

## CONFIDENTIAL Witness Statement

Criminal Justice Act 1967, Section 9, Magistrates Court Act 1980, sub section. 5A(3)(a) and 5B; Criminal Procedure Rules 2005, Rule 27.1

Continuation Statement of **Graham Brander** Page **of** Pages

letter of their first name, followed by the first two letters of their surname and then followed by 3 digits, usually 001. This log on code identifies the system user at any time throughout the day. For security purposes each operator also has a personal password, which should be kept secret and has to be changed every 28 days.

On 05 April 2011 I was allocated a case which related to a £9,743.76 audit shortage identified at Rowlands Castle Post Office on 30 March 2011.

As part of my enquiries I contacted the Post Office Cash Management Team and asked them to send me a schedule detailing Over Night Cash Holdings (ONCH) as well as cash remittances despatched and collected and details of any calls made to Rowlands Castle Post Office.

The schedules which I initially received from the Cash Management Team cover data from 07 April 2010 to 07 April 2011, although I subsequently received schedules of ONCH data going back to 27 December 2009. From these I created a further schedule which shows a breakdown of the ONCH, amounts of cash collected from the branch on a given date and any amounts held as 'Cash In Pouches'. When a cash amount is first remitted out on Horizon it sits in the Suspense Account as 'Cash in Pouches' until it is collected and cleared from Horizon, or for whatever reason it is reversed out. I now produce that schedule as item **GDB/1**.

I have highlighted all entries on dates when a Branch Trading Statement would have been completed. Additionally, I have entered in bold type all entries which I believe to be an inflated amount which predominately relates to entries in the £50 notes.

In order to record how much cash is held in our branches on a daily basis, any cash remittances awaiting collection are added to the £50 note column e.g. on 04 January 2010 there is a figure of £12,500 entered against the £50 notes. This includes the cash in pouches figure of £12,000, meaning that £500 was actually declared against the £50 notes that day.

The first entry in bold type is £3,300 in the £50 note column on 13 January 2010, which is a date

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**CONFIDENTIAL**  
**Witness Statement**

Criminal Justice Act 1967, Section 9, Magistrates Court Act 1980, sub section 5A(3)(a) and 5B; Criminal Procedure Rules 2005, Rule 27.1

Continuation Statement of **Graham Brander** Page **of** Pages

when a Branch Trading Statement was completed. On 12 January 2010 the amount against £50 notes was £150; it then jumps to £3,300 on the 13<sup>th</sup> before going down to £600.

On 12 April 2010 there is an amount of £16,050 against the £50 notes. This figure includes the £16,000 shown in the Cash In Pouches column, which means that £50 was entered against the £50 notes when the cash was declared that day.

The following day we see that the £16,000 is collected and thus drops out of the £50 column, leaving just the declared figure of £150. However, on 14 April 2010 it can be seen that the £50 notes 'jump' up to £4,450, which is a day when the Branch Trading Statement was completed. The following day there is nothing entered in the £50 note column yet there were no collections. This suggests to me that the £50 notes were fraudulently inflated by around £4,450 on the 14 April 2010 in order to cover up a deficit when the accounts were balanced.

On 19 April 2010 we see that the amount shown against the £50 notes is £8,800 but this includes the £8,500 awaiting collection. However, on Wednesday 28 April 2010 there is a further unexplained 'jump' from £250 to £4,400 in the £50 notes before dropping down to £550 the following day.

On 19 May 2010 we can see the same pattern which occurred when the previous Branch Trading Statement was completed in that the £50 notes 'jump' up to £5,450 from £450 and then drop down to £550 the following day. As such it would appear that the £50 notes have been fraudulently inflated by around £5,000 at this time.

The same pattern occurs on every date a Branch Trading Statement is completed with the exception of 16 June 2010. On this date it appears to me that the £10 notes have been inflated instead of the £50 notes. I came to this conclusion based on the fact that the amount declared against the £10 notes had risen by around £7,000 when compared with the previous day's declaration. Generally the amounts declared against the £10 notes on Wednesdays don't differ that

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Continuation Statement of **Graham Brander** Page  of  Pages

much from what was declared on Tuesdays.

The pattern also continues whereby on some Wednesdays, usually in the middle of a Trading period, the £50 notes 'jump' up, before dropping down again the following day. I have also entered in bold type the amounts against 'unusable Notes' on 01, 02 and 05 July 2010, as these also appear to have 'jumped' up before dropping down and then up again.

The last Branch Trading Statement completed prior to the audit was on 16 March 2011. On this date it can be seen that the £50 notes 'jump' from £1,200 the previous day to £11,800 before dropping back down the following day to £1,050, suggesting to me that they had been inflated by approx £10,600 when the accounts were balanced.

From the information described above I completed a two-page schedule headed 'High Increases In £50 Notes'. This shows the 'jumps' in the £50 notes on balance days as well as some other Wednesdays. As with the previously schedule mentioned, the highlighted entries reflect dates when Branch Trading Statements were completed. I have added a column to show how the increase in the 'jump' figures when compared with the previous day's entries, gradually increases from £4,300 at 14 April 2010 up to £10,600 on 16 March 2011. I now produce this as **GDB/2**.

These figures suggest to me that deficits in the accounts at this branch have been covered up in this manner for some considerable time. The 'jump' has increased by £6,300 in the 11 months from 14 April 2010 to 16 March 2011, an average of approx £550.

The Branch Trading Statements that I have obtained as part of this investigation cover the period of 11 October 2006 to 16 March 2011. Some of these had not printed very clearly and as such I was advised by Mr Adam Shaw, Field Support Advisor that he had produced reprints for the ones covering the period 15 September 2010 to 16 March 2011. The vast majority of the Branch Trading Statements had not been signed and most showed no discrepancies in the accounts. I can produce any or all of these Trading Statements if required.

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**CONFIDENTIAL**  
**Witness Statement**

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Continuation Statement of **Graham Brander** Page  of  Pages

I was made aware that there were two errors pending for this branch relating to cheque remittances. One was in Mrs Hutchings' favour (Claim) of £430 due to an error made on 31 January 2011 and one was against (Charge) of £1,501.07 due to an error made on 14 February 2011. These appear to be genuine errors; however they affect the current outstanding debt at the branch, which equates to £10,814.83. Had these errors not have been made then that would have been the deficit identified when the audit was conducted on 30 March 2011.

On Friday 15 April 2011 I was contacted by Ms Izzy Hogg, solicitor who was representing Mrs Hutchings, postmaster at Rowlands Castle. It was agreed that I would conduct a voluntary interview with Mrs Hutchings at Eastleigh Post Office at 11.00 hrs on Wednesday 20 April 2011.

Both Mrs Hutchings and Ms Hogg attended Eastleigh Post Office at that time where Mr Gary Thomas, Security Manager and I introduced ourselves.

Following disclosure to Ms Hogg and her subsequent consultation with Mrs Hutchings I was given a prepared statement which I photocopied. I have retained the original which I now produce as **GDB/3**. The original photocopy was retained by Ms Hogg.

At 11.23 hrs I commenced a tape-recorded interview with Mrs Hutchings in the conference room adjacent to my office at Eastleigh Post Office. Also present was Mr Thomas and Ms Izzy Hogg. I cautioned Mrs Hutchings and explained her legal rights and completed form GS001 which I now produce as **GDB/4**. The interview which concluded at 13.40 hrs comprised of three master tapes, references 073451, 073452 and 073453 which I now produce as **GDB/5**, **GDB/6** and **GDB/7** respectively.

Typed summaries of the tapes have been prepared and I now produce the one relating to tape 073451 as **GDB/8**, the one relating to 073452 as **GDB/9** and the one relating to 073453 as **GDB/10**.

From the summaries it can be seen that Ms Hogg reads out the prepared statement following which

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**CONFIDENTIAL**  
**Witness Statement**

Criminal Justice Act 1967, Section 9, Magistrates Court Act 1980, sub section. 5A(3)(a) and 5B; Criminal Procedure Rules 2005, Rule 27.1

Continuation Statement of **Graham Brander** Page  of  Pages

Mrs Hutchings answers 'no comment' to all questions put to her by Mr Thomas and I. Mrs Hutchings was also reminded of the caution and that this was her opportunity to give an explanation for the deficit and the apparent inflation of the £50 notes.

Following the interview I asked Mrs Hutchings if she was prepared to supply me with copies of her bank statements to which Ms Hogg stated that she hadn't yet had chance to advise her client on financial matters. As such I supplied her with a number of GS045 Bank Authority Disclosure forms and it was agreed that I would contact Ms Hogg after my return from holiday on 03 May 2011 to ascertain if statements would be forthcoming. I have since spoken to Ms Hogg who advised that bank statements will be provided to me although at that stage she was waiting for these to be produced by Mrs Hutchings. To date I have not received any bank statements or any completed Bank Authority Disclosure forms.

As a Security Manager I can request Horizon data in respect of any Post Office branch. As such I made a request for Horizon data for Rowlands Castle Post Office for the periods 13/01/10 - 17/02/10, 19/05/10 - 14/07/10, 13/10/10 - 17/11/10 and 15/12/10 - 30/03/11. Requests for Horizon data are submitted by the Post Office Ltd Security Casework Team in the form of Audit Record Queries (ARQ's) to Fujitsu Services, who produce the Horizon hardware and software for Post Office Ltd. I subsequently received the requested data in Excel format contained on a CD ROM. From this data I have produced a schedule relating to cash declarations, declared discrepancies and variances, which I now produce as **GDB/11**. Please note that this data does not recognise British Summer time so an hour needs to be added to all entries from 29 March 2010 to 31 October 2010 to establish real time.

I have highlighted a number Declaration Discrepancy Negative (DDN) entries in yellow and a number of positive ones (DDP) in green. I have also highlighted in blue a number of cash declaration entries which appear to jump up by a significant amount within a short space of time without any

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Continuation Statement of **Graham Brander** Page  of  Pages

apparent genuine reason.

From **GDB/11** it can be seen on 13 January 2010 user **LHU001** declares a cash figure of £26,966.66 and then shows a variance check discrepancy in **AA** stock of £3,072.97. This figure is then declared as a negative discrepancy in the cash (Product No. 1), followed by a positive discrepancy of £2.82 in the postage (Product No. 21), which equates to an overall negative discrepancy declared of £3,070.15. A short while later the cash is declared for £30,036.81, an increase of £3,075.15 and this amount is then declared as a positive discrepancy which effectively balances out the earlier entries. These entries would suggest in genuine cases a discrepancy circa £3,000 had been identified and declared and that amount of cash had then been put into the Post Office till to make it balance. This is correct provided the cash was indeed put into the till.

We can see that similar practices occur on 27 January 2010 for £2,331.02 and on 17 February 2010 for £3,608.82. When we look at the next period of data obtained we can see that on 30 June 2010 the amount of the discrepancy being declared in this manner has risen to £6,052.39. On 14 July 2010 it remains around that amount at £6,403.61. On the next period of data obtained we can see that on 13 October 2010 it has risen to £10,449.41.

On 27 October 2010 the cash is declared three times at £31,260.29 before it jumps to £41,606.54 within seven minutes of the previous declaration. On 28 October 2010 and 02 November 2010 there are declared variances of over £10,000. We see a similar jump in the cash declarations of an amount circa £10,000 on 17 November 2010 and 15 December 2010.

On 29 December 2010 near compensatory discrepancies circa £9,000 are declared and on 12 January 2011 the same occurs for discrepancy figures circa £11,000. The entries on 16 February 2011 suggest the deficit in the accounts is £10,589.48 at this time and rise to £11,714.15 on 16 March 2011.

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