Message

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Sent: 04/12/2020 17:26:26
To: Declan Salter [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=b95ab9ea56cb437e9f5ca6c8a900cf3e-Declan Salt]
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Subject: Confidential - Contains Legal Advice: Draft response to the questions posed by the Inquiry on "Branch Suspense Accounts and Trading Statements"
Attachments: 1. 201129 Inquiry Response - Branch Suspense Accounts and Trading Statements DRAFT V0.2 for DS Review.docx; Disclosure of Suspense Account Reports; 3. Historical Suspense account review report 04122020.pdf; 2. Current Suspense Account Review report 04122020.pdf; 4. POL-0171229.pdf; 5. POL-0007501.pdf; 6. Branch support guides and Cover Letter - Oct 2019 FINAL.pdf; 7. Operational Training Guide V1.0 Oct 2020 RE.zip; 8.Comparison to Draft KPMG Reports.zip; Disclosure of Suspense Account Reports

Importance: High

Private & Confidential

Hi Declan,

Please find attached a draft response to the questions posed by the Inquiry on "*Branch Suspense Accounts and Trading Statements*".

As discussed over the course of the week and subsequent to gaining approval from the Board, the intention is to answer the narrow questions asked by the Inquiry but to also provide the KPMG reports in full. My view is that the KPMG reports cannot be sent to the Inquiry without being contextualised. I believe the best way to contextualise the KPMG reports and provide the additional information KPMG obtained when bottoming out questions I had on the draft reports is to provide a covering note which i) introduces the KPMG reports; and ii) and provides the answers to the narrow question posed by the Inquiry. The attached "**1. 201129 Inquiry Response – Branch Suspense Accounts and Trading Statements** .." seeks to achieve this.

In terms of the narrow questions posed by the Inquiry, I have purposely kept the answers short by referring to the underlying documentation as I do not want to risk cutting across any Fraser J findings. For ease, and in addition to the KPMG reports, I have also attached the documentation referred to in the answers. These documents are set out below:

2. Final KPMG Current Operation of Suspense Account Report (**password**: GRO)
3. Final KPMG Historical Operation of Suspense Account Report (**password**: GRO)
4. Balancing with Horizon document (POL-0171229.pdf).
5. Debt Recovery Processes under Branch Trading document (POL-0007501).
6. Branch Support Issue Guide.
7. Operational Training Guide.
8. Red line versions of the draft KPMG reports, so that you can see we have only removed information thought to be irrelevant or commercially sensitive.

I have also attached advice from HSF which is forwarded on, on a confidential basis, and sets out the risk of disclosing the KPMG report and providing a cover note. Disclosure of the KPMG reports will not satisfy everyone and we will almost certainly have to field further questions on the subject but on balance, my view is that it is better to disclose the reports to the inquiry and that by doing so:

- Post Office will demonstrate a genuine willingness to engage with, and aid the Inquiry.
- It will allow Nick Read to demonstrate that he has discharged the commitment he gave to Lord Arbuthnot in February to better understand how Post Office operates its suspense accounts.
- It will enable Post Office to get ahead of the curve and relieve the business from having to service further questions on this topic in the future, which otherwise seems likely.
- It will demonstrate to Sir Wyn that Post Office has not, as has been alleged, been improperly making a profit from the operation of its suspense accounts – as has been an assertion made regularly since 2012 (ish)

Next Steps:
- If you are able to feedback any comments you have asap, I would be grateful.
- The KPMG review into the current operation of suspense accounts triggers disclosure under criminal jurisdiction. As such and so that it can be disclosed in tranche 3b, I need to share the final report (and letters referred to below) by COB Wednesday (9 December).
- KPMG requires that we obtain their consent prior to onwards disclosure of these reports (to both the Inquiry in full and via the PCDE in redacted form). POL needs to:
    - I. Sign a letter from KPMG (one for each report – which will require CAFs) in respect of its own liability in order to give consent to disclose; and then
    - II. Disclose the letter under cover of a 'Transmittal Letter' from POL to the third party (doesn't need a CAF, just to be signed by someone in POL).

    These are in draft and progressing – this is included here just so that I don't forget.

Thank you for taking the time to review the response, it is much appreciated.

Mark

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On leave: 9 Oct & w/c 26 Oct 2020