

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION, LEGAL
POLTD/1011/0164

OFFENCE (s)

1. Theft - Contrary to Section 1 (1) of the Theft Act 1968
2. False Accounting - Contrary to Section 17 (1) of the Theft Act 1968
3. Fraud by false representation (Fraud Act 2006 - Section 2)
4. Fraud by failing to disclose information (Fraud Act 2006 - Section 3)
5. Fraud by abuse of Position (Fraud Act 2006 - Section 4)

Name: Joan Francis BAILEY

Rank: sub office assistant Identification Code: 1

Office: Howey FAD Code 158 644

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

Service: 5 years 5 months Date Service Commenced: 05 November 2005

Personnel Printout: At Appendix: C

Nat Ins No: **GRO**

Home Address: **GRO**

Suspended: Suspended on the authority of Colin Burston - Contract Manager

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

Designated Prosecution Authority: David Pardoe, Senior Security Manager Fraud Team

Discipline Manager: Colin Burston - Contract Manager

**Corporate Security
Criminal Law Team**

These papers refer to a shortage in the accounts at Howey Post Office branch. Mrs Joan Francis BAILEY the identified person named in the preamble of this report is a sub office assistant. The sub postmaster is Lawrence Glyn Bailey (her husband) and there are no other members of staff employed.

The personnel file and P356 data was requested and can be found in Appendix C at the rear of this file.

The stakeholder notification was prepared and sent to the Stakeholder. I have also spoken with the Stakeholder and advised him of the current situation.

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The branch is a small rural Post Office branch situated in mid-Wales and the retail side consists of a small General Store. The branch also operates an ATM machine.

An audit was undertaken at the branch on 5th January 2011 and conducted by Judy BALDERSON, Field Support Advisor of the Network Support Field team. The purpose of the audit was to verify financial assets due to Post Office Ltd®. At the end of the audit a report was produced detailing the findings at Howey Post Office branch (JB/2).

The auditor arrived at the branch at approximately 08:15 am and introduced herself to the sub postmaster who allowed her access to the secure area. During the course of the audit either the sub postmaster, Mr BAILEY or his wife Mrs BAILEY was present whilst the audit was carried out.

The sub postmaster, Mr BAILEY was asked for the Post Office cash and stock and he handed over a plastic crate from the safe. When Ms Balderson commenced counting then notes, she became aware that there were insufficient cash. Mr BAILEY asked how much the cash was short and was informed approximately £11,700. He stated that he would go and fetch his wife.

Mrs BAILEY admitted to Ms BALDERSON, that there was no more cash and she knew it was short. She stated that she had found discrepancies when balancing, which she could not find so had inflated the cash rather than tell her husband. She said that she knew it was wrong and the cash had been inflated over a period of several months. An account of this conversation was written down and signed by Mrs BAILEY as a true record (JB/1).

The branch operates a single stock unit (AA) for counter services and there is a stock unit for the ATM. The Office snapshot indicated cash of £23,617.36 (SB/7) was in the branch and a copy of the last cash declaration (SB/6) done by the branch showed £23,626.96 was the amount of cash declared as being in the branch.

A P32 balance was constructed and the physical cash on hand was checked against the declared cash on the Office snapshot.

The breakdown of the Audit findings is set in the table below.

Amount	Comment
£ 12,756.62 (-)	Identified as a shortage difference in the cash figures
£ 50.99 (-)	Identified as a shortage difference in cheque on hand figures
£ 652.37 (-)	Identified as a shortage difference in the stock figures
£ 7538.80 (+)	Identified as a surplus difference in the postage figures
£ 78.05 (-)	Identified as a shortage difference in the foreign currency figures
£ 45.00 (-)	Other (Voucher to CRU no supporting documentation)
£ 13,044.23	Total Shortage

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The Contract Manager, Mr Colin Burston made a decision to precautionary suspend Mrs BAILEY. No transfer to an interim sub postmaster was to take place and the branch was closed pending defunding.

Mrs BAILEY was contacted on 24 January 2011 and agreed to attend a voluntary taped interview under caution but wished to seek Legal Representation. She said that she was seeing her solicitor on 9 February 2011.

On 11 February 2011 I spoke with Andrew TENCH of Terry Jones solicitors of Shrewsbury and an interview was arranged for Wednesday 9th March 2011.

On 9th March 2011 I attended at Shrewsbury Mail Centre accompanied by my colleague, Helen DICKINSON, Fraud Investigator. We introduced ourselves to both Mrs BAILEY and Mr TENCH and our identity cards were shown. The reason for the interview had previously been explained to Mrs BAILEY and Mr TENCH.

Interview with Joan Francis BAILEY

At 12.32 I interviewed Mrs Joan Francis BAILEY at Shrewsbury Mail Centre Castle Foregate Shrewsbury SY1 1AA. Present throughout the interview was Mrs Helen DICKINSON Fraud Investigator. Mrs BAILEY requested the presence of legal representation and Gareth BLAIR (Solicitor) attended on her behalf. Form GS001 (Identifying Mark **SB/1**) was completed, signed and dated by Mrs BAILEY and is associated at Appendix B. Mrs BAILEY declined the offer of having a friend present. Form GS003 (Identifying Mark **SB/2**) was completed, signed and dated by Mrs BAILEY and is associated in Appendix C.

The interview was taped recorded, covered three tapes and sealed with master tape seals 070837, 07838 and 070839 (**SB/10**, **SB/11** and **SB/12**). A typed tape summary (**SB/13**, **SB/14** and **SB/15**) has since been prepared, a copy of which is now at pages ...11 to 37... The working tapes are associated in Appendix B of this file. I have retained the Master Tapes. A notebook entry of the interview was made and is associated in Appendix B of this file (Identifying Mark **SB/9**).

At the beginning of the interview Mrs BAILEY was asked for an explanation on what happened on the day of the audit. She explained that **GRO** and her husband told her there was a problem in the Post Office. She said that she went down to the Post Office and the auditor stated that there was a shortfall in the cash. Mrs BAILEY then said that she admitted to the auditor that she had been inflating the figures because she knew about the shortfall.

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Mrs BAILEY said that at her interview with Mr Colin BURSTON, the Contract Manger, she said they had been having losses in the Post Office since early 2010 and that she had been putting money in to cover the losses but had reached a point where her bank accounts had been drained.

The note made by Judy BALDERSON (**JB/1**) was read out and Mrs BAILEY confirmed that it was her signature and that she had stated the cash had been over declared for several months to cover balancing shortages and the amount was approximately £11,700.

Mrs BAILEY was asked when she first experienced shortages and said that they began in May 2010 and confirmed that she balanced the accounts at the end of the Branch Trading Period rather than on a weekly basis.

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She said that her initial loss was approximately £1,300 but by July 2010 it was £3,000. She then said that in August 2010, she borrowed money [GRO] to make good discrepancies and the accounts were then correct. Mrs BAILEY said that it was after this BTS is when the money on hand was inflated. However she then said that the branch migrated onto Horizon Next Generation in July 2010 and the accounts were straight. Mrs BAILEY was asked to clarify which Trading period, July or August was the last time the BTS was correct. She could not give a definite answer. Mrs BAILEY's solicitor then pointed out that she has [GRO] [GRO]

Mrs BAILEY confirmed that she was saying that from August 2010 to the day of the audit on 11 January 2011, just over £12,000 in cash has gone missing from the Post Office.

Mrs BAILEY then explained that she was responsible for producing the Branch Trading Statement (BTS) for Howey Post Office branch and her husband looked after the satellite branch. She confirmed that she physically counted the cash on a daily basis and declared it on the Horizon system. She further explained that when performing the monthly balancing, she would run off a balance snapshot and check the cash and stock against the balance snapshot.

Mrs BAILEY then admitted that she produced a BTS by inflating the cash on hand figures. She stated that she inflated the cash figures across all denominations rather than just inflating the cash figure of one denomination. She confirmed that she knew it was wrong to do this and that she had falsified the accounts.

Mrs BAILEY confirmed that she did not contact anybody about these losses and did not want to tell her husband. She also confirmed that she did not mention anything when the branch transferred onto Horizon Next generation (HNGX).

Mrs BAILEY was asked how she balanced between May 2010 and August 2010. She explained that she made good any losses by using the money from her own accounts and money she borrowed [GRO].

Mrs BAILEY confirmed that she was forewarned that the cash would be checked by the HNGX team and this is why she borrowed £9,000 from her daughter. She said that she put approximately £6,000 back into the Post Office accounts.

Mrs BAILEY was asked to clarify what amounts she had put in to make good losses from May 2010. She explained that for the approximate shortage of £1,300 in May 2010, she put in £300 and carried £1,000 over to the next balancing period. In effect she was "rolling" all or part of the losses each month. She said that she could not account for the sudden increase in the losses in July 2010. However stated when the branch migrated onto HNGX, the cash was correct.

Mrs BAILEY was asked if she had received any Transaction Corrections (TC's), she replied that she had quite a few the previous year but could not recall any large amounts.

It was at this point that she said that she believes there may be problems with the Horizon system and then went on to explain in detail how she wrote out a cheque for £59.95 to "make good" a discrepancy, it did not show up on the system, but she sent the cheque away but never

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received a transaction correction. Therefore as she had sent off two cheques she knew there was a glitch with the system.

The merits of the Horizon system were discussed and it was explained that in a number of court cases the integrity of the Horizon system had been questioned, however nothing had been proven in court by expert witnesses that any of the discrepancies were as a result of failings within the Horizon system.

Mrs BAILEY confirmed that she had worked in the Post Office for five and a half years and believed that she was competent in performing all duties and transactions required to run the Post Office branch.

The tape came to an end and new tapes were inserted and the interview continued.

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Mrs BAILEY stated that she had always managed the Post Office throughout her **GRO** and had had no time off since 2009. She also said that her husband was not interested in the Post Office and she also believes that her problems were a combination of tiredness and stress.

Mrs BAILEY was asked why didn't she report the losses or ring the help desk. She replied that if she rung the helpdesk, she would have to tell her husband. She then went on to explain that two years previously she had lost a remittance of £11,000. She said that she was on her own that day and put the remittance under the counter and she had her basket that she put the scrap paper in and that she must have thrown the money out with the waste paper. She said she contacted the helpdesk on this occasion and they had finished repaying the money in November 2010.

The interview was recapped to Mrs Bailey.

Mrs BAILEY denied using any Post Office Ltd money to repay the loan back to her daughter. She then went on to explain why **GRO** lent her the money and also said they had put the Post Office up for sale last year (2010).

Mrs BAILEY was asked about the Transaction Corrections and said that they mostly related to cheques that had either bounced or had not been received for clearance.

Mrs BAILEY still maintained that it was a system fault. A discussion took place stating that every key stroke is recorded and if the person operating the system fails to conduct the transaction correctly then it cannot be a system fault.

Mrs BAILEY then said that she printed Horizon transaction logs but could not identify any possible errors. She then confirmed that each time that she was short in the balance, she printed a transaction log. She checked these logs and could not identify any transactions that stood out as not being "normal".

After a further discussion concerning the checking of transaction logs and no mis-keyed amounts had been entered onto the Horizon system, Mrs BAILEY confirmed the system had recorded whatever key strokes that she

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had made, for example if £600 had been entered, then £600 appeared on the transaction log, it had not increased to £6,000 or decreased to £60, nor had any fictitious entries been identified.

The tape came to an end and new tapes inserted and the interview continued.

Mrs BAILEY was then shown a Horizon print out cash declaration (SB/6) this was the amount of £23, 7626.96 was the cash declared by her on the 4th January 2011. She admitted that this was not a true amount and the figures had been inflated.

Mrs BAILEY was then shown a balance snapshot (SB/7), that was printed out by the auditor on 5th January 2011. This showed the amount of cash that should be in the branch as £23,617.36 and there were no discrepancies. She admitted that this was also a fictitious figure.

Mrs BAILEY was then shown a balance snapshot (SB/8), that was printed out by the auditor on 5th January 2011 showing the cash on hand is £12,608.04, with a discrepancy in the accounts of £13,044.23.

Mrs BAILEY was then shown the BTS for TP 06 (SB/3), TP 07 (SB/4) and TP 08 (SB/5). She admitted the cash on hand figures of £28,997.68 (TP 06), £20003.26 (TP 07) and £18,497.89 (TP 08) were all inflated figures and had been inflated to achieve a balance,

The interview was summarised to Mrs BAILEY and she agreed that by inflating the cash to create an incorrect impression of the balance she had benefited by the fact that she was able to continue with the business and the Post Office for longer than she would have otherwise expected to have.

Mrs BAILEY was asked when the money could be repaid and replied that she had not idea and that she would have to discuss it with her husband.

Mrs BAILEY was informed that she may have rendered herself liable to prosecution and was given the second caution. She was also given the opportunity to clarify anything that she had said during the interview or add anything, but declined the offer.

The tape machine was switched off.

A search was not undertaken as prior to the interview Mrs BAILEY requested a change of location for the interview due to the cost involved for her in having legal representation at the original location. The matter was discussed with David PARDOE, Senior Security Manger and due to the increased travelling costs, time and the amount of time elapsed since the audit, permission was give for a search not to take place.

Mrs BAILEY did give permission for Authority for Bank Disclosure of Information and completed the relevant GS045 forms.

To summarise:

- Mrs BAILEY has admitted inflating her cash to cover the discrepancy.
- Mrs BAILEY has admitted falsifying the branch accounts.
- Mrs BAILEY denied stealing any funds belonging to Post Office Ltd.
- Mrs BAILEY co-operated throughout the interview.

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NPA and antecedent forms have been completed and copies are associated at Appendix C.

Business and Procedural weakness'

- ❖ **Accounts were not kept in the form prescribed by the Operation Manuals.**
- ❖ **BTS Shortages were rolled over from one balance / trading period to the next balance / trading period.**

Since the interview, Mrs BAILEY has sent a letter dated 14 March 2011. In this letter she states they are beginning the process of selling their house and will repay the outstanding amount when they have sold the house.

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Copies of the

letters can be found in Appendix C of this file.

In Conclusion

Mrs BAILEY is a married woman living with her husband who is the nominated sub postmaster of Howey Post Office branch. Her husband became sub postmaster in November 2005 and Mrs BAILEY ran this branch whilst her husband looked after the satellite

Mrs BAILEY made admissions that she had inflated the cash for a five month period but denied theft. She could not explain the shortfall in the cash on hand at the branch but thought the losses were linked to faults within the Horizon system; however she could not produce any evidence to satiate her claim.

Mrs BAILEY completed the bank authority forms (GS045) and since the interview has sent a letter outlining her proposals for repaying the outstanding amount.

GRO

IRRELEVANT

Copies of all documents or exhibits mentioned in this report can be found contained within the appropriate Appendix of this file, the originals are held at this office. This report in addition to the summary tape transcripts has been sent electronically to Casework Management Team.

An abridged version of this report has not been produced for the discipline manager. Mr BAILEY the sub postmaster resigned to avoid termination by letter on 11 March 2011

Whilst a Prima Facia case for False Accounting - Contrary to Section 17 (1) of the Theft Act 1968 or Fraud by false representation (Fraud Act 2006 - Section 2) could be established against Mrs BAILEY it may be prudent that when all circumstances are considered and the explanation

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offered by Mrs BAILEY at interview that if all monies are repaid to Post Office Ltd then consideration may be given to issue a caution in this instant.

This report is submitted for the present position to be noted and for consideration as to whether the evidence is sufficient to support a prosecution. No doubt the file will be returned in due course with the next appropriate course of action to be taken.

Stephen Bradshaw
Fraud Investigator
Post Office Ltd Security Team
11 April 2011



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