

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION, LEGAL
POLTD/1112/0007OFFENCE : FRAUD / THEFT

Name: Lynette Jane Hutchings

Rank: Subpostmaster Identification Code: 1

Office: Rowlands Castle SPOB Branch Code 107937

Age: 55 Date of Birth: **GRO**

Service: 4 years 7 months Date Service Commenced: 29/08/2006

Personnel Printout: at Appendix C

Nat Ins No: **GRO**

Home Address: **GRO**

Contract for Services Suspended: 30/03/2011: by Nigel Allen, Contracts Advisor

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

Designated Prosecution Authority: Dave Pardoe, Senior Security Manager – Operations

Discipline Manager: Nigel Allen, Contracts Advisor

Corporate Security Criminal Law Team

Mrs Lynette Hutchings is the subpostmaster at Rowlands Castle sub Post Office® branch (SPOB), which forms part of a hardware stores outlet and is situated in the suburb of Rowlands Castle which is a few miles north of Havant in Hampshire.

On Wednesday 30 March 2011, Mr Adam Shaw, Field Support Advisor attended Rowlands Castle SPOB with his colleague Mrs Sarah Juliff, in order to verify the cash on hand at the branch. Mrs Hutchings was present when they identified a deficit in the accounts of £9,743.76.

The deficit is broken down as follows:

Cash	- £10,868.08
Stock	+ £ 905.43
Postage	+ £ 132.10
Foreign Currency	+ £ 86.79

A copy of the P32 Audit Schedule of Accounts is at **Appendix B**.

A copy of the audit report is at **Appendix C**.

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I contacted the 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 the branch.

The Cash Management Team use computer software known as SapADS. This system collects data from every Post Office® Branch's computer system (Horizon) including payment information, closing cash totals within the branch, broken down by each note and coin denomination, plus cash returned/delivered to and from the branch.

The SapADS system then calculates cash requirements for each branch, depending on historical data, by forecasting daily cash requirements up to and including the next service day. So the system will either ask for a certain amount of cash to be returned from the branch or will calculate how much cash to send out. This is known as the Planned Order.

The schedules which I initially received from the Cash Management Team cover data from 07 April 2010 to 07 April 2011. 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. A copy of an updated schedule going back to 27 December 2009 is at **Appendix B**.

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.

The first entry in bold type is £2,075 in the £1 note column on 07 April 2010, which appears to be a simple case of it being entered on the wrong line i.e. it should have been entered against the £5 notes.

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. 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 12 April 2010 there is £16,000 awaiting collection and the figure shown in the £50 notes column is £16,050, 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.

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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 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. A copy of this schedule is at **Appendix B**.

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 Cash Management Team also sent me a copy of four log entries. The first one dated 07 March 2011 details a telephone call from Mr David Dixon to the branch asking a 'lady' to return £30,000 the following day. The 'lady' apparently stated that 'they were hanging onto excess cash as they were expecting people to come back from the holiday period and withdraw more cash'.

The next log entry, on 09 March 2011 details the fact that the branch failed to return the requested £30,000 and that an audit was requested. Looking at the main ONCH schedule referred to earlier in this report it can be seen that £14,000 was returned by the branch on 08 March 2011.

The final two log entries simply refer to the fact that the branch is shut due to an audit taking place and that Mrs Hutchings has been suspended. Copies of all four log entries are at **Appendix B**.

On 06 April 2011 I wrote to Mrs Hutchings inviting her to attend an interview on either 19 or 20 April and giving her until 14 April 2011 to contact me. The letter explained her legal rights and the Post Office Friend rule and a copy is associated at **Appendix C**.

I spoke to Mr Nigel Allen, Contracts Advisor who advised me that he had arranged a conduct interview with Mrs Hutchings for 13 April 2011. He stated that he had received Branch Trading Statements and Horizon printouts from Mr Shaw, which he would give to me after he had completed his interview. As such, on 13 April 2011 Mr Allen attended my office in Eastleigh and handed me the documentation which he had received from Mr Shaw.

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Mr Allen advised me that Mrs Hutchings had failed to attend the pre-arranged interview earlier that day and as such he would be writing to her to advise that he was terminating her contract for services as subpostmaster at Rowlands Castle SPOB.

The Branch Trading Statements covered the period of 11 October 2006 to 16 March 2011. Some of these have not printed very clearly and as such Mr Shaw 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.

The documentation obtained by Mr Shaw included a number of cash declaration slips. One that was completed at 17.45 hrs on 16 March 2011 showed a total amount declared of £29,572.20 including £100 in the £50 notes. A copy of this printout is at **Appendix B**.

Mr Shaw obtained from the Horizon system an Event Log Balancing, which showed all cash declarations made from 17 February 2011 to 30 March 2011. It can be seen that on 16 March 2011 at 17.53 hrs the cash is declared again for £29,572.20 and the postage stamps are declared for £10,980.34. At 17.54 hrs a Variance Check is conducted which shows a deficit of £11,714.15. Stock unit AA is then balanced and the discrepancy committed, although the rollover of AA to the next Trading Period is abandoned at 17.56 hrs.

At 17.57 hrs the cash is re-declared for £41,286.35 and a compensatory surplus of £11,714.15 is shown. AA is balanced once again and the surplus discrepancy is committed. At 18.02 hrs AA is rolled over to the next Trading period and the Branch Trading Statement is created at 18.03 hrs then rolled to the next Trading Period. As stock unit AA committed both a deficit and a surplus discrepancy of the same amount i.e. £11,714.15 before it was rolled over, the Branch Trading Statement produced on 16 March 2011 thus shows no discrepancies. A copy of the entries for 16 March 2011 on the Event Log Balancing is at **Appendix B**.

The various cash declaration slips obtained by Mr Shaw did not contain one showing a total amount of £41,286.35 as declared at 17.57 hrs on 16 March 2011. However, as this was the last declaration made on that day the breakdown of what was declared can be seen from the main ONCH schedule. As mentioned previously the cash declaration slip produced at 17.45 hrs showed a declared amount of £100 against the £50 notes. On the ONCH schedule we can see that on 16 March 2011 that £11,800 was declared against the £50 notes as part of the overall total of £41,286. This would suggest to me that the £50 notes were inflated at that time by £11,700 which is £14.15 different to the amount of the deficit identified following the Variance Check at 17.54 hrs.

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. I have analysed the Credence POLMI database and they 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. 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.

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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 and a copy of this is at **Appendix B**. The original photocopy was retained by Ms Hogg.

From the prepared statement it can be seen that Mrs Hutchings believed she migrated to Horizon online in May / June 2010 although I established just prior to the commencement of the interview that the migration date was 05 July 2010. It states that at the time of migration all accounts balanced. It then goes on to suggest that problems arose following the migration to Horizon Online. It states that only her and her husband worked in the Post Office and at no stage have they stolen any money. It states that they only served against their own user names and did not know each others Horizon passwords.

It states that Mrs Hutchings altered cash declarations but not in order to create a gain for herself or a loss to the Post Office and that she felt the balances would be corrected through transaction corrections. She stated that she only altered the cash declarations in order to continue to operate the Post Office.

The prepared statement refers to some difficulties that Mrs Hutchings apparently encountered. These related to unexplained stock discrepancies, problems with Horizon equipment and that the Helpline was difficult to access and unreliable.

Prior to the interview commencing, I telephoned Mr Allen who advised me that he had a schedule of call logs made by Rowlands Castle SPOB to the Post Office Helpline. He then e-mailed it to me and I printed off a copy. The first entry is dated 23 June 2010 and the last is 05 April, although only entries up to and including 21 March 2011 are relevant as beyond that they relate to the branch being closed for the audit on 30 March 2011 and after that there is one call from the Interim subpostmaster and one relating to the request for the call log.

As the prepared statement suggested difficulties in accessing the Helpline I was interested to see if many calls had been made by either Mrs Hutchings or her husband. From 23 June 2010 to 21 March 2011 there are 30 entries, most of which occurred after migrating to Horizon Online and none of which relate to any balancing problems. A copy of the call log schedule is at **Appendix B**.

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. Copies of the GS001 Legal Rights form and the GS003 Post Office Friend form are at **Appendix B & C** respectively.

Typed summaries of the tapes have been prepared, copies of which can be found at pages 9 to 61 of this file.

From the summaries it can be seen that Ms Hogg reads out the prepared statement following which Mrs Hutchings answers 'no comment' to all questions put to her by Mr Thomas and I.

As can be seen from the tape summaries the aforementioned schedules and printouts were put to Mrs Hutchings, as well a number of Branch Trading Statements and questions relating to the prepared statement. 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. Copies of all the Branch Trading Statements put to Mrs Hutchings at interview are associated at **Appendix B**.

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The interview comprised of three master tapes, reference 073451/52/53 and concluded at 13.40 hrs. The master copies are currently secured at my office in Eastleigh whilst the working copies are associated at **Appendix B**.

Following the interview, Mrs Hutchings was asked a number of questions in order to complete NPA and Antecedent forms, although following advice from Ms Hogg she declined to answer any which related to financial matters at that time. Typed copies of these, detailing information established to date are at **Appendix C**.

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.

In view of the fact that the audit shortage was relatively low, under £15,000 and that from my analysis it appeared that small amounts had gone missing over a period probably in excess of 18 months it seemed extremely unlikely that any evidence of theft would be uncovered through conducting searches. I spoke to Mr Paul Southin, Financial Investigation Manager who concurred that given these circumstances that he would not instigate a financial investigation. As such no searches were completed as part of this investigation.

I have managed to get some further ONCH data from the Cash Management Team going back to 27 December 2009. The system that the Cash Management Team now use means that they can only recover data going back approx 15 months. I have produced a further schedule showing the ONCH breakdown and Cash In Pouches and collections for the period 29 December 2009 to 30 March 2011. I have again highlighted the entries on dates when a Branch Trading Statement has been produced and entered in bold type where the £50 notes have 'jumped'.

From this latest schedule it can be seen that the same pattern has occurred previous to 07 April 2010. The fraud appears to have been going on at least as far back as 13 January 2010 as on this date the £50 notes 'jump' from £150 the previous day to £3,300 when the Branch Trading Statement is completed before dropping back down to £600 the following day. A copy of this schedule is associated at **Appendix B**.

The evidence, based on my analysis of the ONCH schedule and the apparent inflation of £50 notes when completing a Branch Trading Statement would appear to support the fact that Mrs Hutchings has committed fraud, having dishonestly made false representations in the accounts namely the Branch Trading Statements for Rowlands Castle Sub Post Office for the period between 13 January 2010 to 30 March 2011 to the sum of £10,814.83 when she had thereby intended to make a gain for herself or another or to expose Post Office Limited to a risk of loss, which is contrary to Section 1 of the Fraud Act 2006.

To date Mrs Hutchings has not repaid any of the money and as such the outstanding loss to Post Office Ltd remains at £10,814.83. She gave no indication as to if and when she would be in a position to repay any of this money although I explained to her that any payments would be received without prejudice to any action the Post Office may take.

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Mrs Hutchings is married to **GRO** and achieved 8 GCE's **GRO**. As stated previously she declined to answer any financial related questions.

In view of the low amount and that there is no financial investigation I have not requested credit, land registry or Inland Revenue checks although this can be done some time if the future if required.

Subject to the receipt and analysis on any bank statements received I have now completed all anticipated enquiries in respect of this case.

At this stage I have no reason to question the reliability of any likely witnesses, should statements subsequently need to be obtained in this case.

All original exhibits in this case are currently retained at my office in Eastleigh, although these will soon be transferred to new office accommodation in Swindon.

An electronic copy of this report, a management report and the tape summaries have been sent to the Post Office Security Team generic address on 05 May 2011.

During the course of this investigation I have not identified any failings in security procedures other than the fact, that for whatever reason, as stated in her prepared statement, Mrs Hutchings admits to altering her cash declarations. The audit was instigated by the Cash Management Team following the fact that she only returned £14,000 when £30,000 was requested. Although the fraud appears to have been going on for some time, because of the relative low amounts being inflated this branch wouldn't necessarily have appeared very high up in the Cash Management risk matrix.

These papers are now forwarded to you for sight, and advice on the sufficiency of the evidence as to whether criminal charges are brought against Mrs Hutchings.

Please feel free to contact me should you require any further information or clarification on any of the points raised in this report.

GRO

Graham Brander
Security Manager
Post Office Ltd

05 May 2011