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LTSB.

TAPE 1
GRAHAM MILNE – 2ND OCTOBER 2003.
INTERVIEWER – PAULINE SEARS

TAPE INITIATED. GM'S MOBILE PHONE RINGS AND HE RESPONDS ...

GM Hello, Yeh, Oh you picked up the number I was in fact calling you. Um that was just to give you the number in case somebody wants to get hold of me. Its 07 I thought you might have dialled 1471 or something. Okay, that's the number in case somebody wants me. Thanks. Bye.

PS COMMENCES FACT FIND INTERVIEW

PS This is a fact finding interview held under Lloyds TSB Group procedures. The date is the 2nd October and the time is 11.30 and the interview is being held at St Georges House in London. My name is Pauline Sears and I am Senior Manager, Group Fraud & Security. I will now ask my colleague to introduce himself and state his name and job title.

GB Gary Boyes, Assistant Manager for Group Risk.

PS For the purpose of voice identification could you please state your name and business unit for me please Graham.

GM Graham Milne Group Audit.

PS Thank you. I am also now going to pass Graham a copy of the standard notice to staff which covers the tape recording of interviews in this circumstance. Okay. Just refresh your memory Graham we had a series of questions last time around a set of matters that you would have received on the 20th December for ease of going through the remaining ones this time I have put a list together with the remaining nine items to cover. I'll look to refer to those and move through those in the order that they are on this list starting with the most recent date relative to the matters. So if I could start then please with point no. 1.

GM Before you start there are a number of matters I wish to deal with. No. 1 - the materials that were apparently made available to me one hour before this meeting. They consist of one, two, three, four, five thick files of unindexed uncategorised papers. I would like to know whether you would consider it possible for an individual to assimilate and analyse that information within an hour.

PS I have no idea Graham.

GM You have no idea, so you think it might be possible for somebody to analyse five thick files of unindexed information within one hour?

PS As I say I don't know. The request that you made was to have the information available from your PC. This has been put together for you and we have made that information available.

GM It is not in an indexed structured format, nobody on earth would dream of making information in that format available to somebody. It is absolutely impossible for somebody to work their way through that unindexed unordered information and I repeatedly requested from Roger Cooper access to data on my PC this has been consistently refused. The Bank through Roger Cooper has deliberately denied me access to information that I need in order to answer these queries and I will be pursuing this matter in the courts or with the police.

PS Your point is noted.

GM The second point concerns a letter I have from Roger Cooper stating that this meeting was not with Group Fraud & Security as such is that correct?

PS Yes that is correct.

GM Right is it with you whom has been selected personally for the skills that you have?

PS Yes because I am independent.

GM Right. When were you told that?

PS Before I did the first interview with you.

GM Did you make that clear to me at the time of the first interview that you were not there as a member of Group Fraud & Security.

PS I cannot recall.

GM You are aware that there are verbatim minutes of that meeting.

PS Indeed I am. Yes and as I say from memory I cannot remember.

GM In fact you did not make it clear at that meeting that you acted in such a capacity.

PS What I did say to you Graham at the time was I had a series of questions to ask you with regard to certain matters which is what I discussed with you.

GM I am sorry the letter that was originally sent to me mentions Pauline Sears, Senior Manager Group Fraud & Security at no stage from that point onwards until the other day has it been claimed that this meeting was not with Group Fraud & Security. Any individual who wrote this letter did so on the basis also that this meeting was with Group Fraud & Security and in fact if you actually read the minutes of the meeting you will see such comments as "the tape will be retained by Group Fraud & Security" and is making it clear that this is in fact a departmental matter not an individual one. Roger Cooper is therefore lying in order to strike back and I wish to make that point clear as well and I do not believe that you were told before the first meeting that you were purely in a personal capacity because if you had been the matter was so important that you would clearly make that point clear to me right at the beginning of the first meeting. So is that clear?

PS Your point is noted.

GM The third one concerns the harassment act. Have you ever read the harassment act.

PS No I have not.

GM Sorry I beg your pardon that comes later. The third point concerns an earlier allegation to do with abuse of the internet. Could you confirm to me that it is the company rule that members of staff are not allowed to use the internet for private purposes.

PS I will come back and confirm to you separately on that matter.

GM Why do you need to do that?

PS Because to be absolutely certain as to the precise wording I want to refer back to the policy.

GM Are you generally aware that that is the case.

PS My understanding is that is the case but I would not want to confirm that to you unless I have checked that.

GM But there are other things in here that are presumably against company regulations.

PS What do you mean exactly?

GM I mean there are a number of things. You would not be investigating these things unless they were presumably against the company's rules.

PS I am not investigating - I am seeking to fact find to clarify exactly what has happened leading up to these matters that we have here.

GM Are you familiar with the company's rules?

PS I am familiar with certain of the company's rules. The company has many rules.

GM Are you aware of the rules that says members of staff should be aware of the company's rules?

PS I don't see why that is relevant Graham.

GM It is relevant. Are you aware as an employee of the bank and a member of Group Fraud & Security of the company's rules?

PS Graham I am not going to get drawn into this questioning with you.

- GM Well I will assume that you are aware and since you are aware of the company's rules and deem to be aware as an employee of the Bank will you tell me that if something in these allegations is to your knowledge against the company rules you will inform of that fact.
- PS If I am aware I will say so.
- GM And if something is not against company rules you will also say that as well.
- PS I will give you a response on the basis of my information. If I don't know I won't make any such statement. As I said to you I want to reiterate I am here to fact find to ask you some questions around matters that have taken place to gain your response.
- GM If something is not against the company rules will you say that to my knowledge that is not against the company rules.
- PS I am not prepared to do that. I will only say something if I am certain of the facts and I am here to ask you some questions surrounding these matters.
- GM I tell you what, okay, I believe that you should be reasonably aware as an employee of the bank and having the job you do that for instance "I have criticised your report template" is not against the company rules you are aware of that fact. You are also aware of the fact that I am a heart attack victim and I am also informing you now that I have been referred to a psychologist by a consultant in Edinburgh for treatment of severe stress and you are also aware of the fact that I have been undergoing severe stress for some time to the knowledge of management. I now wish to read to you the entire context of the Protection of Harassment Act.
- PS Please Graham can I stop you there.
- GM I absolutely insist. I am afraid I insist.
- PS This is not relevant to this interview. I am here to ask you some questions on behalf of the bank.
- GM I am afraid I insist that it is. You are I believe are committing a criminal offence I have reported this to the police the matter is being dealt with by them now I wish to make absolutely clear that you are aware that some of the things being investigated on are not against the company rules but you are therefore knowingly participating in the committing of a criminal offence and that you are doing that knowingly and in order to make sure you are doing that knowingly I am going to read the Harassment Act.
- PS I am not prepared to listen to this.
- GM Prohibition harassment 1. A person must not pursue a course of conduct a) which amounts to harassment of another and b)
- PS Graham can I please interrupt you for a second

GM which he knows or ought to know

PS Please answer my question

GM I am allowed to read the laws of the land

PS But with due respect please - you have been asked here to attend an interview

GM I am making sure you are aware of the consequences of your actions.

PS Well with all due respect you can sit here and you can read the Act (*interrupted*)

GM Thank you

PS No - please let me finish my sentence. At the end of the day that is not going to place me in a position to be able to respond to you and say yes or no to what you are alleging. It's your view and you are entitled to that view. You have expressed your view. You are here ..(*interrupted*)

GM You said that I could read the act.

PS No I did not say that

GM Well I am going to.

PS Please Graham I am asking for your co-operation.

GM Is there any procedure or process that says I can't read the law of the land in this meeting.

PS That is not the purpose of the meeting.

GM I am sorry.

PS I am seeking your co-operation.

GM It is relevant for this meeting that I consider you are taking part and committing a criminal offence.

PS How much time are you looking to spend in this interview?

GM As long as it is necessary. This is very short and very clear believe me.

PS As I said to you I am not prepared to sit here and answer your questions on this matter.

GM I am not asking you to answer questions I am asking you to listen to an act and I will then tell you that I have read you the act and you are now clear of about what it says. Is that clear?

PS You can say what you wish but I will not be acknowledging it.

GM Good I will continue. I will read section 1 again. I would appreciate it if you were quiet until I have finished.

GM Reads from a prepared text on his laptop:

The person must not pursue a course of conduct a) which amounts to harassment of another and b) which he knows or ought to know amounts to harassment of the other.

The purposes of this section the person whose course of conduct is in question ought to know that it amounts to harassment of another if a reasonable person is in possession of the same information would think the course of conduct amounted to harassment of the other.

Sub section 1 does not apply to a course of conduct if the person who pursues it shows a) that it was pursued for the purpose of preventing or detecting crime b) that it was pursued under any enactment or rule of law or to comply with any condition or requirement imposed by any other person under any enactment or c) that in the particular circumstances the pursuit of the course of conduct was reasonable.

Offence of harassment - a person who pursues a course of conduct in breach of section 1 is guilty of an offence. A person guilty of an offence under this section is liable XXXX conviction of imprisonment for a term not exceeding six months or a fine not exceeding level 5 on the standard scale or both. In section 24.2 of the Police and Criminal Evidence Act 1984 (arrest of offences) after paragraph and those inserted. An offence under section 2 of prevent of harassment act 1997 (harassment). A actual or apprehended breach of section 1 may be the subject of a claim in civil proceedings by the person who is or may be the victim for the course of conduct in question. On such a claim damages may be awarded for among other things any anxiety caused by the harassment and any financial loss resulting from the harassment. Where in such proceedings A) High Court or County Court grant an injunction for the purpose of an estranged defendant for seeing any course of conduct which amounts to harassment and B) the plaintiff considers the defendant has done anything which is prohibited from doing by the injunction the plaintiff may apply for the issue of a warrant for the arrest of the defendant. 4. An application under subsection 3 may be A) where the injunction is granted by the High Court to recharge of that court and B) where the injunction is granted by a County Court to recharge or district charge of that or any other County Court. 5. The chargeable district charge XXXXX application under sub section 3 is made may only issue a warrant if the application is substantiated on oath B) the chargeable district charge has reasonable grounds for believing that the defendant has done anything which he is prohibited of doing by the injunction. 6. Where A) the high Court or County Court grants an injunction for purposes mentioned in sub section 3A and B) without reasonable excuse the defendant does anything which is prohibited from doing by the injunction he is guilty of the offence. 7) Where a person is convicted of an offence on sub section 6 in respect of any conduct that conduct is not punishable as a contempt of court. 8) A person cannot be convicted of an offence under sub section 6 in respect of any conduct which has punished on as a contempt of court. 9) A person guilty of an offence under sub section 6 is liable A) on conviction on indictment to imprison the term not exceeding 5 years or a fine or both. B) On summary conviction to imprisonment for a term not exceeding 6 months or a fine not exceeding statutory

maximum or both. 4 a person whose course of conduct causes another fear on these two occasions violence will be used against him as guilty as an offence, if he knows or ought to know he course of conduct will cause the other so to fear on each of those occasions. 2) the purpose of this section the person whose course of conduct is in question ought to know it will cause another to fear that violence would be used against him on any occasion if a reasonable person in possession of the same information would think the course of conduct would cause the other so to fear on that occasion. 3) It is an offence for a person charged with an offence under this section so show that A) his course of conduct pursued for the purpose of preventing a crime or detecting a crime B) his course of conduct seeing any enactment or XXXXX what comply with any additional requirement opposed by any enactment or C) the pursuit of this course of conduct with reasonable protection of themselves or another or for the protection of his or another's property. 4) the person guilty of an offence under the section liable A) on convictional indictment for imprisonment for a term not exceeding 5 years or a fine or both or B) On summary conviction to imprisonment for a term not exceeding 6 months or a fine not exceeding statutory maximum or both. If on trial on an indictment with a person charged with an offence on a deception the Jury finds him not guilty of the offence charged they may find him guilty under an offence under section 2. 6) the Crown Court has the same power and duties in relation to a person who is by virtue in sub section 5 convicted before it or as an offence under section 2 as a Magistrates Court would have on convicting him of the offence. 5.1 the court sentencing or otherwise dealing with a person the defendant convicted of the offence under section 2 or 4 may as well as sentencing him or dealing with him in any other way make an order under this section. 2. The order may for the purposes of protecting the victim of the offence of any other person mentioned in the order from further conduct which a) amounts to harassment or b) would cause the fear of violence prohibit the defendant from doing anything described in the order. 3. The order may have an affect for a specified period or until further order. 4. The prosecutor or the defendant or any other person mentioned in the order may apply to the Court which made the order fit to be varied or discharged by a further order. 5. If without reason the defendant does anything which is prohibited from doing by order under the section he is guilty of an offence. 6. The person guilty of an offence under this section is liable a) on conviction on an indictment or to imprisonment for a term not exceeding 5 years or a fine or both or b) on summary conviction to imprisonment for a term not exceeding 6 months or a fine not exceeding statutory maximum or both. In Section 11 of the Limitation Act 1980 special time of actions in respect of personal injuries after sub section 1A this section does not apply to any action bought for damages under Section 3 of the Protection of Harassment Act 1997. 7.1 This section defines interpretation of Section 1-5. 2. References to harassing XXX including the alarming the person or causing the person distress. 3. The course of conduct must involve conduct on at least two occasions. 4. Conduct includes speech. Scotland 8.1. Every individual has a right to be freed from harassment accordingly, the person must not pursue a course of conduct which amounts to the harassment of another and a) is intended to amount harassment on that person or b) occurs in circumstances where it would appear to a reasonable person and it would amount in harassment of that person. 2) An actual apprehended breach of sub section 1 may be the subject of claim in civil proceedings by the person who is or may be the victim of the course of conduct in question and any such claim should be known as actual harassment. 3. For the purposes of this section conduct includes speech, harassment of the person includes causing the person alarm or distress and the course of conduct must involve conduct on at least two occasions. 4) it would be an offence to any action of harassment showed

the course of conduct and claimed of A) it was authorised by under or virtue of any enactment of law, B) in pursuit of the purpose preventing or detecting the crime or C) was in the particular circumstances reasonable. 5) Did action of harassment cause delay without prejudice to any other remedies which it may grant A) Award damages B) Grant 1) Interdict or interim interdict 2) if it is satisfied that it is appropriate for us to do so in order to protect the person from further harassment an Order to be known as the Non Harassment Order requiring the defendant to refrain from such conduct in relation to the pursuant may be specified in the Order for such period which includes an indeterminate period as may be so specified but the person may not be subjected to the same prohibitions as a Interdict or interim interdict of a Non Harassment Order at the same time. 6) The damages which may be awarded as an action of Harassment include damages for any anxiety caused by Harassment of any financial loss resulting from it. 7) Without prejudice to any right to seek review of any liquidator a person against whom a Non Harassment Order has been made or a person for whose protection an Order was made may apply to the Court by which the Order was made for the revocation or variation of the Order and on any such application the Court may revoke the Order or vary it in such manner as it considers appropriate. 8) In Section 10.1 The Damages (Scotland Act 1976) interpretation in the definition of personal injuries after to reputation there is inserted all injury resulting from harassment actionable under Section 8 of the Protection of Harassment Act 1997. 9.1 Any one person who is found to be in breach of the Non Harassment Order made under Section 8 Skills and Defence and liable A) on conviction or indictment to imprisonment of a term not exceeding five years or to a fine or to both such imprisonment at such time and B) on summary of conviction to imprisonment of a period not exceeding six months or to a fine not exceeding the statutory maximum or to both such imprisonment and such fine. 2) A breach of the Non Harassment Order shall not be punishable other than through the Courts sub section 1. 10.1. After Section 18A of the Prescription and Limitations (Scotland) Act 1973 there is inserted the following section. 18B.1. This section applies to actions of harassment within the meaning of Section 8 of Data Protection Persons Act 1977 which included claim for damages. 2. Subject to Sub section 3 below and to Section 19A of this Act no action to which this section applies should be brought unless it is for a maximum of three years after A) the date on which the alleged harassment ceased or B) the date if later than the date mentioned in paragraph A) above on which the pursuer in action became or on which in the opinion of the Court it would have been reasonably practical for him in all the circumstances to have become aware if the Defender was the person responsible for the alleged harassment or the employer or principal of such a person. 3. Any complication in the period specified in sub section 2 above it shall be disregarded at any time during which the person who is alleged to have suffered the harassment was under legal disability by reason of menage or unsound mind. 2. In sub section 1 of Section 19A of that Act the power of support over-ride time limits. 4. Section 17 or Section 18 or Section 18A there is substituted Section 17, 18, 18A or 18B. 11. After Section 234 of the Criminal Procedures Scotland Act 1995 there is inserted the following section 234A. 1. Where a person is convicted of an offence involving harassment of the person the victim the prosecutor may apply to the Court to make a Non Harassment Order against the offender requiring him to refrain from such conduct in relation to the victim as may be specified in the Order of such period which shall be an indeterminate period as may be so specified in addition to any other disposal which may be made in relation to the offence. 2. On application of Sub section 1 above, the Court may if it is satisfied with xxxxxxxxxxxxxxxxxxxxxxxx if it is appropriate to do so in order to protect the victim from further harassment to

make a Non Harassment Order. 3. An Non Harassment Order made by a Criminal Court shall be made taken to be a sentence for the purposes of any Appeal and for the purposes of this sub section an Order includes any variation or revocation of such an Order made under Sub section 6 below. 4. Any passengers found to be in breach of the Non Harassment Order should be guilty of an offence and liable A) on conviction of indictment to imprisonment for a term not exceeding five years or to a fine or to both such imprisonment and such fine and B) on summary of conviction of imprisonment for a period not exceeding six months or to a fine not exceeding statutory maximum or to both such imprisonment and fine. 5. The Law Advocate and solemn proceedings and the Prosecutor and Summary Proceedings may appeal to the High Court against any decision by a Court to refuse application under sub section 1 above and on any such Appeal the High Court may make such Order as is considered appropriate. 6)The person going to receive a non harassment order is made XXXX or the prosecutor of which instance the order is made may apply to the court which made the order for its replication or variation and in relation to any such court application the court concerned may be dissatisfied on the balance of probabilities that it is appropriate to do so to provoke the order or XXXXXXXXXXXX but not so as to increase the period of which the order was to run. 7. For the purposes of this section harassment should be construed in accordance with Section 8 of the Protection of Harassment Act 1997.

GM concludes reading from his laptop.

GM I don't think it is relevant to read the remaining Sections 12, 13, 14, 15, 16 and therefore we have clarified I believe that you aware of the company's rules that you are aware that certain items of the allegations are related items which are patently clear obviously against the company's rules that it is clear to any reasonable person as a result of this that the intention behind this investigation amounts to harassment but such harassment is a criminal offence that I reported this matter to the police after the event and being interviewed by Superintendent Peter Moore, City of London Police and came up to Berwick on Tweed to do so and that you are knowingly proceeded with this meeting in the knowledge that you are committing what I believe to be a criminal offence. Can you confirm to me that you wish to continue with this meeting.

PS Yes I do.

GM Good.

PS I would now like to ask you some questions in connection with the first point which concerns the potentially defamatory e-mails regarding PricewaterhouseCoopers when the detail of this is allegedly you sent an internal e-mail claiming that the external auditors had acted unprofessionally and had been sacked who provided services for Scottish Widows. These lay the bank open to large financial penalties should PwC sue the bank for defamation or similar. I am passing to you Graham a copy of the e-mail you sent to Alan Hubbard on this matter. I want to point out a couple of points there which are underlined in the photocopy. You made the comments "either PwC are lying when they claim that the website report and by implication internet security is not relevant to the external audit" and that "also PwC were recently sacked as Scottish Widows penetration testers and the consultancy side of PwC have asked of PwC to obtain penetration test reports prepared by the companies". Can you please explain to me what evidence you had to put forward those allegations?

- GM Um, this was a statement made to me by a member of staff at Scottish Widows whose name I can't remember but he told me quite specifically that the auditor's team PricewaterhouseCoopers audit team had asked for penetration test reports. In his view there was no valid audit reason for asking for those reports and he speculated that they wished to view the reports of their successors in providing a service in order to evaluate how those reports might better serve their their own purposes. So I was repeating a statement made to me by a senior member of the IT security staff in Scottish Widows and I think I am merely restating what somebody else said. Mind you I do as a matter of fact totally agree with exactly what the man said I mean if as he reported the audit team were asking for penetration tests then there is no good audit reason for them asking for such tests.
- PS But did you have some specific records as to why you think they were lying? That is potentially quite a serious allegation. Was it based solely on the hearsay of another member of the department?
- GM The person who made the statement to me believed that the reasons they were not asking for the penetration tests reports were not for valid audit reasons.
- PS Okay. I just want to move on to the response that Alan Hubbard put back to you where he appears to have spoken to one of the partners at PwC who has actually refuted that. It implies that PwC's response indicates that your explanations appear to be unfounded. Is there any further evidence in the light of what they have explained that you have established to actually refute this statement?
- GM I am afraid Alan Hubbard's e-mail to me is absolutely meaningless to me. I received a statement from a member of staff who believed to be in possession of the facts and I repeated that statement believing it to be made in good faith. Whether it was right or wrong in detail I don't know as I said I received the information which I believe was given in good faith and I repeated it because I believed it was relevant in the circumstances.
- PS So just to be absolutely clear, you had no specific information that you received directly yourself which led you to believe that to be the case.
- GM I just said I had a statement from somebody who was a senior member of the IT security staff who should have been in possession of the facts. When he makes a statement I totally believe what he says.
- PS Thank you. I would like to move on to point 2 please Graham with regard to an incident alleging "disobeyed direct management instruction". It states that you claimed to your senior manager that the directors of Scottish Widows had committed perjury in connection with the additional account and were instructed to raise this with the senior audit manager responsible for Scottish Widows who is Andrew Jarvie but instead you spoke directly to Richard Keers the PwC partner which was against the request that was made to you". So I just want to ask you firstly did you actually make that claim?
- GM I did not say that the directors of Scottish Widows had committed perjury I said they may have committed perjury in a court of law. I said they may have also misled their

policy holders, being the Scottish Widows policy holders. Of course it was not just the Scottish Widows directors it was also the Directors of Lloyds Bank. My personal belief is that the Directors of both companies did actually knowingly mislead the policy holders of Scottish Widows and they misled the court of law to approve the demutualisation arrangements. This matter has been escalated and is now in the hands of my MP and will be taken further.

PS At the time you made the statement within your note that you have there to Alan Hubbard you did say that "I have been very careful to make it quite clear that I have not carried out a full investigation into this matter and I am quite prepared to accept that I do not have the full facts". So what was the basis of the evidence that you had at that time which led you to make that statement that there may be a case of perjury?

GM Um, well I haven't carried out a full investigation. I think that is obvious and I make it clear that I haven't. I don't have the remit to do so or the authority. I don't have access to the information and I believe that the facts largely speak for themselves. The directors of Scottish Widows must have known that they have approximately 200,000 guaranteed annuity policies and at the time that the Equitable Life case was going to the House of Lords they knew I believe the size of the liability which was one and a half billion pounds and therefore my belief is that at the time that the Equitable Life were appealing at the House of Lords the directors of Scottish Widows became aware that if the House of Lords decision went against Equitable Life or any other life company it would be in serious financial trouble. They therefore said that if this decision goes against Equitable Life we are going down the tubes and we had better do something pretty quickly. I believe that they realised that one of the options of getting out of this was to get themselves under the wing of a major financial institution namely Lloyds TSB to help them pretty darn quickly and that is exactly what they did and my belief is that they knowingly provided one and a half billion pounds provision as part of the take over process referred to as the additional count in the knowledge that if the Equitable Life decision went the wrong way one and a half billion pounds was likely to be needed to meet the guaranteed annuity rate liabilities. As indeed it turned out it was and so I think even on the facts that I am aware of and people that I have spoken to at the FSA, Police and other people like this I make exactly the same point. I have never had access to privileged information but the facts speak fairly clearly and I believe that any reasonable person who became aware of these facts would come to exactly the same conclusion. Namely that in effect the directors of Lloyds TSB and Scottish Widows hoodwinked their policy holders out of one and a half billion quid and that is what I believe actually happened. I further believe that I have a public duty to ensure this matter is disclosed properly in the public domain and I will pursue that duty as far as I have to. So I am not really concerned whether the FSA say we are not going to investigate this or not because actually I think well what's the worse for them because if they don't I will take the matter to my MP and if he does not do it I will go further. I will go on until I have done what I believe to be my duty so I am not actually that concerned by the actions and individuals including this matter along the way because I am absolutely positive of the outcome maybe that I will make this matter public and when I consider it appropriate to do so and I am pursuing every reasonable course of action to bring this matter to the attention of the appropriate authorities and I raised the matter initially to my own line management I have asked the advice of the Ethics Advisory Service of the Institute of Chartered Accountants. He said to go to the external auditors which I did in spite of the fact that I have reservations about them as

they were clearly involved in the demutualisation process and must have known about this whole business and did not do anything about it and so I did not expect my approach to PricewaterhouseCoopers to be fruitful which it wasn't and I referred the matter also to Alan Hubbard or at least he became aware of it or I knew he had become aware of it and I referred the matter to the Chief Executive of the Bank, the Head of the Audit Committee of the Bank both of whom refused to get involved. I have referred the matter to the FSA and my MP and it is currently in their hands. At the FSA I have no confidence in their wishing to investigate this matter further for a very obvious reason namely that they knew very well at the time of the Equitable Life crisis every other life company was selling the same guaranteed annuity rate policies and that many of these life companies had liabilities that were bigger than Equitable Life. Scottish Widows is a good example so I believe that Equitable Life has something like 90,000 policies and a liability of up to a billion and that Scottish Widows has something like a 1,000 policies and a liability of one and a half billion and other life policy companies would have been in a similar position. It is a question of course that naturally rises as to how on earth these vast liabilities are to be met. Who has ended up paying for them. The common sense is pretty obvious - it is the poor old ordinary policy holders. Some of these companies have been taken over by other companies, Sun Life I mean Scottish Life, Scottish Mutual are examples and they have just been debranded I believe by their company. Other companies have chosen to face that matter on their own and in secret and I believe Standard Life is an example of that and Standard Life's viability has been called into question recently and so what I am getting at is the FSA are well aware of what is going on and simply didn't want to face up to the crisis of a financial scandal of that proportion and therefore took no action. Therefore their reaction to my concerns is entirely what I expected it to be of course I am pursuing it until they do what they are supposed to they have their jobs and I have a public duty to make sure this information gets to the right people which is ultimately to the public you know that given that I am prepared to listen to people who may say Graham you're wrong for the following reasons. I am quite prepared to listen to that but currently they have chosen not to follow that course. They thought they would try to scare me off and harass and bully me into leaving and being quiet but unfortunately they have picked on exactly the wrong person to do that with and so I continue. As far as this particular allegation is concerned about disobeying a direct manager's instruction, Roger Cooper is lying and I can prove he is lying because what actually happened and I will explain to you is that I raised my concern with him about this matter. I very broadly explained to him what I have just explained to you and his reaction was "you are an IT auditor this is way outside your remit" were I think were his exact words when I raised this with him and he said if you wish to pursue this as a private matter with the Head of Internal Audit within Scottish Widows do so. He's known as the poisoned dwarf, I can't remember his proper name.

Tape Ends

TAPE 2
GRAHAM MILNE – 2ND OCTOBER
INTERVIEWER – PAULINE SEARS

12.05

PS Before the tape stopped there Graham you were just talking to me about a statement made by Roger Cooper who asked you to take it up with the Head of Audit at Scottish Widows if you would like to continue please.

GM That is correct as I explained to you Roger Cooper did not instruct me to take it up with the Head of Audit of Scottish Widows Andrew Jarvie and he says “this is way outside your remit if you wish to raise it as a private matter with the Head of Internal Audit you may do so”. I considered doing this and actually drafted several letters to Andrew Jarvie but came to the conclusion that Andrew Jarvie would do nothing and I therefore ultimately consulted the Ethical Advisory Service of the Institute of Chartered Accountants in this matter. As to proof of Roger Cooper’s lying I believe it is just a matter of ordinary common sense actually you see the poor man has rather what you might call hoisted himself by his own petard because it refers to a management instruction in the single okay. You have to say to yourself well that sounds very odd and the first point is that if Graham Milne repeated disobeyed instructions that would have been put in here wouldn’t it because it is a lot more serious than ignoring one instruction so we could take that as the truth there is only one alleged instruction. Now we are dealing with a matter here where potentially the company has hoodwinked its policy holders out of one and a half billion pounds and where the directors of the bank and the Scottish Widows have committed perjury. This is not a light hearted matter. It is actually extremely serious. Are we therefore to believe that Roger Cooper never raised this matter again after the initial instruction so there was no repeat of the instruction he never followed it up. He never came back to me and said Graham about that instruction that I gave you what do you know about it? And I say nothing. You’re a naughty boy I am giving you the instruction a second time and then when I didn’t do it a second time he would say this matter is serious and if Graham Milne isn’t going to raise it I have to raise it myself. Now none of these things happened. Apparently Roger Cooper is asking us to believe that he told me it says here management instruction you raise this matter with Head of Audit Scottish Widows and then afterwards did absolutely nothing. Do you honestly believe that can be the case. The answer is “no”. The whole thing is a tissue of lies and it is an obvious tissue of lies because if Roger Cooper had genuinely intended me to raise this matter with the Head of Audit Scottish Widows and, given the seriousness of this matter, he would not have issued one single instruction and then forgot about it. He would have made dammed sure that I actually did what he had asked and if I didn’t do what he had asked would have pursued the matter himself. The fact that he did not give any second instruction he has admitted here by referring to a single instruction and the fact that he did not raise it with any other person let alone the Head of Internal Audit Scottish Widows proves beyond any question of doubt he is lying. So what you have here is a senior manager of the Bank using the Bank’s internal procedures against one of his staff and he is lying when he does it. So this amounts not only to a criminal offence under the Harassment Act but it is also harassment under the Bank’s internal procedures. Now Roger Cooper knows exactly what is going on here. He

knows that this matter I have raised is very serious he knows that if the truth is out he will be out of a job and out of his whatever little institute he is a member of so quick his feet won't touch the ground. So he is now trying to get at me and he is turning the truth on its head to do so. But I know what the truth is and I think it is pretty bloody obvious to anyone with an ounce of common sense I cannot possibly be telling a lie in this matter and therefore this item is actually extremely important because it is proof that Roger Cooper is lying and I will give you absolutely every guarantee that I will pursue this matter until it has reached a satisfactory conclusion.

PS Just taking it a step back on this for a moment as you pointed out nearer the beginning this was an allegation based on certain (*interrupted*)

GM It was not an allegation that I was raising. I had been put on enquiry which is what auditors do and when auditors are put on enquiry they either carry out an investigation if they have the authority to do so or where they don't have the authority they notify others who do have authority so I was not making allegations I was telling people that I had been put on enquiry by certain facts and circumstances and actually instituted other people to investigate them and I have made this clear to the FSA, to the Chairman of the Audit Committee and everybody else. Now my job consists of making sure they do it and I am quite prepared to go on until kingdom come to make sure they do do it. You see the dear old Head of the Audit Committee of this bank is some chap in Scotland and I haven't communicated with him for about 7 or 8 months now he probably thinks I have disappeared and he is making a very serious mistake because by no stretch of the imagination have I disappeared or have I forgotten the fact that he has failed miserably nor have I forgotten the fact he is a member of the Institute of Chartered Accountants in Scotland and I will be making a formal complaint to that institute at the appropriate time. So however long it takes I will pursue this matter to a successful conclusion because it is in my public duty to do so and that as I repeatedly say is the basis on which I am acting. I believe I am protected by the um what do you call it – The Public Interest Disclosure Act.

PS Just coming back to your decision not to talk to the Head of Audit Scottish Widows. Clearly, you personally identified certain pieces of information that you then wanted somebody to investigate. What was your chain of escalation within the bank before deciding to go outside?

GM I don't remember the exact chain of events because I do not have access to the relevant information I mean this pile of muck on the right here is completely impossible to organise, analyse or whatever.

PS For example Graham on the e-mail that I have given you there is a note on Alan Hubbard's response to say that the first he knew about it was from PwC partner it would appear so I am just wondering who you actually spoke to internally before you started ... (*interrupted*)

GM The chain of events was that I raised the matter with Roger Cooper who said I could go privately to Andrew Jarvie. I came to the conclusion from my knowledge of Andrew Jarvie that he would do nothing about it I then sought the advice of the Ethical Advisory Service of the Institute of Chartered Accountants who advised me to go to external auditors. I followed that advice and then the matter came to the

knowledge of Alan Hubbard and as I said no-one within the bank was prepared to take any action, at least proper action, about these matters and I have also expressed reservations to the Ethical Advisory Service that PricewaterhouseCoopers would not investigate the matter properly and I was right on both counts because the reaction of the Bank was to try and harass me rather than investigate the matter and PricewaterhouseCoopers have done nothing but of course they also eventually will come under investigation for failures in this respect.

PS Okay thank you for that. Can we now move on to point 3 which refers to an item whereby it is stated that you referred to your senior manager an allegation regarding "a conversation you had overheard in the office allegedly involving at some undetermined time in the past a person who went to a party at a Russian's house where there was a kalashnikov rifle with implications of terrorism" and you were asked to take the matter up personally with the Police. You subsequently raised this issue with a partner of PwC implying internal management had not supported you with matters of national security. You also e-mailed the Group Audit Director claiming that your Head of Department committed a criminal offence by not helping you to raise the issue further. Again there is some correspondence there on the original e-mail that I passed across to you a little while ago. I have just got a few questions that I want to ask you about that. Right, firstly, did you over hear a conversation in this regard or were you involved in the conversation itself regarding this allegation of terrorism?

GM I was being spoken to directly.

PS Could you please elaborate for me on what actually took place.

GM Well I was in the office. Alan Rennie, my Manager, was away on holiday for a few days and I was discussing with another member of staff Alan Rennie's political persuasions because he is an extremely secret person but I was aware that he was involved in some kind of extramural activity I was not quite sure whether it was the SMP or Labour Party or Liberal or whatever. I mean nothing more than curiosity because he seemed to be so secret about it I was curious to know what it was. So I was asking this other member of staff whose name I can't remember and I mentioned the Scottish National Party and there was also opposite me a chap called David Braithwaite sitting there so there were three people involved in this conversation. While we were doing this one of the senior managers came up whose name I can't remember a lady, no woman, I wouldn't call her a lady. Do you have a staff list for Scottish Widows?

PS No I'm sorry.

GM Anyway she came up and stood behind David Braithwaite and told us the story about I believe it was her younger sister who at some unspecified time in the past I am not sure whether it was a short time ago or a long time ago had got involved with the SNP and with the Extreme Wing of the SNP and during this involvement she had apparently met somebody who I think was referred to as a foreigner, a Russian possibly, and she had ended up in a flat in Aberdeen where she had seen a kalashnikov rifle. Now I find this quite extraordinary because patently you are dealing with what looks pretty obviously a criminal offence being in possession of

firearms of that nature. Secondly I found it odd that a woman should make this statement to me in the knowledge that I am ex Royal Marine and was hardly likely to ignore such a statement so I found it rather odd. However I had to accept the information at face value so what do I do about this? Um I felt I could not really raise it at Scottish Widows or with my manager not within Scottish Widows because I consider the Scottish context of the SNP related issue rather sensitive so I could not raise it with Alan Rennie because he may have had political persuasions towards the SMP although I am not saying he is making bombs or anything like that. So I decided to raise it with Roger Cooper which I did and I have information somewhere on the date of the meeting which I raised it and he said well leave it with me Graham I have a friend in some team in London - I cannot remember their name.

PS You are referring to the National Criminal Intelligence Service.

GM National Criminal Intelligence Service that's it. He said I have got a friend in NCIS I will speak to him to see what he says. Some weeks later I had received no reply from Roger Cooper so I wrote to him and said well have you followed the matter up. Roger Cooper wrote back to me and said an extraordinary thing along the lines I have decided that I have no responsibility in this area. Now I have read the Ethical rules of the Institute and I think I have also looked at some of the law on public duty and related issues on the internet and I come to the conclusion that really we have a legal duty to report this matter and as an employee of the bank I was doing precisely the correct thing in reporting my concerns to my seniors but Roger Cooper had declined to take any action. I believe I then wrote to Howard Monks explaining the situation and Howard Monks wrote back and said words to the effect that he did not think he was responsible or something like that which I believed to be blatant nonsense.

PS And did they ask you to take it up personally?

GM I don't remember. Um At some stage I believe I referred the matter to Alan Hubbard however it became clear that my management for whatever reason were declining to take any action so I thought that what I what I would do - I have friends in the SDS - I thought I maybe ought to ring them because they have direct contact with the relevant people but I didn't. I phoned up Scotland Yard and said "can I speak to your terrorist people". I got through to somebody, I explained the situation and he said thank you very much we will look into it and that was the end of the matter. Except of course the day I was suspended an attempt was made to remove my portable computer and I believe that that computer contained evidence not only of a potential criminal offence relating to the people who actually may have had these weapons if that is the truth, but also the failure of my management as individuals I believe to do their legal duty. So they may be guilty of a criminal offence. Part of their motive in trying to suspend me and get hold of my PC may have been to destroy evidence so I therefore phoned the police and got them to take away the PC and that was the last of that matter.

PS I want to ask you whether you were personally present during this discussion?

GM Yes

PS Why did you personally not decide to go to the police or seek the advice of the people you knew in the SDS to get advice directly to pursue the matter?

GM Because I believe the best thing to do was to report it to management.

PS Why did you think that in this case?

GM Because I believe the company rules and company policies make it clear that um you know misdemeanours suspicions etc should be reported in the first instance to the management of the company and I believe the general thrust of regulations and rules is along those lines and you know I believe I acted entirely appropriately on that basis.

PS Okay thank you.

GM I mean if you have suspicion about money laundering you don't go and report it to the police as a little clerk you report it to the appropriate person in the organisation who has a responsibility to follow it up. As it happened of course we actually had a contact with NCIS so it couldn't have been better. I wasn't to know that he was going to refuse to do anything about it but it seems I did precisely the right thing. I referred it to my line management my line management who had the appropriate contacts to follow the thing up but declined to do anything about it.

PS Okay. So just in terms of the feedback you had following the report that you made have you had any feedback at all from law enforcement about it?

GM Um I discussed the matter with Superintendent Peter Moore City of London Police but beyond that no.

PS That's okay. Thank you.

GB Can I just check something here.

PS Please do.

GB You reported to the Terrorist Section of New Scotland Yard.

GM That is correct.

GB And then subsequently to City of London.

GM Um no. Superintendent Peter Moore came up to take a statement from me in relation to my um belief that I'm being ... you know ... er ... a criminal offence. I explained this matter to him because I found the whole thing rather curious and I put to him the possibility of things actually being a set up job in order to attempt to discredit me in something so outrageous and unbelievable that nobody would believe anything I said afterwards which is not entirely dismissable.

PS Okay. Thank you. Is there anything else on that point.

GB No.

GM Um. Well yes I find it - I mean the point about this is that I mean you know clearly when these notes are read by others you need to stand back and sort of look at the basic facts here. You have got a member of staff who becomes aware of such information which he believes indicates the existence of a criminal act and he does what he believes to be to follow the correct course which is to report it to his management who refused to do anything about it. He is then driven on his own responsibility to pursue the matter himself with the authorities which he does in spite of the fact that he is a heart attack victim suffering extreme stress. Another factor the management should have taken into account and clearly should have taken action to take this matter off my shoulders. Having done this what is management's reaction? It is to launch an investigation under the auspices of the Group Fraud & Security department choosing to quote inappropriate conduct. Now that adds up to quite a little I don't know what. I found it quite fantastic and I find it amazing that you sit here quite happily taking part in this outrageous and ridiculous process because I know exactly what I know and I am 100% confident of the truth and I know precisely what is going on and I believe you know what is precisely going on.

PS Yes it is a fact finding interview where you express your views and your information in response to these questions.

GM This is not a fact finding interview it is an attempt at harassment disguised as a fact finding interview and I think it should be obvious to you that this is what this amounts to because we have number two which is quite demonstrative we have number three where I am being attacked for actually doing what I believe to be my legal duty and so on and so on. I mean it is just a complete farrago of lies this lot. If I was you I would simply refuse to have any association with it whatsoever but you don't have the courage of your convictions.

PS Right if I can now move on to point number 4 please. Did you disobey a direct request to issue the web audit file in final form?

GM Um where does it say that.

PS This is point number 4 which says you refused a direct request to issue the web audit report under your name because management had altered the wording in the report.

GM Um I don't remember a direct request but it's an odd term direct request isn't it. One Doesn't normally sort of request a member of staff to issue audit reports - you instruct them to issue audit reports. Um however it is really rather irrelevant because I made it clear that I was not prepared to have my name on that audit report.

PS Why is that?

GM Because the audit report was in my view watered down, had been watered down, by my line management to such an extent that it had become misleading and again I am sorry to say I sought the advice of the Ethical Advisory Service of the Institute of Chartered Accountants and they said you are absolutely right. If you have reservations about this audit report don't sign it. So I made my position clear that I was not prepared to be associated with this report.

- PS So what happened next then - in terms of the fact that you were not happy to be associated with it. What actually happened to the report? Was it changed at all, or did it go without your (*interrupted*)
- GM The report went as issued in the amended form and it was in my view highly misleading and when I say misleading I mean that the line managers in Group Audit were deliberately misleading the senior management of Scottish Widows about um potentially serious issues concerning the security of their internet services amongst other things and that is a pretty serious matter as well.
- PS I understand that the report was changed so that your name was removed as issuer and therefore you were asked to issue the report without your name being associated with it.
- GM I don't remember but you see if I had been advised or reached the view that I am not prepared to have my name on a report I am not either prepared to send it out myself because I do not wish to give the impression to anybody that I am in anyway agreeing with the contents of that report. Now if you remove my name from the report but then say - I tell you what we will do, we will get Graham to send it out - that could be taken by people receiving the report that well since Graham has sent me this thing he must support its views which is not the case. Therefore I have to be very careful ... if I am saying, if I reach the viewpoint that I do not wish to be associated with the report I have to be careful not to do anything that could be construed as approval or agreement and I think if you read the ethical guide of the institute you will find the matter covered there - that you should not undertake any action that could associate you with, you know, something that you disagree with or believe to be untrue or whatever.
- PS In terms of having spoken to the Institute have they get involved in any further matters where, for example, you have sought their advice?
- GM Oh yes um. They certainly could because I believe they could I mean they are paying for some of my legal costs but as you know if people are members of professional bodies - they have to be members of the institute and I know that most people in Group Audit aren't actually qualified any more um but if they are a member of a professional body such as the Institute of Chartered Accountants and they are accused of professional misconduct then clearly the Institute should pursue that matter. Similarly if a firm of chartered accountants and auditors of the Bank have matters brought to their attention such as this and of course what was partially or largely important about this website was not actually the website itself it was the fact that it was demonstrative of a systematic weaknesses within senior management within Group Audit i.e. we are talking about a culture which will not tell the truth or was prepared to lie - now that is important to external auditors by any stretch of the imagination and if that was brought to their attention by another member of the Institute and they failed to investigate it as they did then that matter becomes a matter of professional misconduct on the firm and that is another matter that is outstanding.
- PS Is that something you are pursuing with the Institute?

GM I will pursue it with the Institute.

PS I see, so just to be absolutely clear (*interrupted*)

GM There have been limitations as to what I could do. Clearly I have not been sitting on my bum for the past nine months. I have been to the FSA repeatedly while you would do nothing about it and I have taken the matter to my MP before going to the Treasury Select Committee and I have been to the police with the harassment act and I have been up to the Police Complaints Authority and my MP in relation to that and that is still being pursued and I will go on until that reaches a satisfactory conclusion um but with regard to the behaviour of people like Alan Rennie who is a member of some Institute of Internal Auditors or whatever I believe it would be difficult for me to stop making complaints about that well founded complaints about people like him before I have finalised this particular process.

Brief interlude while Graham replaces his own tape.

GM So the answer to your question is yes I will pursue the matter with the Institute with regard to PricewaterhouseCoopers and I am also going to pursue the matter of the Head of Audit Committee with the Scottish Institute and I am also going to pursue the lack of conduct of Howard Monks and Roger Cooper and Alan Rennie with their appropriate institutes of internal auditors and all these sorts of people in relation to a number of issues. You know - false allegations about misleading audit reports, direct lying in audit reports which is another good one and so on and so forth. So there is a lot of work to be done I am afraid.

PS Thank you. Shall I go on to the next point.

GM Yep.

PS Point 5. It is stated that you were specifically asked to issue the list of operating environment terms of reference in draft format to allow Alan Rennie to discuss this with the Head of IT Head of Service Management and Alan Rennie explained this precaution to avoid a repeat of the problems when the terms of reference were issued previously, which it is alleged you accepted but instead you issued the draft terms of reference on the same day. Normally two weeks should elapse between draft and final. Can I ask you to explain please why you did that?

GM I think that was a mistake actually I think I pressed the wrong button you see I can't remember the full facts here.

PS There are a couple of e-mails to you Graham just in terms of what is recorded electronically (PS shows GM copies) um you can see in the first instance on the 6th September 2.17 an item was sent and then at 2.30 an item was sent stating the word final -- this was reiterated a couple of times.

GM Where does it say that?

PS On the front page you can see under the subject heading Final is added in brackets and also the second sentence says final version.

GM Yes that doesn't mean that I meant to send it.

PS Indeed. I am asking (*interrupted*)

GM I may have drafted it.

PS What has happened there?

GM I thought it was fairly obvious that somebody issues a draft terms of reference you know they usually do so to ask people for their comments don't they? If somebody immediately issues a final without getting any comments I would have thought that it was fairly obvious that they actually probably did so by mistake.

PS So what action did you take subsequently? I couldn't find any sort of electronic correspondence which said you, perhaps for example, sent out an apology that said that this was a mistake?

GM I don't remember. I think I may have discussed the matter with Alan Rennie and said well is it really worth pulling back. I don't know - I think he wanted it pulled back so I think he might have been away at that time but you see I think this is a good example you know of something which is really rather minor um and has been pulled in in an attempt to make some sort of awful crime out of it but I regard it as just another example, probably useful example actually, of an attempt by Roger Cooper and Alan Rennie to dream up anything they possibly can against me. So I think we can leave it on that basis.

PS Okay. Thank you. Right point 6 to do with use of templates for the audit reports.

GM Is this against company rules?

PS I must ask you the question on this. "GM criticised the specific Scottish Widows report template and refused to use it despite this being the standard required by Scottish Widows". So I wanted to ask you - when you commenced in your post did you receive induction training on the Scottish Widows audit procedures?

GM Um I received some I suppose that you could call it training yes.

PS So why did you not follow the practices in producing the report?

GM I don't think you can make the assumption that I was given specific instructions in relation to the use of that specific template. I think it unwise to make such an assumption.

PS I am not making an assumption. I am just asking you why you didn't use it?

GM I think the broad issue here is that there is a problem with report templates because I think you get them automatically downloaded as part of your notes system or something and um I do remember Alan Rennie trying to tell me that "this is the latest I've got and I'll send it to you" or something. But in fact it turned out that the

template I had was later than his so certainly there was a bit of a communication problem. You could say that Scottish Widows is refusing to use Lloyds Bank's report template which of course is true because Group Audit has its own template and they expect audit reports within the Group to be issued in accordance with those templates which is what I tried to do. Scottish Widows says we are not doing that we are going to have our own template and I would point out actually that after that, the Scottish Widows template were amended in line with the Lloyds Bank Group templates and all the little Scottish Widows logos and stuff were taken off. However I am you know, perfectly willing to use and did not have any hang ups about using one template rather than another but I do believe that there was certainly a lot of confusion that arose with using templates because um you know my understanding basically was quite clear - that Lloyds Bank Group Audit had a particular template and that really was the end of the matter but that doesn't mean that I refused to use the Scottish Widows one. I did use the Scottish Widows templates as far as I remember. I mean are you trying to catch me out on some other little e-mail or something?

PS It is not a question of catching you out. It is trying to clarify exactly what happened. There is an e-mail here I will give you a copy of that if that helps. What is not clear to me is that on the one hand we have got a comment from an extract from your meeting minutes of the 2nd October with Alan Rennie which points out that he (AR) had to make various changes to the recent desktop operating environment terms of reference. Your response appears to be, you know, questioning the use of Scottish Widows' template - challenging that and stating that you believe that the Scottish Widows style is not in accordance. So from that point of view you were asked to complete the ToR in a particular way - in the Scottish Widows style and yet this response that you have given appears to imply that you were disagreeing with it. I just want to understand *(interrupted)*

GM No No No. I mean the thing is

PS Whether you completed it in that way.

GM Basically if somebody wants me to, if Scottish Widows Internal Audit want me to, use a particular report template I am quite happy to do it. I mean I may criticise it if I think its inefficient or whatever. Also what I think is very inefficient is supposedly well qualified managers sort of making minor grammatical corrections to audit reports. What is even more inefficient that happens repeatedly is where you get one manager making some amendments and you get another manager making different amendments so the poor sod who has drafted it has got two people to satisfy each with different amendments some of them amending each other. I mean I have literally spent weeks in Treasury Division with this problem of managers within Internal Audit all coming up with different corrections at the same time I mean it is absolutely bonkers and a huge waste of time. But basically I have no hang ups about using a particular report template and if that is what people want me to do although I might point out as I did that in fact the situation was to correctly that as I have said Lloyds Bank Group Audit has a report template which should be used throughout Group Audit and therefore it is not me who is actually in the wrong but it is Scottish Widows and I stand by that

PS Okay.

GM Not as I said I am just making that a technical point when it was not actually any point saying well you are not doing in accordance with the banks therefore I am not doing it that such implication would be untrue and again of course it is another example of a very minor matter where in fact (end of tape warning alert ends discussion).

TAPE 3
GRAHAM MILNE – 2ND OCTOBER
INTERVIEWER – PAULINE SEARS

Time 12.50

- PS Before the tape stopped there Graham you were just talking about, I think your last words were along the lines of a minor matter re: audit report. If you wanted to continue
- GM Well yes, this is another example like the previous one of Alan Rennie and Roger Cooper taking the matter, turning it on it's head and trying to use this as an allegation against me. The real situation is of course that I was actually correct, Scottish Widows were in the wrong and they were using the wrong templates as is proved by the fact that they were later instructed to use the proper ones i.e. the normal Group Audit ones, um and I was also of course actually helping, you know, improve processes by pointing out that the method of producing reports, you know, was incredibly inefficient because it involved managers making minor grammatical corrections and this involved different managers making different corrections thereby simply confusing the poor sod who is preparing the report and therefore actually what I was suggesting was an improvement in efficiency and this has all been turned round and made into some sort of crime, and this of course a matter that I will be pursuing in future.
- PS Just to clarify and to go back to the original point, are you saying that you did not refuse to comply with the use of the Scottish Widows Audit templates. Is that correct?
- GM I did not ever refuse to use a template. I may have criticised them, I may have actually not done so by mistake or whatever but I don't think I ever refused by saying "I am not using that template".
- PS Thank you. Anymore on that or shall we move on to the next one.
- GM No.
- PS OK. Point 7.
- GM Except of course that it's contradictory but that it actually says incident title 'unwilling to comply' and then it says in the detail 'refuse to use' so which is it? Did I refuse to use it or was I willing?
- PS Well let's ask you both questions then, I mean ...
- GM Well clearly management can't make up their own bloody minds. So let's go onto the next one.
- PS With regard to incident title 'Defamatory Statement' it's alleged here that you answered the telephone and responded to the external caller's request to speak to Alan Rennie by saying 'He's in Prison'. Can you recall this incident? I have got copy of a note that

was sent from the lady in question, I think she was from the HR Department. About this matter but do you remember doing this?

GM Oh yes.

PS Can I just ask you when the lady first called, did you know who she was?

GM No I assumed it was an internal call. But it says here it was external. External meaning...

PS I assume external to the department.

GM Oh the department.

PS I assume. But none the less, in terms of the person who actually rang, did you know that person? Who they were?

GM So by that they are in the same building? Is she in the same building?

PS I wouldn't know, I wouldn't know if they would be in the same building or not.

GM You said HR, a member of HR.

PS Yes.

GM So she is an employee of the company, the same company.

PS An employee of Lloyds TSB.

GM Working in the same building.

PS I don't know if HR are in the same building.

GM And they referred to that as an external, is that what they do, yes?

PS Well it depends on how you want to interpret 'External' but could we concentrate on the question and on the facts.

GM No it's obviously, no no, we will concentrate on the question, because they, this is another attempt to make something look as bad as possible by calling somebody from another department in the same building who is an employee of the same company an external call or patently, I should excuse my French that is a load of bollocks, it is patently an internal call and this is another attempt by Roger Cooper and Alan Rennie to take something that was actually a joke made to somebody who I believed to be an internal member of staff who actually turned out to be a member of staff and so they are taking what was basically a joke and they have turned it into a matter which they 'were going to get Group Fraud and Security to Investigate'. That is another example of harassment, it is another example of something I am going to have to pursue. OK, because I mean you know, this use of the word 'External' is patently a lie in anybody's book, because it should say oh well it depends on your interpretation of External,

external could be the next row of desks, external could mean the next sub department, external could mean the next building, but we all know what external means, it means somebody who is not within the Bank and this person they knew damn well that this person was within the Bank, so why do they twist the words and use this kind of terminology? The answer is obvious because of an attempt of harassment and as I said I will pursue it.

PS The questions I have to ask you Graham - actually I do not use the word 'External' or 'Internal' at all, I am just trying to establish (*interrupted*)

GM Well you bloody well should because that's what's important.

PS I think what's important is understanding if you did it and if so why.

GM I told you, it was a joke. I would have thought it was obviously meant to be a joke, it was said in a jokey fashion.

PS Yes but did you know this person and did you know them well enough to have a joke with them? Well it could have been anybody internally or externally. Would you normally make jokes to people when they first ask to speak to somebody?

GM It depends how jokey I'm feeling. I don't often in my employment feel very jokey, but sometimes I do, and therefore I make jokes.

PS So you think that was acceptable conduct?

GM Oh yes, I believe it is acceptable to make jokes at work and I don't expect people to take it seriously and what I believe is not acceptable conduct is to turn what was intended to be a joke and dress it up by lying, calling it an external call when it wasn't and dressing it up and turning it into an allegation which is then investigated by Group Fraud and Security, that is not acceptable.

PS Just to reiterate I am not here for the Department of Group Fraud and Security, I am here independently to conduct the fact finding interview.

GM No that is not true. I don't believe you.

PS You are entitled to your opinion.

GM If you had been you should have explained that to me at the point at the beginning of the first interview because it was a very important point and you didn't and my belief is that you were called in precisely because you were actually in Group Fraud and Security and this was intended to harass me, to cause me stress and in the knowledge that I have had a heart attack and is suffering from severe stress already and possibly to force me out of the company and I believe that this is the same conclusion that the jury would eventually come to when they listen to this tape.

PS Well you are entitled to your opinion obviously.

GM And I am going to enjoy my opinion believe me.

PS Moving on then to Point 8 which concerns the WEB Audit closeout meeting. Did you decline to attend the WEB Audit closeout meeting?

GM Um. I don't remember which meeting this is. Do you have a date? Who was it with?

PS Let's have a look. (Pauline searches through her papers). No unfortunately I don't. I don't have those details with me. So you are saying you can't recall.

GM Are you actually mad. You are seriously asking me to answer an allegation you don't even know the bloody date of the meeting, you don't know who it was with. If I was you I would go back to these people and say 'who the hell do you bloody well think you are'. If you are going to make allegations at people, against me, at least you can do is tell me the bloody date and the bloody person. I mean if you come to a meeting supposedly to investigate this.

PS No I am not, I'm not investigating.

GM You haven't bothered to find out the basic facts about this allegation, am I right in that?

PS No you are not right. As I say I am hear on a fact finding exercise.

GM Do you know the date of the meeting?

PS No I don't know, but I am asking you if you recall and if you, if you decline (*interrupted*)

GM How am I supposed to recall something that say happened what possibly a year ago, more than a year ago?

PS If you don't recall then we will leave that to one side, if you don't recall that's the end of the matter isn't (*interrupted*)

GM No it isn't the end of the matter, because I don't expect you to come to this meeting so badly prepared. I don't expect what is patently a vague and meaningless allegation to be made against me and for it to be accepted in any form. I mean the very least that I can expect, or any one can expect, is if an allegation is going to be made the basic facts of that allegation are known. You don't say 'you refused to attend a meeting'. Is that reasonable, do you consider that reasonable?

PS I am asking you a question. Any question is reasonable and you have a right to say no or refuse.

GM That is why I am asking you that question. Do you consider it reasonable to say I decline to attend a meeting? There is no date of when the meeting was or who it was with.

PS As I say I reiterate I asked you a question which you are free to answer as you wish.

GM Well I can't answer that question on that basis, and it ought to be damn obvious to you. Somebody who is supposed to be experienced in these sort of things, that that would be the case. In fact I am appalled by your lack of professional standards without a doubt. Um. I will try and answer this at the best of my ability because I am an honest man and will go ahead on that basis. Um. It may be that I was unwilling to attend a Web Audit closeout meeting, I do remember Alan Rennie asking me whether I wished to attend a meeting which I believe was of that nature, and I said that I would rather not do so because of stress. Yes because I had met severe obstruction during the course of the audit which meant that I was unable to form an opinion which I have stated in my report which had been amended by management etc etc. So the basic problem with that audit was an obstruction. OK, and therefore what I am saying is that some of the auditees had made my life as difficult as possible. In the knowledge that I started on the 1st January having had a heart attack 3 months before. They immediately said we don't give a fuck about that. We are going to make this guy's life absolute bloody hell and that is exactly what they did. And to come to the end of the close out meeting I say to Alan, Alan says to me 'do you want to come along to this meeting?' and I say 'actually I really would rather not' which is hardly surprising in the circumstances. And then that is also turned in to an allegation by turning the facts on their head and lying in writing and making a false allegation against another member of staff and yet again saying we'll get Group Fraud and Security to nail this guy about this and the whole thing is a farrago of lies. Is that clear?

PS Yes it is noted.

GM And this is another matter I will be pursuing. OK.

PS That is absolutely fine.

GM Good.

PS The purpose of the interview being taped is that your comments can be clearly documented.

GM These people will read the transcript of this report because there is absolutely no way on earth that I am not going to pursue this. Absolutely no way. OK. They have picked on the wrong guy, and it sounds melodramatic but it is not. I am just a simple guy and I hate this process. It has made my life misery. I am separated from my wife now, in the process of selling my home and you bastards are trying to get me out of my job and I am going to spend every penny I have got fighting you, every penny. Not because I am vindictive or because I am nasty but because I believe in justice and if that's what it takes that is what I will do. OK. So I don't really know if you want me saying this because it will make no difference because you people have dug yourselves so deep you won't be able to get out this in anyway that I can think of. I am not going to accept any sort of package from you people. OK. No negotiation, I am going to do my duty all the way down the line. OK. The FSA, the Police, whatever it takes I am going to begin a private prosecution if I have to. If the Police refuse, and they have tried every possible way not to bring a prosecution under the Harassment Act and that is why it has taken me so long, I am going to pursue them until they do their duty. OK.

PS Yes I understand that. Yes.

- GM Good. I am glad you are clear on the facts and I hope the people that listen to this and read the transcript are clear on the facts as well, because I will go on until I achieve a just solution and you, you have gone too far and I am not going to let you get away with that. Not because I am vindictive, but because there is a just solution to these problems.
- PS The purpose of taping the interview is precisely to make sure that everything that is stated in the points that you want to make are clearly captured.
- GM Well we shall see. I mean I'm interested in what's going to happen when you start trying to bring a disciplinary proceeding against me. It will be an interesting process.
- PS Well I can't comment on that because I'm not a part of that so moving on to the final point which is point 9, - the incident titled "unwilling to comply with reasonable management requests", the detail has stated that its failed to complete an "e-commerce", sorry an "Archie Kane and e-commerce return correctly or on time despite frequent reminders".
- GM I'm afraid I can't answer this question without knowing the dates on which these specific reports I submitted late or I did not submit or did not submit correctly are alleged to have taken place. Again this is a vague allegation, it is perfectly possible. People frequently you know in the organisation submit reports late or incorrectly I mean it happens all the time you know so its quite possible in fact I find it most surprising if I submitted them all on time and accurately. However there is of course a relevant point here which if I was failing to complete certain items on time on a regular basis, to such an extent that it reaches the point where it becomes an allegation that's going to be investigated by people in Group Fraud & Security, then that is something that management should have raised before. And if I failed to correct my behaviour they should have gone through the bank's proper processes in order to address the problem.
- PS An example that I have here is a response from Alan Rennie to one of your e-mails on the 15 May, which states "you should be aware that I had Amanda Parmenter on the phone to chase up the Archie Kane return. You know this is to be completed to a specific timetable already issued to you in paper and it is high profile. It's only by luck that I'm back and able to complete it. Given this is the second month the Scottish Widows return has missed the deadline, could you please complete it as high priority next month by 7 June at the latest, along with the return, and could you please complete it as a matter of urgency when you get back". So that would indicate that Alan Rennie has advised you - its been late at least twice in a row
- GM Its quite possible
- PS So what's your response to that, what action had you taken?
- GM Well I mean I try to remember. I put reminders in my diary every month to do reports you know, I didn't always do it. Sometimes that might have been a mistake, sometimes it might have been because I was missing some information or whatever, I can't remember the details but you know I don't think I can really say much more than that. But it would be interesting to carry out a comparison of my alleged failures in relation to this, these reports and you know the performance of other people within Group Audit

as a whole. I mean I would be interested to find out whether you know I am particularly bad. I mean I know there is a certain manager, senior manager within Group Audit, who is extremely bad at submitting his own timesheets for instance. I would be interested to learn whether you have interviewed him whether he's been hauled up by Group Fraud & Security for this serious offence. Of course that information can be obtained by a solicitor.

PS Absolutely

GM Absolutely and so I think we have to stand on facts on this one. If I had been guilty of serious misconduct then it would be open to interpretation as to whether these particular reports are as crucial as they are made out to be but then you know a number of questions arise. One is whether the bank's management followed the proper procedures in pursuing this alleged efficiency i.e. a discussion, verbal warnings or whatever, erm. And of course it should have been raised at my performance review meeting if it was that serious. The second is well you know is Graham Milne's conduct so exceptionally bad that it warrants inclusion in this kind of investigation. You know that can only be done by comparing you know my performance with the rest of Group Audit and I think you will undoubtedly come across some rather embarrassing comparisons. In fact I know you will. You see lets just take an example, thinking off the top of my head, I mean the WEB audit report. I mean there you have a matter where the man who carries out the audit cannot come to a conclusion about the security of Scottish Widows WEB systems. Which may mean that they are seriously exposed. You can't say right, so you have senior management in Group Audit who are aware of this possibility, this potential exposure, they become aware some time in February 2002, ok. They do absolutely sod all about it for nine months or whatever ok, (chuckle) so they quite happily, I mean we're talking about issuing a report here that you know, because we're talking here about issuing reports right, so they should have said well right we've got a potential problem here, we should issue this report very quickly to make sure we address this potential security issue. But they don't. They not only don't issue the report for nine months or some extraordinary length of time like that, but they doctor the report so that it doesn't actually say that there is a serious potential security problem. Then they turn round to the bloke who did that audit and say now we have this little return Graham, its done every month and on two occasions you were two days late, or something of that nature. Now we consider this an extraordinarily serious crime Graham Milne and we're going to, in spite of the fact that you've had a heart attack and you are suffering from severe stress and we are aware of that fact, we are going to pursue you for a year. Through a second suspected heart attack and an angioplasti, until we nail you. Now that is going to make an interesting comparison, a very interesting comparison. So you have my management who refuse to issue audit reports on time, they doctor audit reports, they deliberately lie in audit reports, they refuse to report potential criminal offences to the police, and yet Graham Milne has been late in issuing this report. And I think you will find when you look into this report that it is so out of date when it gets issued that it is totally irrelevant. And I will stand up in front of whoever I have to stand up and I will make exactly that point. Because the people who will be listening then will not be you, who says I'm just here to fact find. They will be people who are saying just what do these idiots, these people think they're doing. And do they seriously expect us to fall for this crap. Because what is going on here as I pointed out at the last meeting is serious harassment. And it is a criminal offence. And it is very nasty, very, very nasty. And the people who've done it are literally unmerciful(?) my wife she can't take any more. And

you're sitting there looking rather smug but I've lost my home, and I've lost my children and now you are trying to lose me my job. And you've given me no option but to fight you from every corner. Which was bad because I was already not covering ideas(?) up and I don't give shit about the FSA. I don't care how big they are. If they don't do their job, well I'm going to make sure they do because I have a very strong sense of justice and I don't believe there's any point being on this planet without that ok. So you now know where I'm coming from and you now know where I'm going. Ok

PS Thank you. Is there anything more you want to say because that's the end of my questions.

GM I'm looking forward to the end of this process. Not just because I'm fairly clear what its going to be but I'm looking forward to it because I'm fed up to the back teeth with it and its made my life hell for the last year. And I believe it to be intentionally done because when Roger Cooper and Alan Rennie dreamed up this list they knew exactly what they were doing and if I was Roger Cooper I'd be scared shitless at this moment because he ought to lose his job. Not because I'm vindictive against anybody because of what he's done to me, I feel it's a matter of simple justice. Ok.

PS Ok.

GM And Alan Rennie as well. I mean I have nothing against for instance the Head of the Audit Committee I don't know the guy from adam. I just said look at this lot, these people are harassing somebody whose just trying to do his job. I'm an auditor, I audit. I tell the truth. Please do something about it. What did he do. This successful businessman, chairman of the audit committee of a major financial company, what did he do, he ran a mile. He proved to me beyond any question of doubt that when it comes to the crunch he wasn't worth you know, he was utterly worthless because as a professional when it came to the crunch he failed the test because his conscience should have told him that. I've got whacked in this and he walked away and left me to the devices of Roger Cooper and Alan Rennie and he left me to lose my house, and my children, and that is exactly what's happened. Which is why I'm down in London because I'm no longer living at my house. And that I think is all I need to say at the moment.

PS Ok I'll go ahead and terminate the interview. Thank you very much. Interview now terminated, the time is 1.20.