

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION, LEGAL
POLTD/0809/0102**OFFENCE**
Theft
False Accounting**Name:** Suzanne Elizabeth McKnight**Rank:** Office-in-Charge **Identification Code:** 1**Office:** Appley Bridge **FAD Code** 270 406**Age:** **GRO** **Date of Birth:** **GRO****Service:** 3 years 9 months **Date Service Commenced:** 20 January 2005**Personnel Printout:** At Appendix: C**Nat Ins No:** Not Known**Home Address:** **GRO****Suspended:** Sub postmaster suspended on 20th August 2008 on the authority of Paul X Williams – Contract Manager – Suzanne McKnight suspended from working behind Post Office Counter.**To be prosecuted by:** Royal Mail Group (including Post Office Ltd)**Designated Prosecution Authority:** Dave Pardoe, Senior Security Manager Fraud Team**Discipline Manager:** Paul X Williams – Contract Manager**Corporate Security
Criminal Law Team**

These papers refer to a shortage in the accounts at Appley Bridge Post Office branch. Ms Suzanne Elizabeth McKnight the identified person named in the pre amble of this report is the office in charge and her Mother Mrs

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Susan McKnight is the sub postmaster, two other members of staff are employed.

The personnel file and P356 data was requested and can be found in Appendix C at the rear of this file.

The stakeholder notification was prepared and sent to the Stakeholder. I have also spoken with the Stakeholder and advised him of the current situation.

The branch is situated in a rural area of Lancashire, the counter, which comprises two fortress positions, is situated to the rear of a small shop selling newspapers, cards and confectionary.

Mrs McKnight does attend at the premises, but states that she works on the retail side and can be described as an absent sub postmaster. She stated that she had never served a customer and when she became sub postmaster, installed her daughter Suzanne McKnight as the office-in-charge. Mrs Susan McKnight has given a statement to this effect.

The branch was visited on 17 July 2008 as part of the security visits into Overnight Cash Holdings (ONCH). The cash in stock unit AA, which was used for counter services, was checked. The balance snap shot showed £31,441.91, whilst the actual amount was £32,793.46, a surplus of £1,351.55.

The cash for the ATM stock unit was then checked. The balance snap shot showed £161,230 and cash declaration showed the cash on hand as £150,740. A count of this money was undertaken as an estimate as there was not a note counter available for use. The count was approximately £149,780. From a conversation with Ms McKnight, it appeared that the figures were not being reported correctly, she was advise to contact the ATM team to obtain the true position of the figures in the ATM. The matter was reported to the Fraud Risk Team.

On 20th August 2008 a audit was undertaken at the branch and was lead by Jeff Roper from the Field Support Team, he was accompanied by Damien Haydock also of the Field Support Team. The purpose of the audit was to verify financial assets due to Post Office Ltd.

The branch operates three stock units, AA stock unit, used for serving of customers, an Automated Teller Machine (ATM) stock unit and a Lottery stock unit.

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When the auditors had gained access to the secure area a balance snap shot was printed off the Horizon system. This balance snap shot details the cash and stock on hand that should be present at the time it is printed.

Discrepancies were identified in the cash and cheque figures on hand. There was a discrepancy £30,810 in the ATM stock unit and £10,709 in the lottery stock unit. However the AA stock unit had more cash than was shown on the balance snap shot, bringing the cash deficit for the branch to £34,504.42.

Cheques on hand had been declared on the Horizon system in both the AA and Lottery stock units but no cheques physically existed in the branch. The audit team also obtained the current outstanding debt held by the Product & Branch Accounting (P & BA) team in Chesterfield.

The discrepancies can be summarised as follows:

Amount	Comment
£ 34504.42	Identified as a shortage difference in the cash figures
£ 45.86	Identified as a shortage difference in the stock figures
£ 13,575.25	Identified as a shortage difference in the cheque figures
£ 5042.00	Identified as a shortage difference in Lottery Scratch cards
£ 131.93	Surplus in remittance redeemed at the audit
£ 53,035.60	Total shortage on the day
£ 2,400.00	Outstanding debt – confirmed by P & BA
£ 55,435.60	Trading Position Shortage

I attended Appley Bridge Post Office branch on the 4th September 2008 accompanied by my colleague, Diane Matthews, Fraud Strand Team Leader. Also in attendance was Mark Brandwood, Royal Mail Investigation Manager, who attended to assist with any potential searches. We introduced ourselves to Ms McKnight and identity cards were shown.

Ms McKnight was asked if she would consent to a voluntary search of her living accommodation, which was adjacent to the Post Office / retail side. Ms McKnight stated that the property belonged to her mother. Mrs Susan McKnight gave her permission and signed form GS005 and a search was conducted of the premises. Ms McKnight stated that she did not own any vehicle. No financial documents could be found that would assist with the interview / enquiry. Ms McKnight completed a GS045, authority for bank

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disclosure in respect of a HSBC current account. Copies of all documentation relating to the search are associated in Appendix B of this file.

At the completion of the search, Ms McKnight was invited to attend a voluntary taped-recorded interview under caution. Ms McKnight agreed and the interview was to take place on the premises. Unfortunately prior to the interview commencing, there was a power cut and it covered the surrounding area. Due to other commitments and that Ms McKnight was due to go on holiday, the interview was re-arranged for Wednesday 15th October 2008.

I again attend Appley Bridge Post Office branch on the 15th October 2008 accompanied by Paul Whittaker, Fraud Advisor, who was introduced to Ms McKnight and his Identity card was shown.

Interview with Suzanne Elizabeth McKnight

At 10.39am I interviewed Ms Suzanne Elizabeth McKnight in a room at Appley Bridge Post Office branch. Present throughout the interview was Mr Paul Whitaker Fraud Advisor. Ms McKnight declined the offer of having legal representation and signed form GS001 (Identifying Mark **SB/1**) and is associated at Appendix B. Mrs Winifred Maureen Whalley attended as a friend on behalf of Ms McKnight and form GS003 was signed (Identifying Mark **SB/2**).

The interview was taped recorded and concluded at 12.01pm, covered two tapes and the tapes were sealed with master tape seals 071371 and 071372. A tape summary has since been prepared, a copy of which is now at pages to The working tape is associated at Appendix B of this file. I have retained the Master Tapes. A notebook entry of the interview was made and is associated in Appendix B of this file (Identifying Mark **SB/10**).

During the interview, Ms McKnight confirmed that she was the officer-in-charge and her mother, Mrs Susan McKnight was the sub postmaster, but she never worked behind the counter. There were two other members of staff employed.

Ms McKnight stated that they only balanced the cash and stock at the end of each trading period. She confirmed that her and her mother attended a training school, but claimed that it was basically just for working on the counter. The course was due to last a week, but as they were the only people attending, they never did full days, they never attended on one day and on the final day they attended for a couple of hours. Ms McKnight said that the hours they did, the course could have been done in two days.

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Ms McKnight then explained how they dealt with any surpluses or shortages in the accounts at the branch. She said they any surplus amounts would be removed and shortages would be made good if they had the money in the safe. She was asked what they did if they did not have the money in the safe. She explained that they would put the money in out of their own money, but if it was a large amount, she said that stupidly she would put that back in next week or the week after.

It was explained that she was “rolling” the losses from trading period to trading period. When asked if the money did go back in the following week(s), she replied sometimes it did, sometimes it didn't. She was then asked when the shortage would be made good, she replied before the next balance.

Ms McKnight could not remember the last time her balance was straight. It was explained that if the money was not put in, then the losses would accumulate from one trading period to another. Ms McKnight then asked if we meant did she put the money in at any point, it was confirmed that is what we meant. She replied “No to be honest, not intentionally I didn't do it”. Then went on to say, it was only because she had forgot, then she said that she did put it back but not every time.

A discussion took place to clarify what she had meant and Ms McKnight said that if she failed to put the money in at the end of a trading period, then she would put the money in during the next trading period.

Ms McKnight said that her mother did contact the Post Office to request assistance with the balance because they were struggling with it, but they said they never received any. She went on to say that the problems were due to her lack of experience. She said that she was OK, serving and selling the products, but she got confused doing the accounting side.

The audit report (**JR/1**) was shown to Ms McKnight and issues raised within the report were dealt with as separate issues, with Ms McKnight giving the following explanations.

Cash Discrepancy / ATM

Ms McKnight confirmed that the ATM was installed in March 2008. Ms McKnight explained that she did receive some training for the ATM, but it

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amounted to how to open the drawers, filling up the machine and they were given a pamphlet to work it out themselves.

Ms McKnight explained that only a small amount of cash was put in the ATM at the first fill. She also confirmed that a separate stock unit was held for the ATM and was asked to explain this stock unit.

Ms McKnight said they received their remittances on a Monday. In addition to the cash for the Post Office, £60,000 would be received for the ATM. The money would be checked by two of them and placed in the top part of the safe, away from the counter cash.

When the ATM was to be filled, the retail side would be closed, the cassettes removed and taken to the secure area. The necessary reports would be obtained and the cash in the cassettes would be counted and compared to the slips. The cash to be put into the cassettes would be checked and counted. Ms McKnight said that when the cassettes are removed, the system is wiped clear, they would then have to input the amount of money back into the ATM.

Ms McKnight said that for security reasons there would always be two of them checking and replacing the cash in the ATM. They would count a cassette each and then together, load them one at a time.

Ms McKnight explained that she thought the figures were reported after 16.30 because it was the end of the day and not because discrepancies would arise if reported before this time. She said she changed the times of reporting the figures each day for security reasons and thought that they were reported after 16.30, but accepted that some figures had been reported prior to this time and this is the reason why Transaction Corrections had been generated.

Ms McKnight said there have been occasions when the ATM has been filled outside of Post Office core times. She denied ever filling the ATM by herself, stealing any of the money or stealing any of the money prior to it being placed in the cassettes.

Ms McKnight could give no explanation why the cash discrepancy in the ATM had increased between July and August 2008. She said that somebody attended the branch for over an hour to give further ATM training to the two counter clerks, which was longer training that she had received and she can only think that she had been making huge mistakes with the inputting of figures.

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She further explained that the ATM was new to her and the other members of staff and she reported the figures as she had been instructed and that the ATM cash was kept separate from the other cash. She explained that she would normally input the figures onto the Horizon system but another member of staff (Rachael) has inputted the figures. Ms McKnight explained that Rachael would input the figures the same as she would and had no reason to believe that Rachael has either in error or deliberately inputted incorrect figures.

Lottery Scratch Cards

It was explained to Ms McKnight that the audit report showed a discrepancy of £5,000 in the lottery scratch cards and did she have an explanation.

Ms McKnight said that she had read the error corrections wrong and accepted them, not realising that it wasn't as she thought. She thought that it was money in her favour and thought that it was due to activating too many scratch cards through the system, but this was not the case. She said that two of the corrections were for this and further said that she did not understand these procedures either, it was a lack of understanding and knowledge of how the system worked and she had "stupidly" just been accepting them.

Ms McKnight said that the lottery was down to activating too many scratch cards. She then explained that they did use a separate stock unit for the lottery, but kept serving out of it, so they stopped using it. She said they had contacted the "Post Office" and told them what she had done. She then said that she was given conflicting advice, she was told to reverse everything out of the system and the next time told to leave everything and just remove the cash.

Ms McKnight also said that she did not activate all the scratch cards, if a member of staff required cards on the retail side, they would obtain the cards and activate them, but not tell Ms McKnight. She denied using any of the scratch cards for her own use.

The tape buzzer sounded and the tapes were changed and Ms McKnight was reminded of her legal rights and that she was still under caution. The tapes were changed and the interview was continued.

Cheques on Hand

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It was said to Ms McKnight that the audit report showed that £13,575.25 of cheques were said to be on hand, but there were no cheques in the branch and she was asked for an explanation.

Ms McKnight explained that some of the cheques were down to when she was not present. Cheques had been remmed out twice and it was “such a mess”, she did not know how to sort it out. A previous member of staff was responsible.

Ms McKnight that she Chesterfield requested evidence of a certain transaction and she had found the evidence for Chesterfield, but said that due to the time, she had to accept the transaction correction. She said they have been waiting for a credit transaction but this has never arrived. She said that this happened a while ago, but has requested the credit on a number of occasions. She said this transaction correction was in the region of two thousand and something.

Ms McKnight was asked if she had inflated the cheque figure to cover shortages in the accounts (AA stock unit – Lottery and ATM). Ms McKnight's reply was initially vague, but went on to say that when she received a transaction correction, if they could not physically put the amount into the accounts, instead of having a cash declaration at a loss, it was accepted as make good by cheque and this is how the cheques have been inflated. She said that it was not intentional not to put the money back in, it was a mis-judgement on her part. She said that it would be stupid and naïve of her because it was the sort of system that you could not intentionally cover things up and when the auditors attend, you can't do things like that.

Ms McKnight said that she had never informed her mother (the sub postmaster), that she required money to cover transaction corrections. She did not want to upset or worry her mother and had tried to deal with them in her own way. She had kept it to herself and realised that this was very stupid of her and it was not the way it should have been dealt with.

Ms McKnight said that although she was on the premises she did not always serve on the counter but worked on the retail side.

Ms McKnight said she had panicked when she saw the value of some of the transaction corrections. She had accepted them because it was her understanding that she had to accept them. She said that if it was their error, then they had to deal with it.

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Ms McKnight said that she had not been dealing with them correctly and she has always known that the money has to go back in. She said that she had not physically taken the cash out.

Ms McKnight was asked about staff members and said that they had problems with one particular member of staff, who they thought was responsible for some shortages, but this was approximately 18 months ago. She did not have any concerns over the two current members of staff.

Ms McKnight went on to say the branch had not been audited prior to 20 August 2008, had no support or help and while she was confident on the customer side, she felt that she was not fully trained on the financial / accounting side and could deal with it in her own way.

A discussion took place regarding the member of staff who had left. It was said that transaction corrections were received that were attributed to this person. Ms McKnight admitted that she had settled to cheque but did not have the money to put in.

Ms McKnight said that it was never her intention not to put the money in and was putting money in at a rate they could afford. She again re-iterated that she did not have a clue concerning the discrepancy in the ATM. The money had never been swapped or changed around so the money has got to be somewhere. She said she was confident that it will be rectified and the discrepancy is an anomaly.

Ms McKnight explained that they had a discrepancy of £3,500 in the euros and did not know how this occurred; She said that although she did not know what it meant, she settled this centrally. She was then contacted and a payment was taken out of the remuneration and said that she did not know what she had never settled transaction corrections centrally before.

Ms McKnight could not confirm if her mother had contacted the NBSC helpline or whom she had spoken to in the Post Office.

Ms McKnight was shown the summary of transaction corrections for period 4 (**JR/2**) and confirmed that she had written the note stating that she had accepted transaction corrections and made good to cheque and it was her signature.

Ms McKnight was shown the following trading statements, TP11, TP12, TP02 to TP04 (**SB/3** to **SB/7**) She confirmed that on the line for other methods of payment, it was the cheque figure that she had been carrying forward. She then said that she did not understand what other methods of payments were.

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It was said to Ms McKnight that she had been “rolling” losses and therefore falsified her accounts and when asked if she knew it was wrong to do this, replied “No”.

Ms McKnight was then shown a summary of transaction corrections (**SB/8**) and a summary of transaction corrections for the Bank of Ireland ATM (**SB/9**). When asked about the transaction corrections, she replied that some months they did not receive any, but other months could get twenty at once.

It was said to Ms McKnight that she had denied stealing any money, but had admitted entries onto the Horizon that were incorrect and she was asked to explain if she thought that she was competent in working in the Post Office.

Ms McKnight said she was happy serving the customers, but the management and accounting side was a struggle. She said that it was a true account of the cash when she did the balance, with the exception of the cheques, she said that she might be incompetent but was not stupid, you could not take money that was not yours and it would be very stupid to stay around. She said that she did not understand the branch trading statement and didn't feel competent enough to manage the office and didn't know how to deal and rectify any problems.

The interview was summarised and when asked if she wanted to say anything else, replied that she did not know that she was committing a criminal offence in doing what she did, There was never any intention of taking any money, the transaction corrections kept on coming and it was stupid and naïve to think that she could sort it out over a period of time which she couldn't.

Ms McKnight has been contacted about repayment of the monies and said that her mother, the sub postmaster, has discussed it with Paul X Williams, the Contracts Manager.

To summarise:

- Ms McKnight denied theft of Post Office Monies.
- Ms McKnight had no explanation to why there was a deficiency in the ATM.
- Ms McKnight stated that two members of staff would always replenish the ATM.
- Ms McKnight stated that the training received for the management side of the counter and for the ATM was not adequate.

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- Ms McKnight stated that she was not comfortable when dealing with Transaction Corrections.
- Ms McKnight stated that the Post Office had been contacted and informed that they were not coping with the balance.
- Ms McKnight stated that she had inflated a cheque figure to cover transaction corrections.
- Ms McKnight stated that she did not understand the Trading Statement.
- Ms McKnight stated that she never informed the sub postmaster (her mother) that money was required to make good transaction corrections.
- Ms McKnight co-operated throughout the interview.

Business and Procedural weakness'

- ❖ **Cheques on hand bore no relation to the total declared on the Branch Trading statement.**
- ❖ **Accounts were not kept in the form prescribed by the Operation Manuals.**

In Conclusion

Ms McKnight had denied stealing any Post Office money and said that she did not know it was wrong to "roll" the balance result from one trading period to another.

Ms McKnight admitted that when transaction corrections were received they were made good via the cheque icon. She also admitted that cheques were not despatched to cover the transaction correction.

Ms McKnight has stated the training she received for the managing the accounts side of the business was not adequate, she says that the training could have been condensed into two days. She also stated that for the ATM she was given a pamphlet and in her words, to work it out for themselves.

Ms McKnight stated that the cash was correct each time it was declared and it may therefore be difficult to ensure a realistic prospect of a successful prosecution for theft. However as Ms McKnight has admitted that she made good transaction corrections by selecting, the by cheque icon and not associating a relevant cheque, it is feasible that a prima facie case for false accounting can be established.

Consequently, further enquiries will be conducted to establish the true position regarding the large cash discrepancy in the ATM and the discrepancy in the lottery. This is necessary because the audit reported a

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large cash shortage in the ATM and Lottery stock units but the counter stock unit had more cash than stated on the balance snapshot. Also a credit transaction correction of £8,100 has been received for the ATM.

At this moment in time, it is unclear if the discrepancies in both the ATM and Lottery are due to procedural errors and the transaction corrections are the result of these errors or if the discrepancies are a manipulation of the accounts that can be attributed to one or more members of the staff.

Statements are required from other members of staff regarding their role in the branch and to prove or dis-prove Ms McKnight's explanation of how the branch is run. In addition to the statements, call logs and training records need to be obtained.

Copies of all documents or exhibits mentioned in this report can be found contained within the appropriate Appendix of this file, the originals are held at this office. This report in addition to the summary tape transcripts has been sent electronically to Casework Management Team.

An abridged version of this report has been produced for the discipline manager and a copy can be found in Appendix C of this file.

This report is submitted for the present position to be noted and for consideration as to the next appropriate course of action to be taken. No doubt the file will be returned in due course.

Stephen Bradshaw
Fraud Advisor
Fraud Strand
Post Office Ltd Security Team

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