

POST OFFICE *Limited* CONFIDENTIAL

Offender 1

SIMS/12986/6883

OFFENCE : Theft/False Accounting

Name: David Peter Yates

Rank: Subpostmaster **Identification Code:** 1

Office: Walton on Thames MSPO **FAD Code** 090 023
73 Hersham Road
Walton on Thames
Surrey
KT12 1LN

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

Service: 9 years **Date Service Commenced:** 13 September 1993

Office Printout: **At Appendix:** C

Nat Ins No:

Home Address:

GRO

Contract for Services Suspended: 07 March 2003, by Elaine Wright, Retail Line Manager

Prosecution Authority: John Legg (Agency Contracts Manager)

Discipline Manager: Elaine Wright (Retail Line Manager)

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Offender 2

SIMS/12986/6883

OFFENCE : False Accounting

Name: Lindsey Susan Smale

Rank: Counter Manager **Identification Code:** 1

Office: Walton on Thames MSPO **FAD Code** 090 023
73 Hersham Road
Walton on Thames
Surrey
KT12 1LN

Age: **GRO**

Date of Birth: **GRO**

Service: 9 years

Date Service Commenced: 13 September 1993

Office Printout: **At Appendix:** N/A

Nat Ins No: N/K

Home Address: N/K

Contract for Services Suspended: N/A

Prosecution Authority: John Legg (Agency Contracts Manager)

Discipline Manager: Elaine Wright (Retail Line Manager)

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Legal Services

This case concerns an audit discrepancy at Walton on Thames Post Office, 73 Hersham Rd, Walton on Thames, Surrey, KT12 1LN. The circumstances leading to the interviews of those named in the preamble, and suspension for contract of services, are as follows.

On Friday 7th March 2003, I received a telephone call from Paul Dawkins, Investigation Team Manager. I was informed that an audit was occurring at Walton on Thames Post Office and the indications were that a substantial shortage within the accounts was going to emerge. I then made arrangements to attend the office with Rob Fitzgerald, Investigation Manager.

On arrival to the Post Office, I introduced myself and Rob Fitzgerald to the Subpostmaster, David Yates, and informed him of the reason for our presence. I also explained that prior to determining a course of action, I needed to speak with the Audit Manager, Paul Bosson, in order to receive an appraisal of events thus far. Mr Yates agreed that a rest room within the premises could be used to this effect.

Paul Bosson informed me that he had received a telephone call the previous day, Thursday 6th March 2003, from Michael Dadra, Operations Manager within the Security & Audit Team. The details of this call concerned discrepancies in post audit checks, relating to Walton on Thames Post Office and an audit conducted on 15th November 2002. In summary, part of the audit process involves the recording of remittances that have been despatched from Post Offices. At some stage after an audit, checks are made against figures that Subpostmasters claim to have been remitted out from their office, against figures recorded as being remitted in by Cash Centres. It had been identified that the alleged remittances on the audit of 15th November 2002 had not been declared as received by the Cash Centre, or indeed recorded on the cash account submitted by Walton on Thames Post Office. In effect, there was a discrepancy in the amounts sent and the amounts received totalling £330,000.00.

Due to this discrepancy, Mr Bosson, accompanied by Sue Le May, Auditor, had attended Walton on Thames Post Office on Friday 7th March 2003.

On commencement of the audit, Mr Bosson asked Mr Yates for a balance snapshot. This document, obtained from the Horizon computer system, indicates the levels of cash and stock that should be on hand. The snapshot was produced and a part copy is enclosed at Appendix B. It can be seen that the cash figure is recorded as being £410,354.67.

Mr Bosson then asked Mr Yates to provide the office cash declaration from the previous day, Thursday 6th March 2003. A cash declaration should be completed by outlets on a daily basis, at the close of business, ensuring that the amount of actual cash on hand is recorded. This document was located and provided to Mr Bosson. A copy is enclosed at Appendix B. It can be seen that the total cash figure is recorded as being £43,566.00.

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Clearly, there was a difference in the amount of cash that should have been on hand (snapshot) and the amount of cash actually on hand (declaration). Accordingly, Mr Yates informed Mr Bosson that a remittance had been despatched the previous day, Thursday 6th March 2003, but it had not been entered onto the Horizon system. This would have explained why the snapshot was showing a much larger cash figure than the declaration.

In order to verify what Mr Yates had said, Mr Bosson then requested the Cash In Transit (CIT) receipt book. This book details outward remittances and a signature is obtained from the CIT officer who collects the remittance. On examination of the book, Mr Bosson pointed out that the last entry concerned a remittance on Wednesday 5th March, not Thursday 6th March. A copy of the last entry is enclosed at Appendix B.

For further verification, Mr Bosson asked Mr Yates for the P884 forms (subsequently determined as being P5257MA forms). These forms are used by Subpostmasters to detail a breakdown of all cash being remitted. The top copy of the forms are enclosed in the relevant pouches and the undercopy of the forms are retained in the Post Office, for audit purposes. It should also be noted that the maximum amount of cash, which can be placed in a pouch, is £20,000.00 and a P5257MA should be completed for each pouch. Accordingly, there should have been a number of P5257MA undercopies to reflect the alleged remittance of the previous day.

Mr Yates claimed he could not find the forms. At this stage Mr Yates also informed Mr Bosson that no remittance had been despatched the previous day and that the audit would probably result in a shortage of some £350,000.00.

A report detailing the events so far was written by Mr Bosson and he and Mr Yates signed the report. A copy of the report is enclosed at Appendix B. The matter was then referred to the Investigation Team.

I then spoke to Mr Yates, inviting him to attend a tape-recorded interview and explaining his legal rights and his right to have a friend present during the interview. I also cautioned Mr Yates. Rob Fitzgerald made a notebook entry, detailing this conversation. A copy of the notebook entry is enclosed at Appendix C. Mr Yates agreed to be interviewed.

At 12.10 hours I commenced a tape-recorded interview with Mr Yates. Also present was Rob Fitzgerald. Mr Yates declined the right to seek legal representation or advice and a copy of form CS001 is enclosed at Appendix B to this effect. He also declined the offer of a friend to be present during the interview and a copy of form CS003 is enclosed at Appendix C to this effect.

The interview consisted of one tape (seal ref 046861) and was concluded at 12.54 hours. A taped summary has been prepared and associated at pages to of these papers.

Mr Yates admitted to inflating his cash figures for the past 3 to 5 years in order to conceal an ever-increasing shortage. Given the length of time of this activity, he could not recall, specifically, when this falsification of his accounts commenced or the amounts, specifically, that had accrued over the period. He was aware that when completing the last cash account, on Wednesday 5th March, he inflated the cash by £350,000.00.

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With regards to why this activity had been occurring, Mr Yates claimed, at various points during the interview, that cash was used to pay for losses, error notices, staff wages, personal bills and repayments on loans. He further claimed that expenditure associated with the Post Office and the retail area was exceeding his income, and that over time the amount had 'mushroomed', culminating in a deficiency of £350,000.00.

Mr Yates claimed no one else was aware of what he was doing and that he had completed the accounts each and every week over the past few years. He also admitted to falsely claiming outward remittances at two previous audits (now known to have been 15th November 2002 and 23rd May 2002).

A number of cash accounts were shown to Mr Yates during interview. Two of these related to weeks 9, ending 29th May 2002, and 10, ending 5th June 2002. The signatures on these accounts appeared to be different and Mr Yates claimed that his colleague, Lindsey Smale, had signed the account for week 10. He further claimed that he trained her on how to prepare the accounts and whilst she hadn't physically completed the account, she had signed it.

Following the interview, I spoke with Elaine Wright, Retail Line Manager, who indicated that Mrs Smale was making her way to Walton on Thames Post Office. I was informed that Mrs Smale might be considered with regards to running the outlet on a temporary basis, until the final outcome of the investigation had been determined. I was also informed that Mrs Smale had claimed to have completed the cash accounts in May/June 2002, when Mr Yates took a vacation in the United States.

This obviously implicated Mrs Smale in the investigation, as Mr Yates claimed to have falsified his accounts for the past 3 to 5 years and it therefore required an explanation as to how a balance was achieved during these 2 weeks. It was decided that Mrs Smale would be invited to attend an interview on her arrival to the office.

In the meantime, a search of the Post office was instigated. Mr Yates provided consent for the search and a copy of forms CS005 and CS005iii are enclosed at Appendix B. A quantity of documents were seized as detailed on the forms. The search commenced at 14.00 hours and concluded at 15.15 hours. Paul Dawkins, Investigation Team Manager, had also arrived by this stage.

Mrs Smale arrived and following introductions and the reason for our visit, I invited her to attend a tape-recorded interview. I explained her legal rights and right to have a friend present during the interview. Rob Fitzgerald made a notebook entry, detailing this conversation. A copy of the notebook entry is enclosed at Appendix C. Mrs Smale agreed to be interviewed.

At 15.38 hours I commenced a tape-recorded interview with Mrs Smale. Also present was Rob Fitzgerald. Mrs Smale declined the right to seek legal representation or advice and a copy of form CS001 is enclosed at Appendix B to this effect. She also declined the offer of a friend to be present during the interview and a copy of form CS003 is enclosed at Appendix C to this effect.

The interview consisted of one tape (seal ref 046862) and was concluded at 16.00 hours. A taped summary has been prepared and associated at pages to of these papers.

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On examination of the cash accounts for weeks 9 and 10, and in particular the signatures on them, Mrs Smale agreed that they reflected Mr Yates period of absence and that she had completed and signed them. She further claimed that Mr Yates informed her that there was £250,000.00 within the safe, relating to a closed Post Office that was being held by Walton on Thames Post Office. This figure was incorporated into the cash account for both weeks, in addition to the other cash physically on hand. Mrs Smale stated she did not have any concerns over this as she had known and worked with Mr Yates for many years and she took what he had said to be true.

Following the interview of Mrs Smale, arrangements were made to attend the home address of Mr Yates, in order for a search to be carried out. Mr Yates provided consent for the search and a copy of forms CS005 and CS005iii are enclosed at Appendix B. A further quantity of documents were seized as detailed on the forms. The search commenced at 17.30 hours and concluded at 18.30 hours.

It can be seen against entry 13 (item RF/16) on the CS005iii, that in relation to the passport seized, there is an immigration stamp indicating that Mr Yates was in the United States from 25th May 2002. Mr Fitzgerald pointed out that during interview, Mr Yates claimed he had not been away. Mr Yates stated he wasn't really thinking straight. A part copy of the passport is enclosed at Appendix B.

Since the interview, I have examined all documentation in this case. Further documentation has been identified as relating to the two audits in 2002.

Audit 23rd May 2002 - Within the cash account file, was a quantity of P5257MA forms, datestamped 23 May 2002. There are 15 such forms and the amounts on them total £285,000.00. Copies of these and part of the relevant cash account for week 9, ending 29th May 2002, are enclosed at Appendix B. There is no outward remittance for the amounts on the P5257MA's. A copy of the diary entry of 24th May 2002 (item RF/10) is also enclosed at Appendix B, annotated 'David off 2 weeks USA until 12 June'.

Audit 15th November 2002 – On examination of the CIT book, there are 2 pages datestamped 15th November 2002, detailing 16 pouches for collection. Copies of these and a further page datestamped 13th November 2002, and the cash account for week 34, ending 20th November 2002, are enclosed at Appendix B. It can be seen that the signatures on the CIT book appear to be in the name of Peter Rodriguez, though the signatures are different. There is no outward remittance for the pouches indicated.

In addition, Elaine Wright, Retail Line Manager, has found Horizon printouts, whilst subsequently clearing the office with Mrs Smale. These printouts detail a remittance of 15th November 2002, totalling £330,000.00, and the subsequent reversal of this remittance on 20th November 2002. A copy of the printouts are enclosed at Appendix B.

The final audit result was a shortage of £359,325.71. A report and breakdown of this figure has been prepared by Mr Bosson, Audit Manager, and a copy is enclosed at Appendix C.

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In respect of Mr Yates reasons for falsifying his accounts, it should be noted that due to shortages being covered up, by the inflation of his cash, a true picture of actual shortages accrued will be impossible to determine. In respect of error notices, 2 schedules are enclosed in Appendix C. The first details all error notices since January 2000. The amount of charges is indicated as £9,089.23 and the amount of claims is indicated as £12,293.73, thus implying that Mr Yates has actually gained financially from the error notices. The second schedule, Holding Account Analysis Report, details error notices since 1997, which, for various reasons, have been written off by Post Office Ltd.

These figures suggest that the financial difficulties cited by Mr Yates, in these areas, do not equate to the amount of the loss in this case. Additionally, given that his Post Office salary is £70,000.00 per year and the retail area of the Post Office provided £40,000.00 per year, the loss seems significantly larger than it already is.

There are no indications, within the items seized on the searches, that large funds have been deposited into accounts or savings plans and Mr Yates does not appear to be 'living' beyond his means. Bank disclosure authority has been granted by Mr Yates, though this information will take a while to obtain. In the meantime, it should be noted I am liaising with Joe Ashton, Head Of Civil Litigation, with regards to the recoveries of monies owed.

It may be agreed that Mr Yates has clearly committed criminal offences during his period as Subpostmaster. You will no doubt advise on possible charges in due course. I have enclosed part copies of a selection of cash accounts at Appendix B. It should be noted that these reflect cash accounts referred to during interview, the first account within the cash account file obtained (week 30, ending 20th October 1999), other cash accounts over the past few years and the last cash account produced by Mr Yates (week 49, ending 5th March 2003). These may be of use if a selection of specimen charges are drafted in relation to theft and/or false accounting, as the cash on hand figures are detailed within the information.

In my opinion there are insufficient grounds to pursue a prosecution against Mrs Smale. She made no incriminating admissions during interview, was only involved solely with 2 accounts, and whilst the amount of the loss is significant, there is no evidence to dispute her version of events or that she was aware of the situation.

The fact that Mr Yates activities have occurred at 2 previous audits provides cause for concern. If this fraud had been identified and properly dealt with at either of these audits, the loss in this case would have been significantly smaller. However, through liaisons with Mr Bosson and my previous audit experience, the current processes seem to have been adhered to. The auditors at these previous audits appear to have been duped through the production of bogus pouches (contents unknown), CIT receipts and P5257MA forms. Weaknesses in controls following the audits do appear to have contributed to no action taken against Mr Yates activities. I am aware that Martin Ferlinc, Network Audit & Inspection Manager, has instigated enquiries into the matter, with a view to identifying weaknesses, reviewing processes and ultimately preventing this type of activity occurring again.

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Another area of concern involves the Inventory Management Team. This team receives cash declarations and cash on hand information from outlets, for cash targeting and monitoring purposes. My understanding is that the cash anomalies associated with Walton on Thames Post Office should have been identified and flagged up by this team. It may be agreed that enquiries should be instigated by the Inventory Management Team, in order to establish if weaknesses in their procedures have contributed to this fraud continuing without detection.

In accordance with Casework Management guidelines, a copy of this report, the taped summaries and a revised/factual report, for the attention of the Discipline Manager, Elaine Wright, have been emailed to S&A Casework, for distribution as appropriate.

The Working Tapes of the interviews are enclosed at Appendix B. The Master Tapes have been retained by me.

All original exhibits in this case have been retained by me with photocopies, where applicable, being enclosed at Appendix B.

This case is submitted for the current position to be seen and noted and for consideration to the prosecution aspects of this case.

Dave Posnett
Investigation Manager

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GRO