

S76 Report to CC for RECOMMENDATION			
Date Reported to Crown Office	2 October 2012		
Office	CAMPBELTOWN	PF Reference	CM11000422
Case Against	GRO		
Age	53 years	Date of Birth	GRO
History of the accused	GRO is married with two children. She resides at GRO with her husband GRO and son GRO. Her daughter resides in GRO. The property is leased from the GRO trust and she pays an annual rent of £10,000 paid monthly at an average of £833. She currently runs the shop where the Post Office is located. Her residence is located above the shop and forms part of the same building. GRO was contracted to provide Post Office services at GRO Post Office from 03rd February 2009 to 16th September 2011. Following a Twenty Two Thousand, Eight Hundred and Eighty Nine pounds Eighty Two pence (£22,889.82) shortage at GRO GRO PO on 16th September 2011 GRO was precautionary suspended. The accused has not previously offended.		
History of the case	CFE 19.01.2012		
Bail/Custody	Bail SC	Timebar(s)	19 January 2013
Reporting Officer	ROBERT DAILY	Telephone	GRO
Precognoscer	Malcolm Macleod	Telephone	3478
Legal Manager	Malcolm Macleod	Telephone	3478
Agents	Mr Kane, C&D Mactaggart	Telephone	GRO

Draft Charge(s)	(001) Between 1 April 2010 and 15 September 2011 both dates inclusive at the premises occupied by the GRO GRO Office, Ardminish, GRO, you GRO GRO did while employed as sub-postmistress there embezzle £20,000 of money
S76 Letter received from Agent	On 1st October 2012 a S76 letter from Mr Kane, C&D Mactaggart was received offering to plead guilty to £20,000 (originally £24,139.82 was libelled). The plea was first offered on 28 June 2012 when the defence wrote to the Crown suggesting the plea now tendered. The Crown indicated that this would be acceptable in principle subject the approval of Crown Counsel. Thereafter, holidays intervened and due to geographical difficulties it took some time for the defence to obtain the necessary instructions in proper form.
Narrative of Facts	Description of locus The locus of the offence is the GRO Post Office. The Post Office is located in the village store that sells groceries, newspapers and alcohol. An area at the back of the store is utilised by Royal Mail for sorting local mail being delivered and sent. The accused also rents two holiday cottages and runs the petrol station along with the Post Office. Summary of embezzlement This is a classic roll over type embezzlement. Post Office funds were used to pay other commitments. In her role as Subpostmaster she was in a position of trust. Her contract with Post Office Ltd included a duty of care in regards to its money and stock. Section 12 of her contract forbids her from using Post Office money for her own private use GRO made full admissions to the theft and embezzlement of £22,889.82 (plea to £20,000) of Post Office monies. She was cooperative throughout and made no attempt to blame anyone other than herself for her actions. She said she used the money to pay bills. These related to domestic bills and suppliers. She admitted to physically taking money from the Post Office to pay her lease to the GRO Trust. She made deposits in to her Lloyds TSB

Classic account (Personal) through the Post Office using her shop takings. She admitted to inflating the deposits if she had insufficient funds from her shop taking to meet her direct debits. By inflating the deposits she created a shortage in the Post Office as the money wasn't put in the till.

The accused committed the offences by physically removing money from the Post Office and making fraudulent deposits into her Lloyds TSB Classic (Personal) account by using her bank card at [GRO] Post Office. She made cash deposits through the Horizon system (see below) knowing the full amount of cash was not being put in the drawer to balance the Post Office accounts. The accused then inflated the cash on hand figure to disguise the shortage in the branch. To disguise this from her Assistant, she declared the cash and completed the Branch Trading statements on her own. The accused kept a note of the amounts inflated on a manual cash sheet.

She stated she would take £1 coins to her bank in Campbeltown and exchange them for £10 notes. In April or May 2010 she deposited £2,000 in £1 coins and "forgot" to withdraw it in £10 notes as she got distracted. She said when she returned the next week she was unable to withdraw the £2,000 as direct debits had come off the account leaving it short. This created a £2,000 shortage in the Post Office.

On 27th May 2010 deposits made at [GRO] Post Office can be seen on [GRO] Personal account. From this point on further deposits are made in to the same account. Transfers between her Personal and Business accounts are made at [GRO] Post Office. Subsequently bill payments and direct debits are taken from both accounts.

Horizon System

This is the accounting system utilized by the Post Office. It is a computer system that is entirely reliant on the input of correct information. It is extremely detailed. The Postmasters are allowed to retain a float and account for excess cash received to the Post Office after debiting outgoings.

Summary of Offence

On Thursday 15th September 2011 Post Office auditors Douglas Heed and John attended [GRO] Post Office to conduct an audit.

They arrived at approximately 16.00 hours and Mr Heed

obtained a balance snapshot from the Horizon accounting system. The balance snapshot details the cash and stock on hand that should be present in the stock unit at the time it is printed. The cash figure stated was £27,468.63. Mr Fraser noted there was not a lot of cash in the safe. Mrs [GRO] stated there was no more cash in the branch.

She informed Mr Heed and Mr Fraser that she had messed up and had made mistakes while her husband had been ill. [GRO] stated that her husband was unaware of the situation and that her assistant [GRO] had no knowledge or involvement. [GRO] referred to banking money and to an energy company who had faulty meters. [GRO] said she kept a manual record of the shortage. Mr Heed pointed out to her that the cash declaration and system figure did not show a discrepancy of the expected amount. [GRO] confirmed that she increased the cash declaration in line with her manual record.

As the last ferry off the island left at 17:30 Mr Heed and Mr Fraser locked all cash and stock belonging to the Post Office in the safe. Mr Heed retained the keys and arranged to return on Friday 16th September.

Mr Heed contacted Robert Daily, Post Office Ltd Security Manager. He informed him of the circumstances and that the full audit would be conducted the next day, Friday 16th September.

On Friday 16th September 2011 Mr Heed and Mr Fraser returned to [GRO] Post Office at approximately 14.30 hours to conclude the audit.

The result of the audit was a £22,889.82 shortage. Mr Heed contacted Mr Daily by phone the same day and informed him of the audit shortage. Mr Heed then passed the phone to [GRO] so that Mr Daily could speak to her. Mr Daily invited her to attend a tape recorded interview under caution. He explained her legal rights and the concession to have a friend present during the interview in accordance with Post Office rules. The interview was arranged and mutually agreed for Tuesday 20th September 2011 at [GRO] Post Office.

Search and Interview

On Tuesday 20th September accompanied by Michael Stanway, Security Manager, Mr Daily attended [GRO] Post Office. They were shown into [GRO] [GRO] The Holiday Cottages share

the same address as the Post Office and store. Mr Daily introduced himself and Mr Stanway to [GRO] [GRO] Mr Daily explained the nature of the enquiry and cautioned [GRO] at 09.35 hours. [GRO] [GRO] completed form GS001 Side A (Scotland) explaining her legal rights. Mr Daily asked [GRO] if she would consent to a voluntary search of her vehicle and premises. [GRO] consented to the search and completed form GS005(S) Consent to Searches – Interviewee.

[GRO] is declined the opportunity to have a friend present during the search and completed form GS003. A notebook entry was made of the introduction and caution of [GRO] and her consent to search. All persons present signed the entry.

[GRO] informed Mr Daily and Mr Stanway that her husband had suffered [GRO]. She stated her financial documents were kept in the back shop and Post Office. Robert Daily contacted Lesley Frankland, Security Programme Manager and informed her of [GRO] [GRO] [GRO] The decision was taken that [GRO] [GRO] living area would not be searched [GRO] [GRO] Permission was given to conduct a search of the back shop area and Post Offices areas only.

Financial documentation was found or handed over by [GRO] [GRO] Photocopies of all financial documentation seized were sent to [GRO] as agreed.

After completion of the search, the accused [GRO] was interviewed on tape and under caution in accordance with Scots Law. [GRO] declined the offer of the opportunity to have a Solicitor present and completed side B of form GS001 (Scotland). [GRO] also declined the opportunity to have a friend present during the interview.

The taped interview commenced at 11.49 hours and concluded at 13.54 hours.

Interview Details

[GRO] explained the audit shortage. She said she it happened over a long period and she had used the money to pay bills. She said she went once a week to her bank in Campbeltown to exchange £1 coins for £10 notes for the ATM. When the bank started to charge her for changing it she deposited the £1 coins in to her account then withdrew the same amount in £10 notes. The first time she was

short was when she deposited Two Thousand pounds (£2,000) in £1 coins and forgot to withdraw the same amount in £10 notes. This left the Post Office £2,000 short. The next time she went to the bank to withdraw the £2,000 direct debits had come off the account and she couldn't repay it. [GRO] said she did this in the summer of 2010. She said on another occasion she put her shop money in the Post Office safe. She took what she thought was all shop money to put in to her account but realised later she had taken Post Office money as well. [GRO] [GRO] said this was another £1,000 or £2,000.

[GRO] confirmed she has been Subpostmaster at [GRO] since 3rd February 2009. She confirmed she employed [GRO] (witness) and her hours of work. [GRO] stated she did the cash declarations. She added [GRO] did the cash declarations until April/May 2010. [GRO] said she did the cash declaration herself from then because she didn't want [GRO] involved. [GRO] said she prepared the Branch Trading Statement herself counting the cash and stock. She said [GRO] hasn't helped her since April/May 2010.

[GRO] was asked to examine the manual cash sheet containing all the denominations of notes and coin. She said the date 09/09 written on it was the date she put money back in to the Post Office.

[GRO] said she used one every week adding the one shown to her was for the previous week with the last entries for Wednesday 14th September 2011. The denominations for Wednesday 14th September were read out. [GRO]

[GRO] was then asked to examine the Horizon cash declaration printed at 16.14 hours on 14th September 2011 for [GRO] [GRO] confirmed the User ID [GRO] on it was hers. [GRO] confirmed the figures on the cash declarations were the same with the exception of the £1 coins which were £1 out. She confirmed the total on the Horizon cash declaration as Twenty Seven Thousand Two Hundred and Thirty Nine pounds Ninety Nine pence (£27,239.99).

[GRO] admitted the full amount of £27,239.99 was not in the office. **She said she added on Seven Thousand Two hundred pounds (£7,200) & One Thousand and Eighty pounds (£1,080) in £20 notes, Nine Thousand pounds (£9,000) & Two Thousand Seven Hundred and Twenty pounds (£2,720) in £10 notes totalling Twenty Thousand pounds (£20,000).** She also said she added on One Thousand pounds (£1,000) of £2 coins taking the total added on to Twenty One Thousand pounds (£21,000). [GRO] also said she

didn't think all the £1 coins were there.

She was asked to examine the Tier 2 Audit Cash Sheet for GRO code 178 858, date 16/09/2011, stock unit AA completed at the audit. GRO confirmed the office operated one stock unit AA. The figures on the Cash Sheet reflect the actual holdings in the office at audit, Three Thousand Six Hundred and Twenty Six pounds Forty Six pence (£3,626.46).

The auditors took a balance snapshot and noted the money stated didn't appear to match the actual money. GRO took the auditors upstairs and told them she had been stupid and "Fucked it up". GRO said she inflated the £20 and £10 notes because they were the denominations she was trying to pay back the money with. She stated she had been trying to pay back the money and confirmed the figures Three Hundred pounds (£300) and One Hundred and Eighty pounds (£180) on the manual cash sheet were amounts she had paid back.

GRO was asked how the shortage occurred. She said she opened a Lloyds TSB personal bank account where she could deposit her daily shop takings at her Post Office. She added her direct debits came off her bank account on a Tuesday. If she knew she wouldn't have enough to cover them she would bank her takings in advance and try to put them back the next day.

GRO explained she had to bank on the Thursday for the deposit to clear for the Tuesday. She'd put her what she thought Friday shop takings would be through on a Thursday with the purpose of the Friday takings covering the shortfall caused.

GRO said in the summer the shop takings would cover the direct debits but they didn't in the winter. She explained that because her husband had been sick she had to do everything on her own. She said he wanted to take charge of the ordering because he couldn't do anything else and he was ordering too much stock.

GRO said when she took over the shop she expected to pay Fifteen Thousand pounds (£15,000) for the stock but had to pay Thirty Three Thousand pounds (£33,000). This left her with no working capital causing her to struggle from the start. She said the bank also refused her Ten Thousand pounds (£10,000) overdraft.

GRO said she paid her bills by cash and others by direct debits through her business and personal

accounts. She said the bills she paid by cash, she took from the shop takings. **If she didn't have enough in the shop takings she would take money from the Post Office with the intention of paying it back the next day.** She said she didn't always pay it back because something else came up. She said she didn't always have enough money from the shop takings to cover the direct debits.

She added if this happened she would make up the deposit with amount she required. **She agreed the example if she needed to deposit One Thousand pounds (£1,000) and only had Three Hundred pounds (£300) she would inflate the deposit by Seven Hundred pounds (£700).**

GRO admitted she didn't have permission to use Post Office money to pay her bills and admitted to theft of Post Office money. She also admitted to making fraudulent deposits in to her bank account by not putting the money in to the Post Office drawer.

She explained that she tried to pay the money back but something else always cropped up like another bill to pay.

GRO ran the Post Office, the shop and the Filling Station. She said there was no petrol or diesel in the pumps at present. **GRO** said paying for the fuel was the main problem because she had to pay for it in advance. The amounts were Four Thousand pounds (£4,000) or Five Thousand pounds (£5,000). She said for the first year she was able to cover the costs then she started having too many bills to pay. **GRO** said the summer of 2010 was poor due to the bad weather in the winter. What she planned to gain in the summer didn't happen so she couldn't build up a reserve to pay for the fuel.

GRO said in 2010 she had problems with the electricity meters as they were so old. She said her bills were around One Thousand pounds (£1,000) a month while the previous owner paid around Four Hundred, Five hundred (£400, £500) a month. She said she was paying Five Hundred pounds (£500) a week to Opus Energy in 2010 to stop them cutting the electricity off. She explained that the electricity bills were one of the reasons she didn't have the money for the direct debits. **GRO** personal bank statements were examined. In April 2011 it was noted she was paying £500 each week to Opus Energy. **GRO**

GRO said she didn't have the £500 each week to put in to the account to pay the bills. Financial details were taken.

Details of business turnover.

The shop takings in winter were Two Thousand pounds (£2,000) to Two Thousand Five Hundred pounds (£2,500) and in summer up to Eight Thousand pounds (£8,000) a week. In 2010 the summer takings were about Five Thousand pounds (£5,000) or Six Thousand pounds (£6,000). [GRO] said she wasn't making a profit in the shop and explained the premises (house/shop/Post Office), filling station and the two holiday cottages were leased from [GRO] Trust. The lease is Ten Thousand pounds (£10,000) a year paid monthly on average Eight Hundred and Forty Nine pounds (£849).

[GRO] rented out one cottage in the summer taking in Three Hundred and Fifty pounds (£350) a week.

[GRO] said she also received a Twelve Thousand pounds (£12,000) income from Couriers.

[GRO] was asked to examine the Branch Trading statements for [GRO] Post Office between April and August 2011. She admitted to inflating the cash to disguise a shortage in the office.

[GRO] was asked to examine the Retail/Domestic Productions. She said some were still owed money. She also said she didn't know which direct debits were paid using Post Office money.

[GRO] was asked to examine the Banking/Finance Productions.

There were default payment notices for two loans but this was because they were trying to take the money from a closed account.

[GRO] deposited money at the [GRO] Post Office in to her Lloyds TSB Classic (Personal) Account. The money deposited was inflated if she didn't have enough shop takings. She transferred money from this account to pay her direct debits including her personal loan from the Bank of Scotland.

The accused made admissions to the theft and embezzlement of £22,889.82 of Post Office monies. She was cooperative throughout and made no attempt to blame anyone other than herself for her actions.

After the interview a statement was obtained from [GRO] [GRO] confirmed [GRO] dealt with the daily dockets, declared the cash and did the Branch Trading statement. She also confirmed she was not involved in any part of it. She stated she used to declare the cash but

hadn't done so for about a year and a half. She was made aware there was an shortage on the day of the audit but doesn't know how much.

Final calculation

On Monday 24th October 2011 communication was received from Post Office Ltd Former Agent Debt Team that three Transaction Corrections totalling One Thousand Two Hundred and Fifty pounds (£1,250) had been received for transactions conducted at [GRO] Post Office. The Transaction Corrections are detailed on individual Former Subpostmasters Statement of Discrepancy.

A Transaction Correction (TC) is an electronic Error Notice that is issued through the Horizon system to an branch when errors have been identified in the accounts for the office. The Transaction Correction can be of both a positive and negative nature, namely claim or charge respectively. If it is a claim the Transaction Correction is in the Subpostmaster's favour and he is entitled to remove the amount from the Post Office funds. If it is a charge then contractually he has to make good the amount by putting the money in to the Post Office funds. When a charge Transaction Correction is received the Subpostmaster has three options to resolve it. Make Good - Cash, Make Good - Cheque or Settle Centrally. As [GRO] is suspended the amount of the

Transaction Corrections are added to her Debt Account and she is informed of them by letter.

Two of the TC's were for two deposits of Five Hundred and Eighty pounds (£580) and Three Hundred and Eighty pounds (£380) made into a Lloyds TSB Bank Account number [GRO] Account Holders

[GRO] This account is [GRO] [GRO] personal account.

The third TC was for a Two Hundred and Ninety pound (£290) error made in reporting the figures for the Hanco Automated Teller Machine (ATM). The Hanco ATM is similar to ATM's found in Banks etc. All transactions conducted on these specific ATM's are sent electronically to Hanco. At the end of each working day the branch prints an End of Day Close print out from the ATM. This is the settlement figure for transactions conducted on the ATM that day. This figure is then entered on to the Horizon system. At the end of the week Hanco inform Post Office Ltd of the transactions conducted at each branches ATM. These figures are uploaded on to the SAP Post Office Ltd Finance System (POLFS) to compare the figures entered on to the Horizon system by the branch.

	In the period 19th July 2011 and 19th August 2011 there was a £290 difference between the figures received by Hanco from the ATM and the figures entered on to Horizon at [GRO] PO. The loss to Post Office Ltd now stands at Twenty Four Thousand, One Hundred and Thirty Nine pounds Eighty Two pence (£24,139.82). [GRO] is contractually responsible for the entire loss.	
Analysis	The Horizon accounting system provides only one source of evidence and the Crown relies on admissions to prove these cases. This is the position in this case. There is sufficient evidence for the period libelled.	
Additional Information		
Enclosures <i>(Please delete any items listed not enclosed)</i>	Previous Convictions Summary from Police Report (up to and including the remarks section) Petition Section 76 Letter	
Recommendation	The total sum eventually calculated by the Post Office is £24,139.82. The plea is to £20,000. Having dealt with similar cases in the past I have found the Horizon system wanting. For example mistakes could have been made by the employee, [GRO] or the accused as only one code for entering details has been used. It is recommended that the plea be accepted. It will allow the court to sentence appropriately in the public interest. The Post Office may wish to raise civil proceedings in respect of recovery of the monies.	
Reported by	Precognition Officer 	Legal Manager Malcolm Macleod

<i>Crown Office Instructions</i>	Crown Counsel Instructions:-
<i>Date Returned to PF Office</i>	