

POST OFFICE CONFIDENTIAL: INVESTIGATION LEGAL

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Criminal Law Team

POLTD/0506/0401 – Hughie Noel Thomas Gaerwen Post Office – Audit Shortage £48,454.87

This purpose of this report is to provide additional information on the nil transactions undertaken at Gaerwen Post office, for which Mr Thomas has stated, is the reason for the audit shortage which occurred on October 13th 2005. Mr Thomas claimed this loss had started some twelve months prior to this audit.

As requested by the Criminal Law Team, I obtained and analysed 3 periods of Horizon data covering a twelve month period. The periods are Nov 18th to Nov 24th 2004, May 19th to May 25th 2005 and Sept 14th to Oct 12th 2005. A schedule of these findings can be found in appendix B of this file.

Fujitsu had no concerns with the integrity of the data received from Gaerwen Post Office, similarly, the Horizon System Helpdesk (HSH) who monitor the working of the system have not been alerted to any hardware problems through there off site monitoring or by any complaints raised by the staff at the branch.

I will summarise each week in detail.

November 18th to November 24th 2004

During this period a total of 70 on line banking transactions were undertaken with a nil value. Of this 70, 59 are standard balance enquiries. At the conclusion of this transaction, the Horizon system will request that the customer removes their card and a printed balance will be produced and handed to the customer. If the customer then wishes to make a withdrawal, they will be required to reinsert the card into the pinpad and enter their PIN number again.

On 4 occasions, the nil transaction related to the customer requesting to change their PIN number. In order to do this, the customer must first correctly enter their original PIN number. The pinpad machine will then request the customer to input their new PIN number twice.

On 3 of these occasions this was undertaken correctly. On one occasion, a customer entered his original PIN number incorrectly, thus invalidating the transaction and the customer having to restart the process.

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During this period a total of 4 withdrawal requests were declined, all due to the customer incorrectly entering their PIN number. Out of the 4 declined, 3 seem to be attributed to the same customer as all took place consecutively, by the same clerk, Ethia Thomas, and within 1 minute 41 seconds from the first request to the last. This time lapse is consistent with a customer having to start the transaction each time from the beginning. If the customer makes three failed attempts to enter their PIN number, the system will lock them out requiring intervention from the relevant card provider.

On 3 occasions the on line facility at Gaerwen Post Office was not operational and requests for a withdrawal of funds could not be verified from the card provider.

May 19th to May 25th 2005

During this period a total number of 45 on line banking transactions with a nil value were undertaken. 30 of these were for standard balance enquiries, all of which were authorised and processed.

A total of 12 withdrawal transactions were undertaken which were declined. The reason for this were incorrect PIN number being entered by the customer or the card provider failing to authorise the transaction due to insufficient funds or other concerns with the card or account.

On 3 occasions, the card provider declined a debit card payment for services.

September 14th to October 12th 2005

During this 4 week period, a total of 82 on line banking transactions with a nil value were undertaken. 39 of these were for standard balance enquiries that were authorised and processed.

A total of 43 withdrawals produced a nil entry. The main reason for this is due to an incorrect PIN number entered by the customer. Other reasons were insufficient funds, Usage violated, which means the withdrawal limit has been exceeded, or where the customer has been timed out and taken too long to enter their PIN number.

A schedule of the nil transactions was compiled which also includes the following transaction undertaken. It was found that in the majority of cases, a nil transaction was immediately followed by a further transaction of the same

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type that was authorised. For example on Nov 22nd 2004, at 11.09.07, a customer requested a withdrawal from their Post Office Card Account (POCA). This was declined as the incorrect PIN number had been entered. The next transaction undertaken at the branch was at 11.09.41, again for a POCA withdrawal. This was authorised and £89.00 was entered. These transactions were undertaken by the same clerk, Eira Thomas, the suspect's wife, and on the same terminal number 1.

This pattern is repeated throughout the data examined. Out of 42 declined withdrawals, 38 (90%) were immediately followed by an authorised withdrawal that was performed on the same terminal and by the same clerk.

It was also noted that the nil transactions were performed on both of the terminals installed at the branch and by both Mr and Mrs Thomas.

A schedule of this information can be found in appendix B of this file.

In conclusion:

- No problems highlighted with the integrity of the data or the system
- All nil on line banking transactions examined have valid reasons for the transactions having no value attached to them.
- The majority of declined withdrawals with nil value are immediately followed by an authorised withdrawal for various amounts and are undertaken by the same clerk on the same terminal.
- The nil transactions are undertaken by both Mr Thomas and Mrs Thomas and on either terminal 1 or 2.

This report is submitted for the present position to be noted. Mr Thomas is bailed to appear at Holyhead Police Station on 10th January 2006. Please can this file be returned to me by this date with advice on if a further interview is required based on the evidence or if charges are to be made at the bail or if Mr Thomas is to be released from bail pending charges by summons at a later date.

Diane Matthews
Investigation Manager

10th December 2005

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