

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION,
LEGAL
POLTD/0506/0401

OFFENCE
Theft
False Accounting

Name: Hughie Noel Thomas

Rank: Subpostmaster **Identification Code:** 1

Office: Gaerwen **FAD Code** 160604

Age: 58 years 10 months **Date of Birth:** GRO

Service: 11 years 4 months **Date Service Commenced:** 09/06/1994

Personnel Printout: At Appendix: C

Nat Ins No: **GRO**

Home Address: **GRO**

Contract for Services Suspended: 13th October 2005 on the authority of Emlyn Hughes, Service & Contracts Manager

Handed into custody: 13th October 2005 by PC 2208 Iwan Jones

At: Holyhead Police Station

To be prosecuted by: Royal Mail Group (including Post Office Ltd)

Designated Prosecution Authority: Tony Utting , National Internal Crime & Investigation Manager

Discipline Manager: Emlyn Hughes

**POST OFFICE LTD CONFIDENTIAL: INVESTIGATION,
LEGAL
Corporate Security Criminal Law Team**

These papers refer to an audit shortage at Gaerwen Post Office on Thursday 13th October 2005. This branch is situated in a small rural village on Anglesey in North Wales.

Mr Hughie Noel Thomas has been Subpostmaster at Gaerwen since June 1994, when he acquired ownership of the branch from his wife. The office has 2 counter positions and is located within Mr Thomas's residence. The branch has 4 users listed on Horizon, these being Mr Thomas, his wife, daughter and daughter in law.

The audit findings shown a loss of Post Office funds of £48,454.87.

At 1015 hours on Thursday 13th October 2005, I received a call from Paul Dawkins informing me of the audit shortage at Gaerwen Post Office. I contacted the lead auditor, Alison Edwards and was informed that the majority of the loss was in the cash element of the balance. No loss or gain had been declared in the previous nights cash account for week 29.

Ms Edwards stated that Mr Thomas had told her that he was having trouble with the Horizon system and that his on line banking reports had several transactions showing nil amounts. He said that these transactions are for amounts of money which have been paid out to customers but the system is not recording the value. Consequently his accounts have been short with losses accruing to some £48,000 over a period of time. A statement was obtained by Ms Edwards from Mr Thomas stating that he balanced each week by adding the amount of the shortage to the cash on hand in his branch. Mr Thomas duly signed this statement.

Accompanied by my colleague, Steve Bradshaw, we arrived at the branch at 12.42 hours. We introduced ourselves to Mr Thomas and shown him our identity passes. I informed Mr Thomas of the reason for our involvement and that I would discuss the situation with him once I had established the facts with Ms Edwards. We were then informed that the office had been transferred to the Federation Representative; Mr Jim Evans as Interim Subpostmaster and the branch has resumed service some 60 minutes earlier at the request of the Service & Contracts Manager, Mr Emlyn Hughes.

Ms Edwards informed me that her colleague, Branch Auditor Mal Rannard, who was assisting at the audit, had contacted Horizon System Helpdesk

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION,

LEGAL

(HSH) to obtain advice on the nil transactions. He spoke to Kevin and was given reference number H21903612. Kevin said to obtain a report every hour of Horizon and check the transactions. This was undertaken and contained one nil transaction which Mr Evans remembered as a customer not completing the transaction.

We spoke to Mr Thomas who stated that he was willing to attend a tape recorded interview, however, he required his solicitor to be present. He stated that his solicitor was away until some time next week and there was nobody available at the practise to attend straight away. Due to the amount involved, I decided that the interview could not be delayed.

At 1400 hours, Mr Bradshaw and myself attended Gaerwen Police Station and relayed the facts of the case to PC 2208 Iwan Jones. After clearing it with his superiors, PC Jones was to arrest Mr Thomas on suspicion of theft of £48,454.87 of Post Office funds. The arrest took place at Gaerwen Post Office at 1420 hours. A notebook entry was made of the approach and arrest and a copy is enclosed in appendix B of this file.

Mr Thomas was taken to Holyhead Police Station where he was booked into custody. Mr Eilian Williams, solicitor from Tudor, Owen, Roberts & Williams, was acting on behalf of Mr Thomas. During advanced information, Mr Williams advised that Mr Thomas might wish to conduct the interview in Welsh. Mr Thomas had stated to the custody seargent, when booked in, that he would be happy to undertake any interview in English. I was also informed at this point that Mr Thomas would be answering no comment to the questions put to him during the interview.

The interview commenced at 19.52 hours. Mr Thomas was recautioned. Mr Williams was happy that his client fully understood the meaning of the caution.

Mr Thomas was asked for an explanation for £48,454.87 being short in his account at the audit earlier that day. He replied at the moment I am not commenting. No comment.

Mr Thomas stated that he did not know when the loss first started without looking through his papers. He said he was finding it difficult to remember what happened 2 weeks ago so cannot remember the figures from 29 weeks ago. He said he was an old fashioned chap who was used to pen and paper rather than a computer. Mr Thomas added that there was no paperwork directly referring to the losses, only the cash accounts and the envelopes containing the weekly work. Mr Thomas stated that the loss built up over a period of time.

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION,**LEGAL**

During the interview, Mr Thomas demonstrated that he was fully aware of his obligations as Subpostmaster with relation to making good his losses and gains. He stated that he has to make good all losses and can remove the gains. Making the necessary adjustments within the week in which they occur.

Mr Thomas was asked if the cash accounts accurately reflect the state of his office in any particular week. He replied well I couldn't really comment on that. Mr Thomas stated that he has tried to make the shortages good but did not know which weeks he has put the money in and which he has not made the loss good. He then declined to answer any further questions put to him surrounding the making good of shortages. With regard to the specific loss of over £48,000 in week 29, Mr Thomas stated that he did not make good this shortage and would not comment on why there was such a shortage at Gaerwen Post Office.

During the interview, Mr Thomas was asked if the cash accounts were a true reflection of his branch, he replied no comment. He stated that he is responsible for completing the balance each week and he signs the cash account document. Mr Thomas said the only other person who has access to the Horizon system is his wife and that nobody else has a user identity or password allowing access to Horizon. Mr Thomas stated that neither his son nor daughter has ever worked behind the counter. This however is not the case as a user summary report taken at the time of the audit shows that his daughter, **GRO** **GRO** **GRO** **GRO** and his Daughter in Law, **GRO** both have access.

Mr Thomas stated that he secures the cash away each evening and he also declares the ONCH figures on a nightly basis. Mr Thomas was asked if the ONCH declared was a true record. He replied no comment. Mr Thomas was asked if he had stolen £48,000 of Post Office funds, he replied no comment.

Mr Thomas is in the process of selling the Post Office and has a buyer. He was asked if he was hoping to repay the money prior to the transfer. He replied no comment. Mr Thomas stated that he was aware that a full verification of his office would take place on the day of the transfer but had not thought about what would happen if the money was not there. He was asked if he was making provision to put the money back prior to the transfer in order that the transaction could go ahead. He replied no comment.

During the interview, Mr Thomas was asked if there was any reason that he knew of as to why he was having losses in his office. He replied that it was due to basic mistakes on the Horizon system and not understanding it. He added that we should check the error notices that he receives.

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION,

LEGAL

The latest error notice that Mr Thomas remembers is for a transaction for £1,500, which he believes, he put through as £15.00. He was asked if the loss or gain for this was shown on his cash account. He replied no. When asked why a corresponding loss or gain was not declared he replied no comment.

Mr Thomas stated that the Horizon system was installed in his office around 2001. He added at first he had some problems and complained to his retail line manager, after which, he received one extra training session on a balance day. Prior to Horizon being installed, Mr Thomas stated that he operated the Capture accounting system to aid balancing. Mr Thomas stated that there was a previous problem with Horizon where he had to pay half the total of a loss with the Post Office contributing the other half. After discussing this with the Contracts Manager, Mr Hughes, the Post office wrote off a loss of approx £1,200 as part of the exceptions process, in the immediate months after migration onto Horizon.

During the interview, Mr Thomas was asked what other complaints he has made regarding Horizon. He stated that he has contacted the Helpline on 2 or 3 occasions regarding small matters mainly when having to reboot his system. Mr Thomas was asked if it is his opinion that Horizon has contributed to or is responsible for the £48,000 loss. He replied that he has got doubts about it. When asked if there was any other explanation for the loss he stated no.

Mr Thomas then stated that he was concerned over the number of zero entries that was contained on his weekly on line withdrawals summary. He stated that although the report shows nil entries on some of the transactions, he has handed the money over the counter to the customer and that the losses are accruing, as the amount has not registered properly on his system. Mr Thomas agreed that the majority of on line banking transactions did have an amount and that the zeros were not confined to one specific group, for example all the Barclays transactions. Mr Bradshaw offered two possibilities where nil entries will appear on the summary. These are due to incorrect PIN numbers entered or no funds available for withdrawal from a Post Office card account.

Mr Thomas was asked that if £48,000 has not been handed out over the counter to customers, then would he not agree that it has to be by somebody having access to the counter. He replied no comment. Mr Thomas was shown the cash account for Gaerwen for week 29, week ending 12th October 2005. Mr Thomas agreed that he prepared this document and his signature is on page 1. Mr Thomas was then asked if the cash locked up figure of £69,534.23 was a true reflection of the cash on hand at his office last night. He replied

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION,

LEGAL

yes. Mr Bradshaw added that if he went to the safe last night would he have found £69,534.23 in his safe. Mr Thomas stated no comment. He also answered no comment when asked if he had inflated the cash and thereby falsifying the accounts for the Post Office for that week.

Cash account weeks 28 and 27 were shown to Mr Thomas. He stated that he had prepared both the documents and that it was his signature recorded on the front pages. Mr Thomas then replied no comment to questions relating to the inflating of cash and falsifying the accounts. Mr Thomas stated that he couldn't remember when the shortages started. He added that he did not tell anyone about the losses, as he was too worried. He is a member of the Federation of Subpostmasters but made no approach to them for help or advice.

Mr Thomas stated that it was not one large loss that had been stolen and that he did not suspect anybody else in his family. He stated that if the losses were proven, he would accept full responsibility for the £48,000 audit shortage.

The interview was concluded at 20.36 hours. The master tape was sealed in the presence of Mr Thomas and Mr Williams. Seal number 37924 was used which was signed by all parties.

Mr Thomas was released from custody and bailed until 29th November 2005. Please note that the bail date on the bail sheet is incorrect as it says October. I have contacted Sgt Roberts at Holyhead custody, who has made the amendments and forwarded a copy to Mr Thomas. A copy of the custody record is enclosed in the relevant appendix at the rear of this file.

Mr Thomas has not divulged exactly how long he has been he has been covering up the losses, only that it built up over a period of time. He has indicated to the audit team that it was over a 12 month period.

Mr Thomas is convinced that the Horizon system is affecting his balance results, as the On Line Banking summary contains several zero totals. These are not confined to one particular group ie Barclays or Alliance and Leicester and similarly only a small number of transactions in each group are zero.

There are a number of legitimate reasons why a zero entry would be present on the summary.

- A customer places their card into the pinpad terminal and enters an incorrect PIN number.

**POST OFFICE LTD CONFIDENTIAL: INVESTIGATION,
LEGAL**

- A customer requests a withdrawal but no funds are present in their account
- A customer has previously entered an incorrect PIN on 3 separate occasions and the card provider blocks the transaction
- The card has been reported stolen and the card has been cancelled.
- The transaction does not receive online authorisation from the card provider even with a correct PIN entered.

If Mr Thomas has paid out funds in respect of the above transactions and a loss occurred then this is down to incompetence and not the failings of the Horizon system.

There are no calls recorded on the helpline logs in respect of this issue. A copy of the calls made by Mr Thomas in respect of problems at Gaerwen, are enclosed in this file. Emlyn Hughes has stated that Mr Thomas has made no representation to him regarding the zero entries or any concerns he has with the system despite the loss rising to over £48,000. A statement to this effect can be obtained if required.

The loss has not been recorded on the cash accounts. Since week 1 to week 29, the branch has been declaring some losses and gains however, the latter weeks seem to show straight balances.

In week 24, a total of 3 charge error notices have been cleared for the sum of £540.06 however, the office cash account shows a straight balance for the week. Similarly, no corresponding gain was shown in the weeks in which they refer. A schedule showing the declared balance figures with any error notices returned and cleared has been produced and enclosed in appendix B of this file.

Mr Thomas was adamant when questioned that he is the only person responsible for serving, with his wife as the only other user on the Horizon system. He stated that none of his family work at the office and in fact only enter the secure area to bring him a cup of tea. This does not seem to be the case. On the assistants printout obtained from HR, Mr Thomas's daughter Sian and his daughter in law, Gail are both listed. Also they are included on the user summary that the auditor obtained.

Sian Thomas was the subject of a previous investigation some 6 or 7 years ago. There was evidence of giro suppression at the branch as clients had made complaints. Sian Thomas made some admissions in relation to this,

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION,

LEGAL

which resulted in Mr Thomas repaying £11,000 to Post Office Ltd. It seems Mr Thomas kept control of the office but signed a document stating Sian was not to carry out any Post Office work. All records of this case were destroyed in a flood at the RLM's office in Bangor. Information was given to me by Emlyn Hughes who was the RLM at the time.

Gail Thomas has been working at the branch since August 2004. She has recently left to have a child.

The branch has remained closed since lunchtime on Thursday 13th October 2005. This is in order to check the Horizon system in relation to the defence put forward by Mr Thomas. The interim Subpostmaster balanced the office aided by the auditor. There was a zero amount on the summary, which was a known incorrect PIN transaction. The office balanced.

In conclusion

- There can be no doubt that Mr Thomas has for some time, been adding on amounts to his cash figures when declaring his balance, this was to cover up losses which he has not been making good as per the terms of his contract. The losses have accumulated to over £48k
- His defence is zero transactions on Horizon for on line banking and having no faith in the system either in its day to day use or its ability to balance.
- No record of calls made in relation to the system or to request help for the losses to be investigated despite the amounts involved.
- Losses not shown on the cash accounts
- Corresponding losses and gains from error notices not reflected in the cash accounts
- Previous problems at the office regarding his daughter.
- Admissions made to the auditor regarding inflation of figures. Signed statement

Loss to Post Office Ltd £48,454.87

I am currently awaiting the results of the tests by Fujitsu on the Horizon system.

Copies of all exhibits or documents mentioned in this report can be found in the relevant appendix of this file. The master tape is held at Capstan House, with a copy enclosed in this file.

This report is submitted for the present position to be noted and for consideration as to whether the evidence is sufficient to support a prosecution at this stage. Mr Thomas is bailed to appear at Holyhead Police Station on

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION,

LEGAL

29th November 2005. Please can this file be returned to me in time for this hearing. If insufficient evidence, please could you advise on what further evidence is required and if a second interview at this stage is necessary.

Diane Matthews
Investigation Manager
25th October 2005

GRO

GRO