch, FAD 213337

An audit took place at Marine Drive Post Office on the 25th March 2004. Helen Hollingworth led the audit and in attendance was Chris Taylor. The audit commenced at 8.00am and on our arrival the sub postmaster was very pleased to see us. He explained problems he had been having at the office regarding balancing. His problems with balancing started in week 43 with a mis-balance of -4230.97. He was adamant that no members of staff could be committing theft and felt that the mis-balances were due to a computer problem. He had been in contact with the Retail Line Manager Cath Oglesby and the Horizon help line regularly since the problems began. The following table gives further weeks balance declarations on the cash account.

48	-3509.18	
46	-8243.10	
45	-8730.01	
44	-8754.09	
43	-4230.97	
48	-3509.18	This amount put into suspense week 49
46	-8243.10	This amount put into suspense week 47
45	-8730.01	Rolled loss
44	-8754.09	
43	-4230.97	

In week 47 £8243.10 was put into suspense. Although horizon had been contacted and the Retail Line was aware of this figure, this was not authorised. In week 49 £3509.68 was added to make the amount carried in the suspense account total £11752.78. This was also not authorised:

week 51 balance	- £11210.58
suspense account	- £11752.78
expected audit result	- £22563.34
difference at audit	- £2795.41 (-£1769.00 lottery -£1026.41 cash)
audit result	- £25758.75

On the completion of the audit the Retail Line Manager Cath Oglesby was contacted, along with the investigation team and the Audit Line Manager. The sub postmaster was suspended pending enquiries and an interim postmaster was put in charge at the office.

Document 4

Marine Drive
17:38:00 03/03/2004

FAD 213377

Page 1
CAP 19

Suspense Account - Office Copy

WARNING - Check the C/Paid column for negative values. If present refer to the Horizon User Guide for instructions on how to proceed

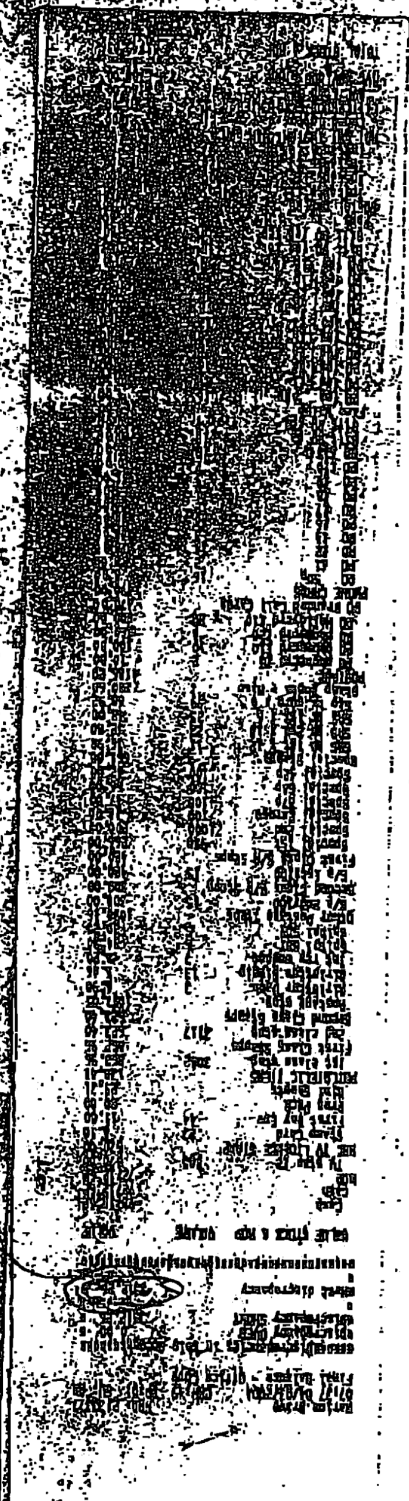
SU	Date	Product	Volume	Value	B/Paid	C/Paid
RD Cheques		A				
TOTAL			0	0.00	0.00	0.00
RD Cheques		B				
TOTAL			0	0.00	0.00	0.00
RD Cheques		C				
TOTAL			0	0.00	0.00	0.00
Vouchers						
TOTAL			0	0.00	0.00	0.00
Shortages in Rebs etc						
TOTAL			0	0.00	0.00	0.00
Burglary etc losses						
TOTAL			0	0.00	0.00	0.00
POL Cheques						
TOTAL			0	0.00	0.00	0.00
Migration UP						
TOTAL			0	0.00	0.00	0.00
Cash Shortages A						
AA 27/02/04 Loss A to Table 2a			1	3,509.68		
TOTAL			1	3,509.68	0,243.10	11,752.78
Cash Shortages B						
TOTAL			0	0.00	0.00	0.00
Cash Shortages C						
TOTAL			0	0.00	0.00	0.00
Cash Shortages D						
TOTAL			0	0.00	0.00	0.00
Prepurchases						
TOTAL			0	0.00	0.00	0.00
Cash Surpluses not yet adjusted A						
TOTAL			0	0.00	0.00	0.00
Cash Surpluses not yet adjusted B						

Receipts
1655797

Payment
1658797

7642488
7291262

Over 359.18
Shot 7018-36
3582.18



21/11 '05 11:25 FAX

GRO

COMMERCIAL TEAM

17

Page: Office code: 2133377 Week No: 49 Week Ending: 03/03/2004

Date: 04/03/2004 Time: 07:46

OFFICE NAME: Marina Drive
ADDRESS: 14 South Marlow Drive

2003/2004
HORIZON

Week No **49**

Document 7

GRO

Cash Account (Final)

Bridlington
YO15 3DS

TELEPHONE: GRO

Week End: 03/03/2004

OFFICE CODE: 213 337 7

30

DATE STAMP:

TO BE SIGNED BEFORE DESPATCH OF CASH ACCOUNT

SUBPOSTMASTER/FRANCHISEE/BRANCH MANAGER

GRO

EXAMINED IN TP:



TABLE 2 UNCLAIMED PAYMENTS

TABLE 10(g) NUMBER OF TRANSACTIONS

50	C D	Date	91	
26		Unpaid Cheques A	72	..... 2
27		Unpaid Cheques B	79	
28		Unpaid Cheques C	78	
29			82	
30		Vouchers	81	
31		Shortages to REMS etc	73	
32		Burglary etc Losses	65	
33		POL Chq pension losses	66	
34			71	
35		Migration	83	
36			75	
37			80	
38			67	
39			76	..... 11
TABLE 2(a) AUTHORIZED CASH SHORTAGES			88	
50			74	..... 1
46	..... 11,752.78	Cash Shortages A	87	..... 1
47		Cash Shortages B	85	
48		Cash Shortages C	89	
49		Cash Shortages D	94	
TABLE 3 UNCHARGED RECEIPTS			90	
50			84	
60			77	
61			91	..... 9
62			68	
63			69	
64			92	
65			93	
66			70	
67			63	
68			64	
71			57	..... 22
72			58	
DISCREPANCIES TABLE			59	
07			60	
01			61	
02	..... 3,512.26	Surplus Shortages	62	
			86	
			95	
			10	
			15	
			20	
			25	
			30	..... 1
			35	..... 17
			40	..... 3
			45	
			50	
			55	
			26	
			27	
			28	
			29	

Cont.

White & Hoggard
Chartered Certified Accountants

*Registered to carry on
audit work and regulated for a
range of Investment Business
activities by the Association of
Chartered Certified Accountants*

*13 Wheelgate
Malton
North Yorkshire
YO17 7HJ*
Telephone:
Fax:

Email: White.Hoggard@W&HNet.com

PRIVATE & CONFIDENTIAL

Mr Lee Castleton
Marine Drive Post Office
14 South Marine Drive
Bridlington
East Yorkshire
YO15 3DB

Our Ref: AWR/GL/1/F031
Your Ref:
Date: 18th August 2005

Dear Lee

You have asked me to produce a report on my findings following my examination of the documents presented to me for Marine Drive Post Office in respect of the week ended 3rd March 2004 and the apparent discrepancy claimed by the Post Office which I understand at 4th March 2004 amounted to £15,265.04.

I have therefore examined the daily balance printouts that you produced covering the period 26th February 2004 to 4th March 2004 and also the report marked "Horizon Cash Account (Final)" dated 4th March 2004 in relation to the week ended 3rd March 2004.

My conclusions are as follows:-

- a) The Horizon Cash Account (Final) Report for week 49 (week ended 3rd March 2004) produced on 4th March 2004 (time 07:46) indicates the following:

Table 2 (a) authorised cash shortages (A)	11,752.78
Discrepancies Table	3,512.26
Total	£ 15,265.04

- b) The Suspense Account summary attached to the report – office copy dated 3rd March 2004 (time 17:38) produces the following under the heading "Cash Shortages A"

AA 27 th February 2004 Loss A to Table 2a	3,509.68
Brought forward	8,243.10
Total	£ 11,752.78



PRINCIPAL: Andrew W. Richardson F.C.C.A.
MANAGERS: Keith A. Rhodes F.C.C.A.
Mrs Lesley R. Richardson



- c) The difference between the above two reports is £3,512.26 (I will refer to this figure later in my observations).
- d) The Horizon Cash Account (Final) Report for week no.49 (week ended 3rd March 2004) dated 4th March 2004 (time 07:46) indicates the following:

Balance Due to Post Office	97,014.07
Less Stock (Table A)	(9,036.41)
Less Cash (Table 5)	(72,712.62)
Shortfall	£ 15,265.04

- e) The above entry at (d) above appears to me to comprise the following:

1. Discrepancies Table	3,512.26
2. AA 21 st February 2004 Loss A to Table 2a	3,509.68
3. Brought forward from earlier periods	8,243.10
Total	£ 15,265.04

- f) It follows, therefore, that we need to ascertain how each of the above apparent discrepancies at paragraph (e) have arisen.
- g) In order to attempt to explain the apparent discrepancies I have prepared a detailed analysis of the daily balance printouts covering the period 26th February 2004 (time 17:30) to 4th March 2004 (time 07:46). I have used the Horizon Cash Account (Final) Report for the analysis of the movements on 4th March 2004. My conclusions are as follows:

1. Discrepancies Table - £3,512.26

This figure is not on the Suspense Account Summary dated 3rd March 2004 but appears to comprise part of the overall shortfall (see a and c above). This figure appears to include the "discrepancies in this account" summary on the "final balance" sheet dated 26th February 2004 but is recorded as £3,509.18 increasing by £3.08 (which I believe is a book of stamps) to £3,512.26 on 3rd March 2004. It is understood that the sum of £3,509.18 is a discrepancy from an earlier period. I have seen no evidence to reveal how this discrepancy from the earlier period has been arrived at.

2. AA 27th February 2004 Loss A to Table 2 a - £3,509.68

On the "final balance" sheet dated 26th February 2004 (time 17:30) there is an entry for "net discrepancies" of £3,509.18 which equates to the "discrepancies in this account" entry - see g 1 above.

On the "balance snapshot - office copy" sheet dated 27th February 2004 (time 17:31) there is an entry "OTHER PAYMENTS" loss a - 2a amounting to £3,509.68. This entry is then repeated daily.

I understand from my telephone conversation with you that this amount was input manually under instructions from Horizon technical support which probably explains the difference of 50p from the previously mentioned sum of £3,509.18.

If the sum of £3,509.68 is indeed the same entry as the sum of £3,509.18 recorded in g 1 above, and it seems highly likely that this is the case, there is a duplication in the apparent shortfall.

It follows that a rational explanation is needed for this apparent double counting in the Post Office records.

3. Brought forward from Earlier Period - £8,243.10

In addition to having no documentary evidence to support the discrepancy of £3,509.18, which appears to be duplicated by the further entry of £3,509.68, there is no documentation to support the discrepancies from earlier periods amounting to £8,243.10. It is therefore absolutely essential to obtain documentary evidence supporting the discrepancies that are claimed to have arisen in the earlier periods of £3,509.18 and £8,243.10.

h) Conclusion

From the limited available evidence of one weeks transactions referred to above my conclusion is that it is highly likely that the sum of £3,509.18 has been recorded twice increasing the apparent discrepancy during the week ended 3rd March 2004. On the assumption that I am correct in this conclusion, and there seems to be no rational explanation for this amount appearing twice other than my conclusion, then there has to be doubt as to whether or not the discrepancies brought forward from earlier periods of £3,509.18 and £8,243.10 can be substantiated. It is therefore absolutely imperative that the Post Office produce documentation to justify their claim for the earlier periods in order to produce evidence that the system is operating correctly. At the present time it would appear to me that during the week ended 4th March 2004 an incomplete instruction to input a manual entry of £3,509.18 (incorrectly entered as £3,509.68) has created a double counting of this amount in the calculations produced by the Post Office of shortfall. If this has happened for the one week where we have documentary evidence then the balance of probabilities would suggest that it is quite likely that this has also happened in earlier periods and has to cast doubt on the credibility of the claim made by the Post office which therefore needs to be examined in some further detail with the benefit of supporting documentation.

I hope that the above report is of some assistance.

Kind regards

Yours sincerely

GRO

Andrew W Richardson

Wiltonwood Drive, BARNSELY, S73 0TB
Postline: [GRO] STD Phone: [GRO] Fax: [GRO] External
Email: richard.p.benton [GRO]
----- Forwarded by Richard P Benton/e/POSTOFFICE on 05/05/2004 13:44 -----

Welsh Julie
[GRO] To: "richard.p.benton [GRO] (E-mail)"
<richard.p.benton [GRO]>
cc: 05/05/2004 12:32 Subject:

Richard,
I have had a chat with Anne, she used the message store viewing to investigate this. If you want copies of extracts for the particular incorrect declarations please submit an ad hoc request requesting this information. Hope this helps, see below:
NO TRANSACTION DATE AND TIME WAS PROVIDED FOR THIS ACTION USING CURRENT DATE AND TIME By Anne Chambers at 26-feb-2004 15:16:00 Category 94 - Advice and guidance given I have checked various things on the system. All the internal reconciliation checks are ok. Cheques are being handled correctly (except for 10th Feb when the clerk forgot to cut off the report - but this didn't cause a discrepancy). Cash declarations look ok, they usually use drawer id 11. Occasionally they have used a different drawer id, this can lead to amounts apparently doubling on the cash flow report, and should be avoided. But again it will not cause a discrepancy. Checking the cash transactions on the system against the declarations shows that they are not working particularly accurately (i.e. at the end of the day the cash they declare in the drawer is tens, hundreds or thousands of pounds astray from what has been recorded on the system). It is possible that they are not accurately recording all transactions on the system. There is no evidence whatsoever of any system problem. I've mentioned this outlet to Julie Welsh (Customer Services) who will try to get POL to follow it up, but in the meantime 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.

Julie Welsh
Service Delivery Manager HSH
Business Service Management, Post Office Account

FUJITSU SERVICES
Lovejace Road
Bracknell
Berks
RG12 8SN

Tel: [GRO] Internal: [GRO]



Civil Procedure Rules

What's New?	Updates & Zips	Current Versions	Statutory Instruments	Consultation	Commentaries	Contact	Search
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See also [Part 35](#)

PRACTICE DIRECTION – EXPERTS AND ASSESSORS THIS PRACTICE DIRECTION SUPPLEMENTS CPR PART 35

Contents of this Practice Direction

EXPERT EVIDENCE – GENERAL REQUIREMENTS

FORM AND CONTENT OF EXPERT'S REPORTS

INFORMATION

INSTRUCTIONS

QUESTIONS TO EXPERTS

SINGLE EXPERT

ORDERS

ASSESSORS

ANNEX

Part 35 is intended to limit the use of oral expert evidence to that which is reasonably required. In addition, where possible, matters requiring expert evidence should be dealt with by a single expert. Permission of the court is always required either to call an expert or to put an expert's report in evidence. There is annexed to this Practice Direction a protocol for the instruction of experts to give evidence in civil claims. Experts and those instructing them are expected to have regard to the guidance contained in the protocol.

EXPERT EVIDENCE – GENERAL REQUIREMENTS

- 1.1 It is the duty of an expert to help the court on matters within his own expertise: rule 35.3(1). This duty is paramount and overrides any obligation to the person from whom the expert has received instructions or by whom he is paid: rule 35.3(2).

- 1.2 Expert evidence should be the independent product of the expert uninfluenced by the pressures of litigation.
- 1.3 An expert should assist the court by providing objective, unbiased opinion on matters within his expertise, and should not assume the role of an advocate.
- 1.4 An expert should consider all material facts, including those which might detract from his opinion.
- 1.5 An expert should make it clear:
 - (a) when a question or issue falls outside his expertise; and
 - (b) when he is not able to reach a definite opinion, for example because he has insufficient information.
- 1.6 If, after producing a report, an expert changes his view on any material matter, such change of view should be communicated to all the parties without delay, and when appropriate to the court.

FORM AND CONTENT OF EXPERT'S REPORTS

- 2.1 An expert's report should be addressed to the court and not to the party from whom the expert has received his instructions.
- 2.2 An expert's report must:
 - (1) give details of the expert's qualifications;
 - (2) give details of any literature or other material which the expert has relied on in making the report;
 - (3) contain a statement setting out the substance of all facts and instructions given to the expert which are material to the opinions expressed in the report or upon which those opinions are based;
 - (4) make clear which of the facts stated in the report are within the expert's own knowledge;
 - (5) say who carried out any examination, measurement, test or experiment which the expert has used for the report, give the qualifications of that person, and say whether or not the test or experiment has been carried out under the expert's supervision;
 - (6) where there is a range of opinion on the matters dealt with in the report –
 - (a) summarise the range of opinion, and
 - (b) give reasons for his own opinion;
 - (7) contain a summary of the conclusions reached;
 - (8) if the expert is not able to give his opinion without qualification, state the qualification; and
 - (9) contain a statement that the expert understands his duty to the court, and has complied and will continue to comply with that duty.

2.3 An expert's report must be verified by a statement of truth as well as containing the statements required in paragraph 2.2(8) and (9) above.

2.4 The form of the statement of truth is as follows:

"I confirm that insofar as the facts stated in my report are within my own knowledge I have made clear which they are and I believe them to be true, and that the opinions I have expressed represent my true and complete professional opinion."

2.5 Attention is drawn to rule 32.14 which sets out the consequences of verifying a document containing a false statement without an honest belief in its truth.

(For information about statements of truth see Part 22 and the practice direction which supplements it.)

INFORMATION

3 Under Rule 35.9 the court may direct a party with access to information which is not reasonably available to another party to serve on that other party a document which records the information. The document served must include sufficient details of all the facts, tests, experiments and assumptions which underlie any part of the information to enable the party on whom it is served to make, or to obtain, a proper interpretation of the information and an assessment of its significance.

INSTRUCTIONS

4 The instructions referred to in paragraph 2.2(3) will not be protected by privilege (see rule 35.10(4)). But cross-examination of the expert on the contents of his instructions will not be allowed unless the court permits it (or unless the party who gave the instructions consents to it). Before it gives permission the court must be satisfied that there are reasonable grounds to consider that the statement in the report of the substance of the instructions is inaccurate or incomplete. If the court is so satisfied, it will allow the cross-examination where it appears to be in the interests of justice to do so.

QUESTIONS TO EXPERTS

- 5.1 Questions asked for the purpose of clarifying the expert's report (see rule 35.6) should be put, in writing, to the expert not later than 28 days after receipt of the expert's report (see paragraphs 1.2 to 1.5 above as to verification).
- 5.2 Where a party sends a written question or questions direct to an expert, a copy of the questions should, at the same time, be sent to the other party or parties.
- 5.3 The party or parties instructing the expert must pay any fees charged by that expert for answering questions put under rule 35.6. This does not affect any decision of the court as to the party who is ultimately to bear the expert's costs.

SINGLE EXPERT

- 6 Where the court has directed that the evidence on a particular issue is to be given by one expert only (rule 35.7) but there are a number of disciplines relevant to that issue, a leading expert in the dominant discipline should be identified as the single expert. He should prepare the general part of the report and be responsible for annexing or incorporating the contents of any reports from experts in other disciplines.

ORDERS

- 6A Where an order requires an act to be done by an expert, or otherwise affects an expert, the party instructing that expert must serve a copy of the order on the expert instructed by him. In the case of a jointly instructed expert, the claimant must serve the order.

ASSESSORS

- 7.1 An assessor may be appointed to assist the court under rule 35.15. Not less than 21 days before making any such appointment, the court will notify each party in writing of the name of the proposed assessor, of the matter in respect of which the assistance of the assessor will be sought and of the qualifications of the assessor to give that assistance.
- 7.2 Where any person has been proposed for appointment as an assessor, objection to him, either personally or in respect of his qualification, may be taken by any party.
- 7.3 Any such objection must be made in writing and filed with the court within 7 days of receipt of the notification referred to in paragraph 6.1 and will be taken into account by the court in deciding whether or not to make the appointment (section 63(5) of the County Courts Act 1984).
- 7.4 Copies of any report prepared by the assessor will be sent to each of the parties but the assessor will not give oral evidence or be open to cross-examination or questioning.

ANNEX

Protocol for the Instruction of Experts to give Evidence in Civil Claims

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