

## Horizon Integrity – summary report

### Overview

Over the years some Post Offices under investigation for losses have claimed that the Horizon system is at fault. As the Post Office® is dependent on the reliability of our system to be able to prosecute offenders; we have to be able to defend our system in the courts.

This project will highlight any recent cases that have been defended, and will also put into place a process to continually monitor this issue.

### Brief summaries of some recent challenges

#### **1. Yetminster - FAD 267518 - POL 1112-0163**

##### **Brief overview**

This case came to light from a tip off made by a Holiday relief postmistress. It was established that Miss Tracey Merritt also operated the outreach Post Office at Chetnole. Both these offices were audited on Thursday 29<sup>th</sup> September 2011. At audit Yetminster was reported to be £8415.27 short and Chetnole Outreach was £3471.55 short, giving an overall total shortage of £11886.77.

##### **Summary**

- During the interview Miss Merritt produced a large document regarding an ongoing enquiry by Shoosmiths solicitors in respect of the Justice for Postmasters Alliance stating that she believed that the Post Office Horizon equipment was the actual cause of this loss.
- At the start of the interview Miss Merritt blamed the horizon system and stated she had problems with transferring cash from Yetminster to Chetnole outreach. Halfway through the first tape Miss Merritt states 'because there are issues with your computers and I know the Post Office are not going to admit it but there is'
- 6 minutes into the second tape Miss Merritt states "I'm not trying to blame the Horizon system I am saying that my office kept coming up with losses". Towards the end of the second tape transcript Miss Merritt admitted that the losses had been accumulating since the end of July 2011 and that she had not been putting money in for these losses, simply rolling the losses and inflating the cash.
- Mr Gary Thomas, lead Officer in this case commented at the end of his report that it should also be noted that this case is likely to be a further challenge towards the integrity of the Horizon System.

##### **Outcome**

- Recoveries received of £8,415.07, with £3,178.52 (Still owing against Yetminster Outreach - Cheque bounced. Currently repaying £1 per week)
- 3 Charges of False Accounting raised but dropped - Yeovil & Somerset Magistrates informed. Letter sent to Ms Merritt on 2<sup>nd</sup> July 2012.
- Dear Ms Merritt, I write in connection with the investigation carried out into the audit shortage of £11,886.77 which occurred during the period of your appointment as sub postmaster of the Yetminster Post Office®. Post Office Ltd

remains entirely satisfied as to the evidential strength of its case against you and remains of the view that any criminal prosecution would, if pursued, be entirely successful. Post Office Ltd has, however, carefully considered the representations made on your behalf by Mr Oliver Letwin MP and has decided on this occasion not to pursue this matter further. The decision not to proceed to prosecution does not in any way constitute an admission that the losses were the result of an error with the Horizon computer system. Any such allegations will be robustly defended. Post Office Ltd continues to have absolute confidence in the integrity of the Horizon computer system and its branch accounting processes.

## **2. Barkham – 212939 - POL 1011-0160**

### **Brief overview**

- This case was raised following an ongoing dispute between Mrs Stubbs and Post Office Ltd regarding an outstanding debt of £28829.05. Mrs Stubbs is suggesting that HORIZON is at fault when it was moved into a port-a-cabin during renovations.

### **Summary**

- Mike Wilcox stated: - Along with Graham Brander I met with Mrs Stubbs on 17<sup>th</sup> January and she was convinced that HORIZON was at fault. She has retained daily transaction logs for December – January in which time she lost £9000 and is not prepared to release this until she can compare it to Fujitsu data. I have examined the Fujitsu data and cannot see any indications of fraud. She has declared all the losses and has been asking for assistance for some time. There is a possibility (although she will not accept it) that an assistant has been taking the money but that puts the onus back on her to report it to the police. I have sent her the Fujitsu data to reconcile with her daily transaction logs but from a criminal / fraud point of view there is no scope for further investigation into any criminal activity.

## **3. Rinkfield - 252418 - POL 0910-0041**

### **Brief overview**

- An audit took place on the 8<sup>th</sup> June 2009 and a loss of £24,911.96 was identified. The postmistress Mrs Katherine Jane McQue acknowledged that she knew the audit at her office would be about £25k short.

### **Summary**

- Mrs McQue admitted that she knew about the shortage through out the interview and admitted to covering up the shortage by falsifying the accounts.
- During the interview Mrs McQue stated that she did not feel 100% comfortable with the horizon system, but did not appear to directly blame the system for the losses.
- Mrs McQue did admit to false accounting but did not admit to theft
- At a court hearing on the 2<sup>nd</sup> Feb 2010 the Defence indicated that they intended to instruct a Forensic Accountant. They were ordered to serve the Accountant's Report by 22<sup>nd</sup> March 2010.
- Expert Witness report was submitted prior to the final court hearing

**Outcome**

- Rinkfield case was heard at Carlisle Crown Court on the 28th February 2011 when the matter was listed for Trial. Prior to the case being called on there was some discussions between all parties with a view to establishing whether or not the pleas offered by the Defence would be acceptable.
- An indication was given that a plea to Count 2 fraud might be acceptable so long as the Defendant stipulated in her Basis of Plea that there was nothing wrong with Horizon and that she was responsible for the loss and recognised the confiscation would be sought should the loss not be repaid.
- In the afternoon the matter was called on and the Indictment was put again to the Defendant. She pleaded Guilty to the charge of fraud accepting that there was nothing wrong with Horizon and that she was responsible for the loss.
- In the interim the Defendant signed a Consent Order to vary the restraint to allow the lease on the Rinkfield Post Office to be transferred. This provided that a £25,000 up front payment be paid to Royal Mail account to be identified within 21 days.
- Mrs McQue pleaded guilty at Carlisle Crown Court on 28 February 2011. Katherine Jane McQue was sentenced to 9 months imprisonment suspended for 2 years together with a requirement to do 150 hours of unpaid work at Carlisle Crown Courton 10 May 2011. No evidence was offered on the count 1 (Theft)

**4. Newsome - 208320 - POL 0809-0047****Brief overview**

- An audit took place at Newsome Post Office on the 5<sup>th</sup> June 2008, and the auditor was informed prior to the start of the audit that he should expect a shortage in cash of about £60k. (signed statement was obtained by the auditor)
- The postmaster of Newsome Post Office was Mr Gurdeep Singh Dhale
- Mr Dhale told the auditor that he had used the Post Office funds "to pay off an individual" over the period of around one year, However during interview he claims to have made this up.
- Mr Dhale also denies saying to the auditor that he would be £60k short and says he meant to say £600.00. He said he had been drinking heavily the night before and had just got out of bed. He says he signed the statement for the sake of wanting them (the auditors) to go away.

**Summary**

- Mr Dhale claimed that the loss was all a big misunderstanding
- Mr Dhale also claimed that he didn't know how much the audit was short until he received a letter on the Saturday 14<sup>th</sup> June 2008 (2 weeks after the audit) and then he remembered £105k in a private safe that belonged to the Post Office
- Mr Dhale claimed throughout the audit that he was not really listening to anyone and did not know how much was short or why he was suspended even though he had signed statements for the auditors.
- At no point during the audit or interview was the integrity of the Horizon system questioned.

- The defence challenged the integrity of the horizon system and employed a forensic accountant. This was ordered to be served to the courts on 10<sup>th</sup> February 2011.

#### **Outcome**

- On the 27<sup>th</sup> January 2011 Mr Dhale pleaded guilty to false accounting
- Mr Dhale was sentenced to 12 months imprisonment suspended for 2 years and was also ordered to undertake unpaid work in the community of 250 hours.

### **5. West Byfleet - 126023 - POL 0708-0249**

#### **Brief overview**

- An audit took place on the 14<sup>th</sup> January 2008 at West Byfleet Post Office which revealed a shortage of £74609.84.
- The postmistress, Mrs Seema Misra, informed the auditors that the account would be short by between £50k and £60k. She completed a hand written signed statement to the auditors blaming previous staff for the shortage.

#### **Summary**

- Mrs Misra admitted during the interview that she knew the office accounts would be short.
- Mrs Misra continued to blame old staff for the large losses and said the police had been informed, however they had only been told about a loss for approximately £1000.00.
- Mrs Misra says the office had been running short of cash for about a year and she had been trying to reduce the loss by putting in money from her own shop business.
- At no point during the audit or interview was any horizon integrity issue raised.
- Mrs Misra was charged of theft and false accounting
- Comment from a legal memo from 25<sup>th</sup> March 2009:- The Defence have also asked the question which I set out here verbatim: - "When was it that the Post Office first became aware that there were irregularities with regard to the accounts. Was it when the final audit was carried out or had there been concerns at an earlier stage?"
- This was the first time that the Integrity of the Horizon system was mentioned
- In May 2009 Mrs Misra's defence team offered a plea to false accounting but not to theft
- At the end of May 2009 the Post Office prosecution team did not accept the reduced plea
- An expert witness was put forward by the defence to challenge the Integrity of the Horizon system

#### **Outcome**

- After a length trial at Guildford Crown Court commencing on the 11<sup>th</sup> October 2010, the Jury came to a verdict on the 21<sup>st</sup> October 2010 when they found the Defendant guilty of theft. The case turned from a relatively straightforward general deficiency case to an unprecedented attack on the Horizon system. We were beset with unparalleled degree of disclosure requests by the Defence. Through the hard work of everyone, Counsel Warwick Tatford,, Investigation

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Officer, Jon Longman and through the considerable expertise of Gareth Jenkins of Fujitsu we were able to refute all suggestions made by the Defence that the Horizon system was faulty..

- It is to be hoped the case will set a marker to dissuade other Defendants from jumping on the Horizon bashing bandwagon.
- Mrs Misra was found guilty of theft and sentenced to 15 months imprisonment
- Mrs Misra was also found guilty of false accounting and sentenced to 6 months imprisonment concurrent

### **Conclusion**

Although there have been attempts to discredit the Horizon system via the courts, to date the Post Office have been able to defend the Integrity of the Horizon system at all levels.

When questioning the Integrity of the Horizon system the defence solicitors are making similar disclosure requests, indicating that disclosure requests in future challenges will be similar to those made in past Horizon Integrity challenges.

Depending on where the loss was identified this can sway the disclosure requests slightly into requiring further details and operating procedures around specific transactions including background processes, i.e. the processing of cheques once they have left the office and electronic funds transfer records.

There have also been requests for information on training materials and training records, including call logs to NBSC. In the Misra case the defence questioned a lot of technical aspects regarding the data held at Fujitsu, these challenges were refuted by Gareth Jenkins.

### **Future actions**

- A process has already been put in place to ensure that where there is any possible chance that the horizon system will be questioned this will be reported in the 48 hour offender report.
- All operational personnel have been asked to report directly to me when at any point through out the interviews/court process that the Integrity of the Horizon system has been mentioned.
- This will be continually monitored / updated to ensure that we are aware of any Horizon Integrity challenges at the earliest opportunity and are prepared for any future challenges at all stages of the investigation and prosecution process.

Helen Rose  
Post Office Security Team  
30th August 2012