

**Initial Report Template in a Serious Fraud**

<p align="center"><b>Request to Sheriff and Jury Functional Lead for authority to place accused on petition for Fraud case</b></p> <p align="center"><b>Report case</b></p>	
<p align="center"><b>Case Information</b></p>	
Accused	ROSEMARY STEWART
Reference Number	GG13010308
Office	Marking Hub
PF Depute	A Lazzarin
Nature of Offence	Fraud
Date of Offence	Between 22nd May 2009 and 29th November 2012 both dates inclusive
Date of Report to Functional Lead	30/05/2014
<p align="center"><b>Brief Narrative and Recommendations</b></p>	
<p>Brief summary of the facts of the case including any additional facts or issues which require clarification.</p>	<p><u>Background information</u></p> <p>Subpostmasters are contracted to provide services relating to Post Office business to customers. As such they receive a monthly remuneration commensurate with the level of business conducted at the branch. They are provided with a balance of cash and stock to allow them to provide these services. It is their responsibility to ensure that this cash and stock is accounted for and is held securely at all times. Subpostmasters are expressly forbidden by a clause in their contract to use Post Office money for their own use.</p> <p>All branches are required to balance and complete a Branch Trading Statement at the end of each Branch Trading Period. It is a signed declaration of the cash and stock held at the branch at the end of the Branch Trading Period, and is also a summary of the volume and value of the receipt and payment transactions, which have been carried out in the branch during the period on behalf of Post Office Ltd and its clients. There are twelve Branch Trading Periods in a year, produced on a 4/5 week cycle and running from April through to March. Each Period is identified by a number (TP 01, TP 02 etc) and starts on a Thursday and ends on a Wednesday in</p>

each instance, unless either the Wednesday or Thursday clashes with a public holiday, in which case, the Branch Trading Period is adjusted to take account of this.

Within each Post Office there are counter position(s) which link into a computer system called Horizon.

Each Post Office is recognised by a unique code under which all their individual transactions are recorded. The code for Gorbals Post Office is 224 844. This system records all transactions input by a counter clerk working at a counter position against their individual office code. Each clerk will log on to the system using his or her own User ID and unique password. The transactions performed by each clerk, and the associated cash and stock level information are recorded by the Horizon system in a stock unit. Once logged on, any transactions performed by the clerk must be recorded and entered onto Horizon and are accounted for within the user's allocated stock unit. The Horizon system provides a number of daily and weekly records of all transactions input into it. It enables Post Office users to obtain computer summaries for individual clients of Post Office Ltd e.g. National Savings Bank, Girobank (Alliance & Leicester), Department of Vehicle Licensing Association (DVLA) and the Department of Work & Pensions (DWP). The Horizon system also enables the clerk to produce a weekly balance of cash and stock on hand combined with the other transactions performed in that accounting period.

Cash and stock are held in a Stock Unit and allocated an identification letter/number i.e. AA or 1 etc.

Each Post Office Branch is unique in it's make up off stock units. Whereas one office may have staff sharing one Stock Unit, another may have each member of staff assigned to an individual Stock Unit. Regardless of whether a member of staff serves from a shared or individual stock unit, each one will have an individual User ID and password for the Horizon computer system.

A Horizon User Id is compiled using the first letter of the first name and the first two letters of the surname. If a user conducts management tasks such as balancing the office and printing reports they would normally require at least 2 User Id's. Therefore they would use the same letter format and then accumulate the numbers e.g. 001, 002, 003, etc.

Rosemary Stewart was employed as a manager at the branch from 2 February 2006 to 29 November 2012.



Summary of eventsThe offence

Mrs Rosemary Stewart, Manager has hidden a shortfall of Thirty Two Thousand Three Hundred and Seventy Nine pounds Fifty Four (£32,379.54) of Post Office money. This shortfall has accumulated over time since the last audit at the branch in 2009.

Stewart has disguised the shortfall by firstly inflating the unusable notes in the office to balance out the cash shortfalls. After claiming to receive a phone call to return the unusable notes she hid the shortfall by transferring monies from Stock Units 04 to ZZ and vice versa. By doing so she was removing the cash figure from the accounts and placing it in the ether. That amount of cash would then not be accounted for in the branch by the Horizon system. It would appear that there is a defect in the system as when stock is transferred from one stock unit to another, it does not show on the accounts of either the sending or receiving stock unit until it is accepted into the receiving stock unit. Stewart had control of both sending and receiving stock units here. At the end of accounting periods, the system forces the transfers to be accepted and Stewart would then transfer the stock back again, holding off on accepting it in the receiving account so that the stock was only visible for a very short time to routine inspections.

She also inflated the Lottery Scratchcards figures to disguise a further shortage in the branch so that the accounts showed that the branch had stock of scratchcards that did not exist.

How the offence came to light

On Thursday 29th November 2012 Auditors attended Gorbals Post Office to conduct an audit. They arrived at approximately 08.30 hours and introduced themselves to Rosemary Stewart, Manager. Ms Stewart was informed they were there to perform an audit on behalf of Post Office Ltd.

Ms Stewart allowed them access to the secure area and was present while the audit was carried out. It was noted one of the two safes was unlocked and Ms Stewart informed the Auditors it was faulty and that no cash was kept in it. Stock Units were taken from the second safe one at a time and checked.

Once checked they were placed in a special delivery envelope and sealed. At approximately 10.00 hours Ms Hassam, Auditor noticed One Thousand pounds (£1,000) of £50 notes being placed in the safe with the faulty lock by Mrs Jacqueline El Kasaby wife of the Subpostmaster who was now in attendance.

Ms El Kasaby was informed it would not be counted until after the audit. Ms Stewart then informed the Auditors she had been covering up shortages caused by errors but could not tell them by how much. Ms El Kasaby said was completely unaware that it had been happening. Mr El Kasaby, Subpostmaster arrived at the branch at approximately 10.20 hours.

All remaining Stock Units in the branch were checked resulting in an overall net shortage of Thirty Four Thousand One Hundred and Seventy Nine pounds Fifty Four (£34,179.54) shortage. A breakdown of the audit result and details of the audit findings are as follows:

£29,947.09 - Identified as a difference in cash figures  
£2,347.68 - Identified as a difference in stock figures  
£23.37 - Identified as a difference in postage figures  
£15.13 - Identified as a difference in foreign currency figures  
£31.05 - Transaction errors revealed to documentation  
£15.22 - Discrepancy as per office snapshot  
£1,800.00 - Other: Outstanding Debt previously settled Centrally  
£34,179.54 - Total Shortage

#### What should have happened about shortfalls

All losses and gains discrepancies have to be resolved at balance, or alternatively when a Transaction Correction is received. The Subpostmaster has three options to resolve it. Make Good - Cash, Make Good - Cheque or Settle Centrally. The Settle Centrally option is only available if the discrepancy is £150 or over. If the Subpostmaster uses the cash or cheque option to make good a shortage they then must put the value of the shortage in the drawer. By settling centrally the Subpostmaster is accepting the error. They will then be contacted by a member of the Current Debt team within the Product & Branch Accounting (PBA) Section. If they are unable to make full payment, a payment plan is put in place where 25% is deducted each month from the Subpostmaster's remuneration until the debt is repaid.



Alternatively if there is an overage the Subpostmaster is entitled to remove the value of the overage.

The One Thousand Eight Hundred pounds (£1,800) outstanding debt had been previously been settled centrally reducing the loss on the day of the audit to Thirty Two Thousand Three Hundred and Seventy Nine pounds Fifty Four (£32,379.54). However it had not been repaid resulting in the money owed to Post Office Ltd being Thirty Four Thousand One Hundred and Seventy Nine pounds Fifty Four (£34,179.54).

Interview under caution

Stewart was lawfully interviewed by Robert Daily and Steve Bradshaw, officers of Post Office Limited at The Guildhall, 57 Queen Street, Glasgow on 29 January 2013 at 10am. The interview lasted until 11:15

She accepted full, individual responsibility for the offence. She accepted that her conduct had been ongoing for 3-4 years, the accused accepts that no one else knows her passwords and she does not know anyone else's, the accused was responsible for both of the main stock units involved in the fraud and for producing the branch trading statement on a monthly basis.

The accused explained in detail how the shortfalls accumulated and were hidden firstly as unuseable notes then by moving the amount between accounts. She did not attempt to discipline any members of staff for the shortfalls arising from their part of the branch.

17.31	SB	Right so what you've done is you've made them good but not put the money in?
	RS	Yeah.
	SB	Right did you tell the Sub-Postmaster?
	RS	No.
	SB	Did you tell your sister Jackie?
	RS	No.
	SB	So every time a transaction come along, a transaction correction sorry come along you made it good, did you make it good irrespective of the amount?
	RS	Yeah.

18.09	SB	The actual amount of money you know is £34,000.
	RS	It's over, it's been over, it's been over, that's been over a few years that's been I don't actually.
19.48	RD	So how many years do you think it is?
	RS	I don't know 3 or 4 years.
20.15	SB	When you put it in, you done the house keeping and you said you put the
	RS	money in but didn't physically put any money in?
20.23	SB	Yeah.
	SB	Let's just take it on so when you made it good right what stock unit did you make it good in?
20.15	RS	Number 4 usually.
	SB	Number 4.
20.23	RS	Yeah.
	SB	So you used your own stock unit?
20.15	RS	Yeah.
	SB	To make good the transaction corrections?
20.23	RS	Yeah.
	SB	Ok so on the Wednesday right you've done your transaction correction for £200, £2000, £20,000 or whatever, how did you manage to balance on the Wednesday then, how did you manage to do your cash declaration each day?
20.15	RS	I just I'd put it in as unusable notes the loss.
	SB	Right so whatever the amount you were short in your stock unit?
20.23	RS	Yeah put it into the unusables.
	SB	You sort of hid it by being, by saying you had more unusable notes than what was physically there?
20.15	RS	Yeah
	SB	Did you not think that that was dishonest of you?
20.23	RS	Of course it was.
	SB	So you admit you were dishonest by?
20.15	RS	Yeah.
	SB	So you hid it.
20.23	RS	And I know this and yeah.
	SB	In the unusable notes?

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	20.46	RS	mm.
		SB	Ok and then has that carried on each time so each time on a daily basis if it was £200 then £400 and so on you would make your unusable notes?
	21.12	RS	Mm yeah.
		SB	Sort of and then when you come to do your weekly balance on each balance period you would make the cash?
		RS	Yeah.
		SB	Fit whatever the system was expecting?
		RS	Yeah.
		SB	And then that rolled on then to the branch trading statement?
		RS	Yeah.
		SB	And then you made your branch trading statement for your stock unit fit?
	21.17	RS	Yeah.
		SB	Whatever the system was expecting?
		RS	Yeah.
		SB	And then that's rolled over from one branch period to another?
		RS	Yeah.
		SB	That's covered the last 3 or 4 years?
		RS	Mm.
		SB	So if we say something like 2008 then to?
		RS	Probably.
		SB	Yeah so 2008 November, April, 8, 9 yeah 2008 to, November 2008 to November 2009 or 12 so that 4 years you've been rolling the shortage over, have you stolen this money for any other purpose?
	21.51	RS	No.

	23.07	RS	Solely by me yeah.
		SB	Acted alone throughout all this right ok. Right on the, your stock unit we've covered that I've got something to show you. On the audit report and what it shows there the cash, if you have a look at the front of that right it shows the cash was sort of out by £29,947.09.
		RS	Right.
		SB	Ok, on the day your previous balance I think stock unit 1 was ok, your bureau was ok, I think number 3 was about £50 out, £48.80 if you want to be exact, stock unit 5 was 12 pence out, stock unit 7 was £20, you're out of hours was the lottery that was £74 and the bulk of this basically appeared in ZZ stock unit.
	24.09	RS	Mm.
		SB	What can you tell us about that?
		RS	Well what happened was I get a phone call to say that there was a lot of money in the, on the unusable and that I was to send the money back so then I didn't know what to do with it so I transferred the cash to ZZ.
		SB	Right so who did you get the phone call from?
		RS	Post Office I don't know who.
		SB	Probably Cash Management yeah?
		RS	Probably.
		SB	And that was to send back the unusable notes?
		RS	Yeah.
		SB	Ok so and because you didn't have them to send back you transferred them out then from stock unit 4?
		RS	Ah ha to ZZ.
		SB	To ZZ ok. So you get the phone call and you transfer them out on that day, when did you accept them into ZZ?
	25.04	RS	The day that I transferred them.



		SB	Right so you would.
		RS	We had obviously had some unusables that I sent back and then this I transferred.
	25.22	SB	But the transfers you would normally accept on daily.
		RS	Yeah.
		SB	Right are you sure now all transfers would be accepted daily?
		RS	They were except for that one I just didn't, I just didn't accept it.
	25.31	SB	Right ok so that's a slight change on accepting the transfer so.
		RS	But the other transfer was transferred daily.
		SB	Yeah so the normal day to day working, if Robert, if you transferred 7,000 out of the main safe which is stock number 7 to Bob say in stock number 1 you give him £10,000.
		RS	Yeah.
		SB	During that day they would be accepted.
		RS	Yes.
		SB	Whether immediately or at the end of the day.
		RS	Yeah.
		SB	But on the daily basis.
		RS	Yeah.
		SB	(indistinct). The only exception is this large amount that you transferred from your own to stock unit ZZ?
		RS	Mm.
		SB	Ok why were they not accepted on the day, why did you do different with these?
		RS	I just never accepted it I just left it there.
		SB	You just left it sort of?
		RS	Yeah.
	26.09	SB	I think the words are 'floating about in the ether' where it's.

	26.21	RS	Yeah.
		SB	You would still be able to balance but nobody knows where the money is?
		RS	mm.
		SB	Ok.
		RD	When did you receive the original phone call for sending the money back?
	26.43	RS	I don't know.
		RD	Weeks, months?
		RS	Months probably.
		RD	Months so I mean obviously we'll go away and check that up when you originally sent it or received it so after you've received that original phone call is that when you originally transferred the money into ZZ?
		RS	I think that's what I done, I can't remember.
	27.12	RD	If you transfer it from 4 into ZZ and you accept into ZZ then it's still showing up as cash in the office.
		RS	I didn't accept it.
		RD	You didn't accept it but I thought you said you accepted it daily?
		RS	Not that one, I accepted every other transaction but not that one that just left it on.
		RD	So that went, but what happens at the trading period end?
		RS	I accepted it then and then transferred it back.
		RD	Back to where?
		RS	Back, I just, I transferred it into, it was sitting in ZZ so I would, I'd have to accept it in ZZ to do 4 'cos you can't have any and then I transferred it back.
		RD	Into 4?
		RS	Yeah.



	27.35	RD	So it was sitting in unusable notes again in 4?
		RS	No it just floated it came back in 4.
		RD	So as each branch trading period end came, that sat in, it basically sat in cyber space?
		RS	Yeah.
		RD	And that was so as, and why did you do that?
		RS	I just, I don't even know I just done it one day and it never showed up so I just left it there.
		RD	What effect would that have on your cash in your office?
		RS	It never really had any effect I don't think.
		RD	Well.
		RS	I don't know.
		RD	If you had £60,000 in your office.
		RS	Ah ha.
	28.12	RD	Yeah and you transferred 30,000 out but didn't accept it, what does that then do to your cash in your office?
		RS	It would say that there was 30, I don't know.
		RD	It would only, then if you did a.
		RS	The cash is only 30,000.
		RD	You'd only be 30,000 so by doing that you're disguising the fact that you've got a shortage of 30,000.
		RS	Yeah.
		RD	In your office when effect if you'd accept it your cash would be showing £60,000.
		RS	Yeah yeah that's right sorry.
		RD	So by holding it in there during that period of the month, the branch trading, it meant that the system was showing 30,000 less than what it should have?

	28.44	RS	Yeah ah ha, sorry yeah.
		SB	So that covers, the bulk of that cash missing then it's all to do with this
		RS	Yeah.
		SB	What you've added as unusable which what you're saying that you haven't stolen the money?
		RS	No.
		SB	And this is all the result of at least 4 years worth of transaction corrections that you're making good and any other.
		RS	Any shortages.
		SB	Day to day losses?
		RS	Yeah.
		SB	That you've had when you've been balancing?
		RS	Yeah.
		The accused also made admissions that she also claimed to have lottery scratch cards in stock when there were none	
	35.19	SB	Ok right so that covers the shortage in the cash, you've got no explanation you're just down in the cash and not sure. Right the stock figures, it's to do with the lottery scratch cards, did you have scratch cards in your stock unit?
		RS	Yeah I've had scratch cards in my stock unit for a long time, it was.
		SB	But did you physically have any in there?
		RS	No, no they were just on the stock, it was, it had been a correction that came through.



	36.32	SB	It's showing all them scratch cards in £1, £2 and £5, 634, 240, 72 totalling somewhere in the region of £1,474.00 worth of scratch cards.
		RS	Yeah.
	36.38	SB	And they didn't exist?
		RS	No.
	36.54	SB	Why did you declare them on a weekly and a monthly basis?
		RS	Because they came through and then I knew, and this was stupid, I knew that if I tried to take them off then it's going to turn into cash more cash so I just left them.
	37.25	SB	Right is this from another transaction correction?
		RS	Mm.
		SB	Right so you got a, say a transaction correction for £1,474.00.
		RS	No it wouldn't be one it would be a number.
		SB	Right so how did we get to them figures did you?
		RS	You see when you get a transaction like that through it transfers back scratch cards or whatever and that's been them.
		SB	Right so you just kept them there?
		RS	Yeah.
		SB	And you didn't, in effect is you would have to sell them wouldn't you?
		RS	Yeah.
	37.47	SB	And then by selling them would create another?
		RS	Cash shortage.
		SB	Another cash shortage so even though in real terms they're exactly the same aren't they?
		RS	Yeah.
	38.08	SB	'Cos it's cash but by keeping them the scratch cards on you've hidden the £1474 of cash shortage by saying you've got scratch cards when you haven't?
		RS	Yeah.
		SB	Do you know that was being dishonest again?
		RS	Yeah.
		SB	Ok so that's just about then and I'll just show you now this is the stock on hand done by the auditor again Ian Duncan (indistinct) count up and that's all your stock. There's other little errors within there but the main bulk of the errors all come in, you haven't got one scratch card in your stock unit at all?
		RS	No.

She then indicates an awareness of the scale of the problem by admitting that she had been transferring £28,650 in one go and had done it to keep the shortfall hidden

	39.15	SB	Ok now just to go back and sort of say we've got a number of pieces of paper here that relates to the transfers but you've already explained to us that what you would sort of do is that you would take the transfers when you produce a balance 'cos the number of your unusable notes had increased to such a large amount that you would transfer them out, keep them floating about and transfer them out, now what you said earlier is that you done them on a daily basis and then you said that was for the main daily working but for this one you held back so I'll just show you this one it's from a transaction log that was printed on the 29 <sup>th</sup> November and it goes back to the 15 <sup>th</sup> of thing, the transfer in is that your user ID?
		RS	Yeah.
		SB	So you're RST002?
		RS	Yeah.
		SB	And on the 15 <sup>th</sup> you transferred £28,650?
		RS	Yeah that would have been me.
		SB	Right and that was transferred into ZZ stock unit?
		RS	Yeah.
	39.43	SB	Yeah and then on the same sort of day there's a transfer out?
		RS	Yeah.
		SB	You see the difference, slightly different on your times so you're transferring that out?
		RS	Mm.
		SB	So as soon as it come in that's going with the explanation you give us you transfer it out straight away?
		RS	Yeah.
		SB	Transferred in at 8.32 and then you transferred it back out at 8.44 so what you doing is floating it about keeping it in the.
		RS	Yeah.
	40.14	SB	The dark bits. Now when the auditors come in before they're allowed to do any balancing they have to take in the, they have to make sure all transfers have been reconciled.
		RS	Yeah.
		SB	To give a true record, hence right as it was explained by Robert, when the money is floating about, you need less money to balance.
		RS	Yeah.
		SB	It's just stood there so you actually physically take the transfer and then you need.
		RS	Yeah.

The accused acknowledged that, contractually, any shortfalls fall onto the postmaster, her brother in law, Ahmed El Kasaby and she said she intended to sell her house to pay him back.



<p>The PF Depute's <b>Recommendations</b> as to why petition proceedings are appropriate and Crown's position on <b>bail</b>.</p> <p>Please ensure that the charge is correctly marked in FOS in accordance with your recommendation.</p>	<p>The value of the fraud is £32,397.54. It was carried out over a lengthy period of time, required regular interventions to keep the fraud secret and was accomplished from a position of trust. The accused was eventually caught after the branch was audited, albeit once caught, she was cooperative at interview making detailed admissions of what she had done and how.</p> <p>The accused is a first offender and she was adamant that she did not derive personal benefit from the fraud so bail should not be opposed. She should be subject to a condition that she does not enter the locus, however.</p>
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<b>Considerations on Sufficiency of Evidence</b>	
<p>Evidence that false pretence was made and that it was false</p>	<p>Anomalies detected by auditors. A physical check of all cash and assets was undertaken and the level of shortfall confirmed. The Post Office auditors produced receipts and transaction logs to show the movement of £28660 between two stock units under the accused's login. The physical check confirmed it was not in any stock unit. The accused admitted that the shortfall had been built up by accepting error corrections without the relevant cash being put in. There are sufficient over the period of the charge to account for the entire shortfall.</p> <p>Accused makes detailed admissions as to what she did and why</p>
<p>Evidence that false pretence was made by the accused - ID</p>	<p>Admissions display specialist knowledge, the accused accepts that no one else knows her passwords and she does not know anyone else's, the accused was responsible for both of the main stock units involved in the fraud</p>
<p>Evidence that false pretence induced someone to do something</p>	<p>Post Office Limited were not aware of the true asset position for the branch and as a result, did not take steps to remedy the situation.</p>

Practical Result	Post Office Limited and the postmaster have an asset shortfall of £32,397.54 to try and make good. The Postmaster Ahmed El Kasaby was suspended as a result of this incident.
<p>Observations and recommendations in respect of sufficiency. Please refer to the <a href="#">Fraud Toolkit</a> for guidance in assessing the evidence.</p> <p>Is there sufficient evidence to prove the charge(s)?</p>	<p>There is sufficient evidence. The accused makes detailed admissions displaying specialist knowledge of the methods by which the fraud was carried out. The interviewing officers are Robert Dailly and Steve Bradshaw. The auditors and their assistants that discovered the anomalies which can be matched against the admissions are Lindsay Young, Alicia Hassam, Margaret McConnell and Ian Duncan, and Linda Boyle. The former co-accused Jacqueline El Kasaby (marked for no action due to insufficient evidence) is available to confirm that the accused's behaviour was not authorised or known about.</p>
<p><b>Non Fraud Cases :</b></p> <p>Evidence of essential elements of specific offence</p>	n/a

Considerations on Quality of Evidence	
Describe here the nature of any concerns.	<p>The productions require to be returned to the Post Office so that they can be certified as documents held by a business.</p> <p>Mrs El Kasaby was interviewed as a suspect, but her interview did not record properly.</p>



	There are well publicised concerns about the reliability of the Horizon system, however, given the admissions, that should not prove a problem here.
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Considerations of further inquiries to be carried out	
Any further enquiries to be instructed after accused placed on petition	<p>Return productions to the Post Office so that they may be certified.</p> <p>Certify transcript of Stewarts interview.</p> <p>John Fraser and Paul Smith are listed as witnesses however they do not appear to be mentioned in the SPR. The Post Office advise that they were part of the Audit team, but did not play any significant role. Statements will need to be obtained from them.</p> <p>Suzanne Winter took statements on behalf of the Post Office, but had no further involvement. A statement requires to be obtained from her to this effect.</p>

**S&J Functional Lead's Instructions**

Functional Lead	
Date of Instruction	
1. Instructions on proceedings	
2. Instructions on <b>bail</b> , special conditions of bail and bail appeal.	
3. Observations on quality	
4. Further Enquiries Required before a decision can be taken on proceedings	<p>The following further enquiries are to be carried out:</p> <p>Please re-report to me by:</p>