

Post Office

“Lessons Learned” Review of handling of alleged issues/concerns about Horizon: Terms of Reference

Background

Over recent years there have been a number of claims that weaknesses in the Horizon IT system were the real cause of accounting discrepancies attributed to a number of sub-postmasters. Following a suggestion from Mr James Arbuthnot MP(JA), Second Sight (SS) were commissioned to undertake an independent investigation of the Horizon system and an interim report was published in July 2013. The Second Sight investigation continues. The Post Office has also commissioned other specific follow-on work in the light of the Second Sight interim report. Those involved ie., the Post Office and other stakeholders - JA, Justice for SubPostmasters (JFSA), SS - confirm they are now working in a constructive and collaborative way to put in place a mediation approach to resolving any disputes. This had not been the case leading up to the Second Sight interim report.

Purpose

This is a “lessons learned” review. The purpose of this review is to not to duplicate the work already done or under way; nor is it intended to investigate individual cases. Rather it is an internal review to see a) whether there are any lessons to be learned by the Post Office about how it handled the work leading up to the Second Sight interim report, in relation to process, governance and stakeholder engagement; and b) to highlight any cultural observations, which could be of use as the business continues its transformation to more mutual ways of working.

This "lessons learned" review has been commissioned by Paula Vennells (Post Office Chief Executive) with a particular emphasis on three questions:

- 1) what if anything could the Post Office have done differently, so that the PO and its stakeholders (JA, JFSA, SS) could have worked collaboratively and constructively from the beginning?
- 2) the business has changed the way it is running the review, does it now reflect good practice (i.e “lessons learnt”)/where are the gaps?
- 3) what broader cultural lessons can be learned?

Scope

1. The review to start from JA raising his concerns.
2. Review how the investigation was established and run, following a suggestion from JA that there should be an independent review. This should cover:
 - a. the circumstances and reasoning behind the decision to commission an investigation;
 - b. the nature of the investigation process adopted – accountabilities, purpose/scope, methodology, output, contractor selection, timescale, costs etc.
 - c. the Post Office management of and interface with the ongoing investigation

- d. the Post Office management of external and internal stakeholders during the investigation, including (but not limited to) – SS, JFSA, JA, NFSP, the media and the Post Office Board
- 3. In the light of the findings from the above work, the Review should identify lessons learned and make recommendations to the Chief Executive covering in particular:
 - a. any further immediate actions which could be taken to help finalise the current Horizon review and related work streams;
 - b. the handling of any similar investigations of alleged weaknesses in Post Office systems or procedures in the future;
 - c. stakeholder management.
- 4. Finally, consider any wider implications for the Post Office, including in relation to its culture, management and processes.

Methodology

Although not secret, the Review has been commissioned as an internal "lessons learned" for the Chief Executive to discuss with the Post Office Board. The Board may need in due course to consider whether it wishes to make the report or its findings more widely available in whole or in part. It is not expected that this review will undertake new investigatory work. It will review existing evidence, including in particular, the findings of Second Sight and will interview mainly Post Office players and if they are willing, 2/3 key external stakeholders who were directly involved.

The Review will be conducted by an external assessor Richard Hatfield working to Paula Vennells, Chief Executive. The review should be considered part of the wider Post Office response to the Second Sight report. [Alasdair Marnoch, Chairman of the Audit Committee will work with Richard and Paula in support of the project] . The external assessor will be supported by Malcolm Zack, Head of Internal Audit and Alwen Lyons, Company Secretary who will facilitate access to documents and people.

Outputs and Timescales

The external assessor will submit a proposed broad workplan for agreement before starting substantial work. Richard Hatfield (RH) and Paula Vennells will touch base weekly but RH should consult immediately if he considers any changes may be required to the scope or duration of the work. It is estimated that the task, including preparatory research and writing up, will require 20 days in total. Assuming that substantive work can begin in early September, work is to be concluded and a final report submitted by end October.

PO LESSONS LEARNED REVIEW APPENDIX 1 – GROUND TO BE COVERED

“Second Sight” Review - main focus of the “lessons learned” report

- **Precursors and original objectives**
- **Selection/Commissioning Process**
- **TORs**
- **Management and monitoring of contract/inquiry**
- **Events surrounding second MP meeting, when PO was not present and interim report.**

Were the purpose and priorities clear to the PO at the outset? Were these understood/agreed by other parties? Were the skills/resources needed correctly identified? Were these reflected in selection of SS and the direction they were given? To whom was the Review accountable (and what was the actual/intended relationship with the JFSA)? Was this clear to SS and others involved? What were the expected timescale and outputs? Did SS share any form of workplan? Were there any deliberate changes to scope or timing? Were there any formal waypoints or routine monitoring of progress, timescales and budgets. Any concerns inside PO, by SS, or external bodies about progress? If so, what action taken. Perceptions of the second MP meeting and of the interim report. How were communications/ expectations managed: the Executive, Board, BIS, NFSP?

Perceptions and perspective

In addition to establishing and assessing, so far as possible, what actually happened, it will be important to understand how things were perceived at different times from the point of view of particular players.

People to be interviewed

Alwen Lyons, Susan Crichton, Simon Baker (if available), Angela van den Bogerd, Paula Vennells, Martin Edwards, Lesley Sewell, Kevin Gilliland, Alice Perkins, Mark Davies, Ron Warmington (SS), Ian ?? (SS)

Tbc: Rod Ismay, John Scott, Craig Tuthill, Lin Norbury, John Breedon, Alan Bates (JFSA), Donald Brydon (RMG) and others as identified/requested through the review process

Background – preparation for the report only

- **PO organisation - emphasis on the Network and its support structures; eg., interfaces between NBSC, Field teams, Audit/Training, Security, Legal**
- **SPMs**
- **Horizon**
- **Standard prosecution/debt recovery processes**
- **Outline chronology**

Establish basic understanding of PO organisation and identify potentially relevant responsibilities.

How does the relationship with SPMs work? What is the function(s) of Horizon? When it was developed/introduced – were there problems? Who is responsible for a) day to day operation b) the system c) overall integrity of process.

Establish outline chronology of relevant events in order to arrange and structure initial interviews. Identify individuals in relevant roles at particular times. Ensure that issues are addressed in their right context.

Early Indicators? - preparation for the report only (ie not to be reported on)

- Complaints about Horizon?
- Pattern of suspected fraud
- Why management were so sure that Horizon was not failing
- Broader complaints (balancing accounts; change of branch processes)

When were the first complaints/allegations about problems with Horizon balances? Were there other known issues/complaint about Horizon? Was there any evidence that PO managers realised the issues were wider than the Horizon system, eg., inadequate support, training, follow up. Were there any changes in the incidence of suspected fraud or more generally of accounting problems following introduction of Horizon. If so, what was done about them. (NB Need to consider processes and useability as well as the IT itself)

External Concerns & Responses - preparation for report and/ or identification of wider cultural observations

- Individual SPMs
- James Arbuthnot MP
- JFSA
- Second Sight
- Media

Establish when and in what circumstances external sources raised potential concerns. How were these logged and dealt with? Were concerns raised by SPMs who were not subject to potential action for recovery? How were complainants handled, what consideration was given to these issues, outcome and feedback on any investigations. Were any issues successfully resolved? What consideration was given to the implications for cases where prosecution or debt recovery action was pending? Were any wider issues identified e.g. in relation to training in the use of Horizon or the relationship between the PO, for Horizon or SPMs more generally. What difference did the involvement of James Arbuthnot MP and the JFSA make? How were these intermediaries handled? How were wider implications for the business handled – e.g. relations with SPM community (NFSP), media and reputational issues?

Accountabilities

- For Horizon system
- For balancing SPM accounts
- For prosecution process
- For response to concerns
- For Second Sight

Establish specific responsibilities and accountabilities in relation to each of the above elements ... and how these related to each other. How were cross cutting issues coordinated/controlled?