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To Juliet McFarlane
Principal Lawyer POLTD/0506/0685

From Graham Brander
Investigation Manager Date 11/08/2006

Further to your memo dated 26 June 2006, I have now completed the enquiries covered in your points 1 – 3.

1 South Warnborough Post Office, like the vast majority of other offices, does not have an Over Night Cash Holding (ONCH) target. The cash requirements for this office are determined by an automated system (Flexible Planning/Planned Orders). The system plans their cash needs on the latest cash usage and payments at the office. If the office were holding too much cash, then a message would be sent to the office on Horizon, advising them of how much cash to return. The message does not just flash up but would have to be accessed via the appropriate menus on Horizon. Additionally, Horizon would also advise the office of how much cash was due to be sent to the office. There is an override facility, so that the Postmaster can alter the amount of cash he/she is due to receive on the Planned Order. Unfortunately, it would appear that records of amounts requested to be returned are only held for thirteen weeks.

Concerns regarding the amount of cash held by this office were initially raised by Ms Rebecca Portch, Retail Cash Management Support on Monday 06 March 2006. Ms Porch had identified that this office paid out, on average, £2,500 a week, yet had been holding in excess of £20,000 since the start of the year. On 06 March 2006, Ms Portch contacted South Warnborough Post Office and asked the Postmistress to return at least £25,000 on Wednesday 08 March 2006. As you are aware from my original report, this money was not returned and the Postmistress, Mrs Jo Hamilton was signed off on sick leave on Tuesday 07 March 2006. A deficit of £35,644.89 was then identified following an audit on Thursday 09 March 2006.

Mr Paul Duckworth, Retail Cash Manager North has supplied me a schedule detailing daily cash on hand figures that were input into Horizon at South Warnborough Post Office between the period 01 January 2006 and 09 March 2006. A copy of this schedule can be found at **Appendix B** (contents no. 16). It can be seen that three entries are highlighted, all of which are for low value cash holdings. It would appear that the office didn't declare it's cash on those days and the Flexible Planning System has put in predicted cash on hand figures based on the transactions that would have been conducted.

Copies of e-mails from Ms Portch and Mr Duckworth detailing the above can be found at **Appendix C** (see contents no. 12).

I have established that apart from Mrs Hamilton, the only other person who appears to have worked in the Post Office between January 2005 and March 2006 is Mrs June Partridge. I have obtained a statement from Mrs Partridge, a copy of which is associated at **Appendix A**.
Mrs Partridge states that she was employed to work in the village shop but assisted in the Post Office as and when required. The Post Office is contained within the Village shop. She states that she never assisted with the balancing at the Post Office and that she never completed any cash declarations. She also states that she was only aware of the cash in the counter drawer and never accessed the safe. She stated that if the cash in the counter drawer was getting low, Mrs Hamilton would replenish it from the Post Office safe.

South Warnborough Post Office migrated to Branch Trading on 05 October 2005. No visit would have been made to the Post Office but they were sent an Interactive Training CD ROM, a copy of the Transition Guide a copy of the Quick Reference Guide, a Branch Trading Calendar and one each of the Branch Trading Balancing and Reporting manuals. Each Postmaster would also have been invited to attend the numerous Face 2 face Events explaining the migration to Branch Trading. A number of offices requested replacement items or videos in exchange for the CD ROM. There is no record of South Warnborough Post Office requesting a video.

Copies of e-mails from Mr Martin Drake, Business Change Manager detailing the above can be found at **Appendix C** (see contents no. 13).

An e-mail from Ms Claire Smith, Capability Development Manager details the fact that Mrs Hamilton did not take the Branch Trading 'Grass Roots' test. This was a voluntary test only. A copy of that e-mail can be found at **Appendix C** (Contents no. 14).

The auditor completed the Branch Trading Statement for period 11 on 09 March 2006. It would appear that Mrs Hamilton must have been the person who completed Branch Trading Statement for period 10 (13/01/06 – 08/02/06). This statement showed a shortage of £6.74 and the cash on hand as being £35,515.83. As the cash on hand for Trading Period 11 (08/02/06 – 09/03/06) was £1,933.48 then either the whole audit deficit of £36,644.89 went missing between those two periods (no evidence to suggest it has) or the cash figure on Trading Statement period 10 must have been false. It appears that Mrs Hamilton was not completing weekly balances, as she should have been. Each Trading Period is split into four or five Balance Periods and a Final Balance should be produced at the end of each week and then rolled to the next Balance Period e.g. Trading Period (TP) 10, would start in Balance Period (BP) 01 and after the first week should be rolled to TP 10, BP 02 and so on until the end of the Trading Period.

2. As previous mentioned a statement has been obtained from Mrs Partridge. It states that she was not responsible for the fraud and did not assist with the balancing.

3. I have not obtained any statements regarding the training given to Mrs Hamilton. In Mrs Hamilton's prepared statement she states that when she first started working in the Post office she received two weeks of half-day training sessions.
She implies that initially there was nothing very technical about working in the Post Office. She states that she 'mastered' balancing with the help of one of her staff. When Mrs Hamilton became Postmaster in October 2003 she would have been asked if she required any training. Records kept in the Area Office, Bournemouth indicate that no training was required. A copy of that record can be found at **Appendix B** (contents no.17). Details of the Branch Trading package supplied to Postmasters are covered in point 1.

In Mrs Hamilton's prepared statement she mentions card accounts and suggests that the Post Office has turned into a bank for which she received no training. In Mrs Partridge's statement she states that the only training she received was that which was given to her

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by Mrs Hamilton, including how to serve customers in respect of the Post Office Card Account.

I have spoken to Mr Graham Ward, Investigation Team Casework Manager who advises that a standard statement could be obtained from Fujitsu covering the fact that the discrepancies would not be due to system error.

In respect of NBSC calls, Mr Ian Speck, Service Review Manager has advised me that it is impossible to highlight what call may have caused a discrepancy. He basically states that discrepancies are due to mistakes made at the Post Office branch, either directly with the customer, which wouldn't be recoverable or by incorrectly using Horizon, which would usually be recoverable by means of an error notice (now called Transaction Correction) being generated when a mismatch in the accounting becomes apparent. A copy of the e-mail from Mr Speck is associated at **Appendix C** (contents no. 15).

Having looked at the call logs myself I cannot see anything that relates to a single or multiple discrepancies that would account for the audit deficit of £36,644.89.

In addition to the response to points 1 – 3 above, I have to advise you that I have not received any disclosure in respect of Mrs Hamilton's bank accounts. I posted disclosures signed by Mrs Hamilton to the two banks in question but the banks have advised me that they never received them. I sent out further disclosure forms to Mrs Hamilton, explaining the situation but so far these have not been returned to me.

I have received from the Area Office, Bournemouth details of £ GRO

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These papers are now re-submitted for you to advise on the sufficiency of the evidence.

Graham Brander

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