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POST OFFICE LTD CONFIDENTIAL: INVESTIGATION, LEGAL
POLTD/0809/0082

Theft, Embezzlement, and Money Laundering

Name: WILLIAM JOHN QUARM
Rank: SUBPOSTMASTER Identification Code: 1
Office: PAIBLE SPOB Branch Code 147869
Age: **GRO** Date of Birth: **GRO**
Service: 14 YEARS 5 MONTHS Date Service Commenced: 28 FEBRUARY 1994

Personnel Printout: At Appendix: C

Nat Ins No: **GRO**

Home Address: **GRO**

Suspended/Contract for Services Suspended: 23/7/2008 ON AUTHORITY OF Brian Trotter Contracts Manager

Handed into custody: n/a

At: n/a

Charged: n/a

To be prosecuted by: Crown Prosecutor

Designated Prosecution Authority: Dave Pardoe , Fraud Strand Senior Security Manager

Discipline Manager: Brian Trotter Contracts manager

Corporate Security Criminal Law Team

The following report relates to an incident at Paible SPOB Branch code 147869 Bayhead Shop North Uist HS6 5DS. The incident was identified by Doug Heed of Post Office Audit team. The audit had been requested because of the risk generated by a higher than normal level of cash being held at the Branch. This had been identified earlier in the year during Operation Cupid

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because of the remoteness of the Branch no physical attendance had taken place. However due to the diligence of Alex McKenzie Audit officer this Branch was once again put in the headlights. Mr McKenzie brought the matter to the retail line's attention which in turn led to the intervention. A copy of the email trail is associated at Appendix "B". Consequently the audit took place on Wednesday 23 July 2008.

Financial assets to the value of £3943.84 were physically verified compared to the amount due to Post Office® of £44221.60.

The difference between these figures is broken down as follows:

£	40264.54	(-)	Identified as a difference in cash figures
£	0.12	(-)	Identified as a difference in stock figures
£	13.10	(-)	Shortage declared in previous balance period of present trading period
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£	40277.76		Total shortage

There were discrepancies found in stock unit AA where the stock unit was understated and the ATM stock unit was overstated. Cash declarations did not match the actual figures on hand. The figures were double checked at the time and the results recorded onto a P32 audit report. This is held by Doug Heed Audit Officer. At the time of the audit no explanation was given by Mr Quarm. All cash and stock were removed from the Branch and a final account produced. The results were cascaded to the contracts manager and the Fraud Strand security team. Mr Quarm's contract for services was precautionary suspended on the authority of Brian Trotter Contracts Manager. A copy of the auditor's written report is associated at Appendix "B".

Subsequently the case was allocated to Raymond Grant for further enquiries to be made. Contact was made to arrange an interview with Mr Quarm. This interview took place at Paible SPOB on Thursday 7th August 2008. Those present were Raymond Grant, Robert Daily and Jonathan Bisset from Post Office Ltd and Mr William Quarm and William Macdonald.

The interview was tape recorded and commenced at 1050hrs. Mr Quarm was cautioned prior to any questions being asked. He requested that his friend Mr William Macdonald be allowed to be present. Form GS 003s was completed. A copy of which is associated at Appendix "C". Initial discussions took place about office procedures and other staff members responsibilities during which Mr Quarm stated that he was the sole person who was responsible for producing daily reports, cash declarations and producing the Branch Trading statements. Mr Quarm was shown a copy of a letter dated 28th July 2008 which he had sent to Brian Trotter Contracts Manager. After being allowed to read this letter he was asked if he was its author, he acknowledged that he was. A copy of this letter is associated at Appendix "B". Mr Quarm was then asked to comment on its content. He restated that in autumn 2007 his private retail business was in financial difficulty, he decided to sell some property assets that he had. Due to planning delays the sale was not going though as fast as he would like and in January 2008 he approached the bank with a view of borrowing money on anticipation of the sales going ahead. He was given agreement in principle from the bank. Further delays meant his financial position had worsened, Mr Quarm then used money from the Post Office to support his private retail

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of the business. He needed to pay for stock for his grocery business from his main supplier who by this time was insisting on a weekly payment of around £4200. During the course of this discussion Mr Quarm appeared to be in a bit of a daze and was not understanding the questions put to him. He was asked if he was OK, he replied that because of the interview he had not taken his daily medication. Raymond Grant allowed him time to do this and confirmed that he was in a fit state to continue. Mr Quarm acknowledged that he was fine and wished to continue. It was explained to Mr Quarm [REDACTED] **GRO**

[REDACTED] **GRO** interview could be suspended. He advised Raymond Grant that he was fit to continue. When asked how he removed the money from the Post Office Mr Quarm was very hesitant to give details of how the £40277.76 came to be missing. He gave an explanation that he would credit his Alliance and Leicester account no 1864947 with sums of money equivalent to around £4200 every week without putting the cash in the till. He would then use this money by means of drawing on this account by cheque payments to pay his suppliers. He was shown various Bank Trading Statements and asked if these were signed by him. He stated they were. He was then asked if they were an accurate reflection of the cash and stock at the Branch at the time of their production he said they were not as he had inflated the cash on hand figure to match what the Horizon system said he had on hand. This was done to disguise the fact that he had taken the money. No one else knew of his actions. He knew that he did not have permission to use Post Office money for his personal use. He stated that he always intended to replace the cash on completion of the sale of his property. When asked if he was in a position to repay the missing cash he stated that although the loan from the bank had now been received he had decided to use this money to pay other creditors as they had been pushing him for payments, indeed one supplier who supplied Mr Quarm with fuel for his forecourt business had demanded payment prior to delivery. Once these creditors had been paid there was insufficient funds left to pay back the money stolen from the Post Office. Mr Quarm pointed out that he had had several mini strokes last summer and wished this to be taken into consideration. Mr Quarm also stated that it was his intention to sell another piece of property in order to provide funds to repay Post Office Ltd. The interview concluded at 1314 hours. Tape seals 071081,071078 and 071082 were signed by all present. The tape transcripts have not yet been prepared. Copies of the tapes are available for examination and are associated at Appendix "B".

A notebook entry was made by Robert Daily at this time. A copy of which is associated at Appendix "B".

Due to the health condition of Mr Quarm and the inability to contact anyone in authority because of the remote location of Paible SPOB it was decided by Raymond Grant following a discussion with colleagues present that it would not be appropriate to conduct searches of Mr Quarm's home address. Mr Quarm gave assurances that he would forward copies of all his bank, mortgage, and credit card accounts within one week of the interview.

Mr Quarm has admitted that since at least January 2008 he has taken advantage of his position as sub-postmaster to use Post Office money for his own personal use and continued doing so until the audit on 23 July 2008.

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There are Post Office documents available for production which support the charges of theft and embezzlement in addition to that is the letter dated 28 July 2008 which contains a statement which says "I had no right to use Post Office money to prop up my business, I have lived for the past six months in day to day expectation of a Bank Loan to make good any Post Office shortage" The Branch Trading statements for these six months do not show any shortages. In effect Mr Quarm is admitting to the production of false Accounts.

Mr Quarm lives on a remote Scottish island within a close knit community his status as sub-postmaster has led to several letters coming in to support him. In his letter dated 28 July 2008 GRO he cites this in mitigation of him making improper judgements. He has self declared assets of around £300k and has commissioned the sale of these in order to repay Post Office Ltd.

All Post Office witnesses are deemed to be reliable

The loss to Post Office Ltd is £40277.76.

This loss has been posted to the final account team at Chesterfield by Doug Heed on 23 July 2008.

Since the interview Mr Quarm has disclosed details and provided 12 months worth of statements of his bank, credit card and mortgage accounts. These have still to be examined. Mr Quarm has sent another letter dated accompanying these documents which declares that his house and properties are on the market. Expected value £305k. These are in the possession of Raymond Grant. In view of their volume they have not been photo copied but can be made available for examination on request.

No NPA or Antecedents forms have been completed as this is a case for review under Scots Law.

A typed copy of this report is associated at Appendix "C". In addition to this a typed copy of the conduct report is also associated at Appendix "C".

This office was identified as being at risk in February 2008 under "operation cupid" however it was deemed to be of a lower risk than other offices which were also identified at the time. The office should have been subject to either telephone enquiries or rescheduled for a visit later in the year but this did not happen. The matter was again brought to the attention of the retail line in July 2008 by Alex McKenzie Audit Officer who highlighted the level of cash holdings to his supervisors who in turn reacted swiftly to rectify the issue of ONCH levels of risk. This led to early intervention and identification of the offender. Mr McKenzie should be acknowledged to having played his part.

Mr Quarm has admitted to having abused his position as Sub-postmaster and taking advantage of this position by crediting his personal bank account without putting money in the till. He then went on to spend this money on goods which allowed his retail business to survive. It is clear that he gained a material advantage in doing so.

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In view of the admissions made by Mr Quarm and the sufficiency of evidence available to support a successful prosecution, It is recommended that a report should be prepared and submitted to the Procurator Fiscal's department for its consideration as to what further future action should be taken.

GRO

Raymond Grant
Fraud Advisor

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2/9/08