

**In Confidence**

TO: Tony Utting  
Internal Crime & Investigations Manager  
Post Office Limited

From : Geoff Hall  
Investigation Team Manager (West)

**Interim Report @ 14/10/04 - Blackwood MSPO Gwent FAD 364632**

The circumstances that gave rise to enquiries in this case are as follows:-

**Thursday 23rd September 2004**

At about 10am I received a telephone call from Cris Thomas, Audit Manager, asking me if I was aware of large losses being incurred and Blackwood MSPO. I explained to Cris that my team were not involved in any enquiries concerning the office. Cris proceeded to inform me that an audit conducted at the office that morning had confirmed a shortage of £435,984.12.

*( On preparing the final account Friday 24<sup>th</sup> September the initial discrepancy was disturbed and reduced resulting in a final figure of **£435293.44** which includes **£14990.61** in the unclaimed payments)*

I immediately contacted Steve George, Investigation Manager, and despatched him to the office to assist with the retention of transaction logs from the Horizon system and any further evidence that may assist with future enquiries. On his arrival Steve was greeted by Mr Graham Summers, Retail Line Manager, who explained that he had been aware of the deficiency for some time and that he considered it to be a Horizon system problem.

Steve obtained transaction history logs with the assistance of auditors and these have now been retained for examination and comparison with Fujitsu Horizon system data.

Steve contacted me and explained that the total deficiency was as a result of an accumulation of large losses that had been declared and rolled in the office cash accounts since as far back as week 47, ending 18<sup>th</sup> February 2004, when a net shortage of £6,069.16 was declared.

The losses had dramatically increased from then on until week 26, ending 22<sup>nd</sup> September when £421,057.27 had been declared. With £14,990.61 held in the unclaimed payments, the shortage expected by auditors was £436,047.88, however the office balance for 22 September could only be disturbed by £63.76.

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I advised that irrespective of whether it was alleged to be due to a Horizon system fault, due the large deficiency involved, Mrs Lynne Prosser- Sub Postmaster, should have her contract for services suspended to allow a more detailed investigation.

Graham Summers was of the opinion that Mrs Prosser should remain in post, however, in the absence of Dave Barrett, Head of Area, this decision was over ruled by Richard Barker, General Manager Commercial Network, and the office was closed on 23<sup>rd</sup> September 2004 and Mrs Prossers' contract suspended.

#### **Friday 24<sup>th</sup> September**

Investigation Managers, Helen Dickinson and Kim Abbott attended the Network Business Support Centre (NBSC) and made enquiries into records held in by the Problem Management team in respect of their investigations into discrepancies at Blackwood MSPO. Resolution Manager Bethany Newton assisted with their enquiries and was able to supply information regarding contact from Graham Summers, Problem Management reports and call records relating to Blackwood.

I attended Blackwood MSPO with Steve George where I conducted a fact finding interview with Graham Summers in the presence of Ceri James RLM.

In brief, Graham explained how he had known about the shortages from the start and had received constant updates on the loss situation from Mrs Prosser as the weeks processed. Graham seemed convinced that this was indeed a system problem and that it was likely that errors would be raised in due course to reduce/explain the shortages. Graham told me that he had raised the alleged problems with the NBSC Problem Management section (Kim Yip) and also that his Head of Area, Dave Barrett, was fully aware of the situation. He said that Dave Barrett had told him not to do anything until the Problem Management Team confirmed the situation in respect of Horizon.

When asked why he had not informed or requested assistance from Security at any time, he replied that he thought that this was part of the process that Problem Management would have invoked. Graham also told me that he had not insisted on repayment of any of the losses due to the fact that he was waiting to see if a system error was identified. After the £14,990.91 was put into the suspense account in week 4, ending 21 April 2004, he claimed to have no knowledge of exactly how the subsequent losses had been declared in the respective cash account weeks and presumed that they were being held in the suspense account. He accepted that with the benefit of hindsight he should have contacted Security at the earliest opportunity to seek advice/support.

Graham was also able to give me some information in respect of the Postmaster in so far as he was aware that she was behind with her rent payments (**now confirmed as £28,163.70**) and in conversations with her he believed that she was having financial difficulties and she had recently sold her house and moved into temporary accommodation. Graham supplied a new address and contact number for Mr & Mrs Prosser however, he had no information in respect of attendance days nor duty times for staff. Graham agreed to contact the Postmaster and ask her to supply details of the staff and attendance times by Monday morning, 27<sup>th</sup> September.

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Whilst at the Office I took the liberty of having a good look around to familiarise myself with the layout.

Blackwood MSPO is an ex Directly Managed Branch which converted about 8 years ago. Although attached to a Royal Mail Delivery Office which is situated behind on an upper level, The Post Office has been completely separated off at some stage from the Delivery Office. I noticed however that there is an inter-connecting door at the top of the stairs on the first floor (leading up from the Managers room) that is locked by key on the Post Office side and bolted on the Royal Mail side. My understanding is that this door is used by Royal Mail to deliver mail to and effect collections from the office. I became concerned about the use of this door and in particular that the Post Office main safe / strongroom was in a room at the bottom of the stairs.

The evening of Friday 24<sup>th</sup> September I visited Blackwood Police Station where I discussed the branch losses with Detective Constable Alison Evans, who agreed to assist and support with any criminal investigation accepting that the lead role would be taken by the Post Office Investigation Team.

**Monday 27<sup>th</sup> September**

I went to Blackwood Post Office with Steve George to prepare for progressing the enquiry. Mr Prosser arrived and supplied staff details as follows:-

Lynne Prosser – Sub Postmaster  
Steve Prosser – Assistant (full time)  
Diane Morris – Office Manager (full time)  
Rhian Hamer – Assistant Manager (full time)  
Anthony Gregg – Assistant (full time)  
Jenna Ralph – Assistant (full time)  
Gavin Windsor – Assistant (part time)  
Christine Suter – Assistant (part time)

Staff attendance records were also supplied and an access analysis was compiled. If the entries are correct then staff access was found to be as follows :-

Rhian Hamer - 100% access

Mr&Mrs Prosser, Diane Morris, Anthony Gregg and Jenna Ralph all absent for 1 complete cash account week

Gavin Windsor for 2 cash account weeks

Christine Suter for 5 cash account weeks

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Bill Mitchell, Security Manager, Fujitsu Services and Officers from Corporate Security Computer Crime Team also attended on Monday and all Horizon computer hard drives and the office computer had been 'imaged' the hardware base units were all replaced and the original equipment removed for examination at Fujitsu Technical Headquarters. To date I await the results

Investigation Managers Helen Dickinson and John Downie attended Chesterfield CACM to continue enquiries into data / records held in respect of the losses at Blackwood MSPO and identify individuals who may need to be spoken to at a later stage of the enquiry.

Blackwood Police were once again contacted and arrangements were made to commence investigations into the Postmaster and staff the following day.

**Tuesday 28<sup>th</sup> September**

Mr and Mrs Prosser voluntarily attended Blackwood MSPO where they were arrested and taken into custody at Blackwood Police Station. Comprehensive searches were then undertaken of their home address and private vehicles during which nothing of an incriminating nature was found. However enquiries are currently under way into a 'family' off-shore account held in Guernsey. A large number of financial and private documents have been recovered which are currently being examined for any suspicious transactions or indicators to prove/disprove involvement. Their home computer was also seized and is currently being analysed by Corporate Security Computer Crime Team.

Mr and Mrs Prosser were subsequently both interviewed separately later that evening with a solicitor present. Both maintained their innocence denying that they had stolen any funds from Post Office Limited. Mrs Prosser has been working in Post Offices for 26 years.

Neither had any suspicions of staff under their employ both claiming to trust them all implicitly and when asked for an explanation as to how these losses had occurred both were adamant that their staff were honest and the Horizon System was to blame. They claimed that there had been problems since the Bureau was migrated from the Forde Money Changer to Horizon in February 2004. There was also mention of flashing lights on the keyboards whilst the terminals were not being used by staff, almost as if transactions were being ghosted. They were unable to explain any of the discrepancies and confirmed that they were not in a position to repay the outstanding monies.

When questioned on internal procedures including security matters it became evident that all staff had access to bulk cash in the main safe. Also as the office operated one shared stock there was no individual accountability whatsoever. Staff had free run of the office and the main safe which could have in excess of £150-£200k within any given day. The main safe was 'mostly' left open during the day or if it was locked, the keys were freely available in a draw at one of the counter positions.

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Mr Prosser said that he always monitored visitors when he was there. In considering access by Royal Mail staff, Mr Prosser said that Postmen came in via an inter-connecting door upstairs beside the rest room. He explained that the door is normally locked on the Post Office side and bolted on Royal Mail side. He said that the main safe was always locked when the postman were collecting the mail.

Mr & Mrs Prosser confirmed that they had moved into temporary accommodation as they were waiting to take ownership of a new build house (£199k) on nearby development. Funding for the purchase had been arranged via a mortgage company (£145k) with the balance payable of some £55k coming from equity from previous house sale.

I could find no special reason to doubt that Mr & Mrs Prosser are involved in the theft of money from Post Office Limited. I do however have serious concerns about their competence / ability to manage the Office.

**Thursday 30<sup>th</sup> September**

Jenna Ralph and Rhian Hamer were both arrested and taken into custody at Abergavenny Police Station. Searches were conducted at their home addresses and private vehicles and nothing of an incriminating nature was found. No evidence was found to suggest that they had knowledge of or were guiltily involved in the theft of Post office funds. Bank Statements were located / examined and nothing suspicious noted.

Both declined legal representation and when interviewed denied theft and maintained their innocence throughout. I have no special reason at present to disbelieve them.

Neither had any reason to doubt the honesty of any colleague at the office and could not offer any explanation as to how the losses may have occurred although both knew of the alleged Horizon problems as claimed by Mr and Mrs Prosser. Jenna said that she knew of the interconnecting door with Royal Mail although didn't know whether it was locked or left open during the day.

Jenna Ralph is believed to have been absent for at least one cash account week ( 01 ending 31/3/04) although in interview it became apparent that the records cannot be relied upon as she admitted working at the office 'in training' since the beginning of the year. She was included in the attendance records provided by Mr Prosser on 27<sup>th</sup> September although left off the records (until May 2004) recovered in a diary from Mr & Mrs Prossers home address. She initially said that the Prossers' paid her bus fare although further questioning revealed that she was paid 'cash in hand' as she was claiming Benefit at the same time and didn't want it declared to the DWP. She said that the Prossers' were aware of this.

Rhian Hamer had 100% access to all the losses as she has not taken holiday spanning more than one cash account week. She talked openly of the lack of security procedures within the office and confirmed that an interconnecting door between Royal Mail and the Post Office was invariably left unlocked most days to afford access to collection Postman.

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She explained that the Postman would ring the doorbell about 0915 hours and a member of staff from the office would go upstairs to unlock the door and take delivery of the office mail. Rhian said that although she has sometimes locked the door, it is apparently not always re-locked in the morning and may well be left open until the next Postman comes through to collect the mail at about 1230 hours.

Subsequent collections are then undertaken at about 1630 and 1730 hours.

**Rhian was quite sure about the ease of access by the Royal Mail staff and recalled an incident recently when staff serving at the counter positions heard a mobile phone ring tone coming from the bottom of the stairwell outside the counter and strong room area. On investigating, a Postman was standing holding his mobile phone and staff would have been unaware of his presence had the phone not rung.**

Rhian and Jenna both confirmed that staff had free access to the main safe throughout the week and that no one had to ask permission to enter the safe nor collect cash for use at the counter.

#### **Friday 1<sup>st</sup> October**

I contacted Royal Mail Security voicing my concerns about staff access to the Post Office secure area / strongroom safe. Martin O'Brien, Team Manager agreed to undertake discreet enquiries with the Deliver Office Manager and provide details of staff believed to access the Post Office as part of their normal duty and also annual leave records for all staff.

#### **Monday 4<sup>th</sup> October**

Diane Morris and Anthony Gregg were both arrested and handed into custody at Blackwood Police Station. Searches were conducted of their home addresses and private vehicles and nothing of an incriminating nature found. Bank statements were up to date and nothing suspicious noted.

Both declined legal representation and during interview gave me no special reason to believe that they were involved.

Diane Morris, was absent for one cash account week during the period in question however, this particular week (09 ending 26/5/04) was one where the office did not suffer any further losses in fact the rolling loss actually went down by £712.89. She accepted that this could be construed as suspicious but denied theft of Post Office funds.

Anthony Gregg, also absent for one complete cash account week (17 ending 21/7/04) denied theft.

Both confirmed access by Royal Mail staff via the inter-connecting door and said that they were aware that it was often left unlocked.

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**Tuesday 5<sup>th</sup> October**

Tony Utting and myself met with Dave Barrett, Head of Area at Bridgend Area Office and interviewed him in respect of what he knew about the loss situation at Blackwood MSPO. Notes of that interview have been retained by Tony Utting.

**Thursday 7<sup>th</sup> October**

Ritchie Graham & Richard Griffin (External Crime Security Team) attended Blackwood MSPO and conducted a review of the Physical Security. A report has been produced which recommends and details physical improvements to the internal security of the Office. The physical improvements would no doubt improve security although it is more likely to be procedural failings that have contributed to and facilitated theft in this case. Concerns have been raised in the report in respect of Royal Mail access to the secure area. I have supplied a copy of the report to Graham Summers RLM for consideration.

Graham Summers contacted me confirming that he was in a position to reopen the Office on Tuesday 12<sup>th</sup> September and asked whether he could employ any of the staff already interviewed. Having given the matter great consideration, and as I had no special reason to believe that any of them were involved in the theft of monies from the Office (taking advice from Tony Utting) I agreed that Jenna, Anthony, Diane, & Rhian could return to work at the office. Graham said that he would not be inviting Mr & Mrs Prosser to return to the Office at this stage.

**Friday 8<sup>th</sup> October**

Checks undertaken by the Banking Fraud Team (Charles Leighton – Team Manager) reveal no suspicious ‘large’ transactions through Horizon at Blackwood MSPO.

**Monday 11<sup>th</sup> October**

Graham Summers and Paul Holland (Inspector) attended Blackwood MSPO with the returning staff to prepare the Office for reopening the following day.

Control of the Office was transferred to a temporary Postmaster, Mrs Thelma Keohame from Malpas SPSO, Newport. Mrs Keohame is fully aware of the situation regarding losses at the Office.

Steve George and Mike Wilcox (investigation Managers) attended the Office to assist with the preparation for opening and change over to operate on an individual till basis with full accountability from now on.

Mrs Keohame and the staff were all advised on procedural security matters by Mike Wilcox and shown how the changes would effect the day to day operation of the office. All were receptive to the changes.

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I also attended the Office and discussed the inter-connecting door with Martin O'Brien, Royal Mail Security Team Manager. Martin agreed with my concerns and contacted Blackwood Delivery Office instructing them that the door was no longer to be used under any circumstances. The door is now secure and the key retained by Mrs Keohame.

Also on this day, Christine Suter returned from holiday and voluntarily attended Blackwood MSPO where Steve George and myself interviewed her under caution. She declined legal representation and did not require anyone else present at the interview.

During the interview she denied theft and, having least access of all the staff, gave me no special reason to suspect that she may be involved.

Christine produced numerous up to date bank statements all of which contained nothing suspicious.

### **Tuesday 12<sup>th</sup> October**

Blackwood MSPO reopened under the control of Mrs Thelma Keohame. Graham Summers RLM assisted on the counter and despite some initial problems with the Horizon PIN pads, all went quite well.

I was contacted by John Twohigg, Royal Mail Security confirming that he now had the access and leave information for Blackwood Delivery Office staff. John and I are due to meet with the Office Manager on Friday 15<sup>th</sup> October .

### **Wednesday 13<sup>th</sup> October**

Blackwood MSPO balance result £226.35 short. Discrepancy not in cash. Stamp stock is being thoroughly rechecked 14<sup>th</sup> October.

### **Future actions**

- Staff member Gavin Windsor (who has been on holiday) to be interviewed.
- Horizon data (awaited) from Fujitsu to be examined for weeks 19 – 26 for evidence of any suspicious activity (Office lost £190k in last 3 weeks )
- P&A submissions for Blackwood to be checked for discrepancies
- NCIS – liaison in respect of Money Laundering suspicions in the local area.
- Royal Mail staff access to be analysed and results acted upon accordingly
- Awaiting analysis result of Mr&Mrs Prossers home computer which may/may not lead to further enquiries elsewhere
- Rem out figures to be analysed for period of losses as it appears that despite the similar average weekly deposits, as the losses increased less cash is remitted out ie., this tends to suggest that the losses are not due to a Horizon system fault .

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**Summary in brief**

No evidence at present to suggest theft by Postmaster or staff. Losses in my opinion have undoubtedly been facilitated by the lack of procedural security within the office and failure to secure interconnecting door with Royal Mail.

Any developments in this case will be reported immediately.

Geoff Hall  
Investigation Team Manager  
14 / 10/ 04

STD:  
Mobile:  
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**GRO**