



POST OFFICE LIMITED GROUP EXECUTIVE REPORT

Title:	CIU Resourcing Requirements	Meeting Date:	25 th January 2023
Author:	John Bartlett, Head of Central Investigations Unit	Sponsor:	Ben Foat, Group General Counsel

Input Sought: Decision

The GE is asked to **agree** the priorities for CIU for the next two financial years (2023/24 and 2024/25) and **approve** the additional funding necessary to service current and projected future demand.

Previous Governance Oversight

Group Executive Tactical Meetings of 5 May 2021, 15 September 2021, 20th April 2022 and 3rd August 2022.

Executive Summary

1. The GE approved the CIU's remit as being a triage and assessment function; a training capability; a quality assurance framework to regulate all Post Office investigations (with some exceptions e.g., HR grievance investigations); as well as a centralised major/serious investigation capability. Investigations which did not meet the 'high risk' threshold were to continue to be conducted by the relevant business team but would adhere to the minimum standards and protocols set by the CIU. The CIU would also perform periodic quality assurance over the 'low risk' investigations.
2. Though CIU structures and its investigatory arm were not to go live prior to 2023, it already has a current caseload of 50+ investigations with a known pipeline of >50 more; principally driven from Dispute Resolution, Branch Support, Contracts, and Historical Matters (including the Inquiry). This caseload is not sustainable for a team of four investigators – c35% of the current caseload have already had to be paused or de-prioritised.
3. In order to be able to operate effectively and progress cases fairly, effectively, and in compliance with best practice and law, the GE is asked to approve:
 - CIU prioritising i) the investigation of PIDA qualifying and Inquiry / HSS investigations (Legal Risk); ii) Executing its TOM (Functional Development); iii) substantiated losses >£100k; systems and process integrity only at an enterprise risk level; and behavioural/conduct integrity only relating to GE and Board (Business Integrity).
 - Funding for 12 additional roles within CIU, at a cost of £540k in FY23/24. Without these additional staff, CIU's case load would have to be lowered using even tighter case acceptance criteria and/or a ready reserve of £500k to use contractor investigators on a case-by-case basis.



Questions addressed

1. Why was it necessary to create CIU? How does it operate, and which cases does it currently Investigate?
2. What is CIU's current workload, is this sustainable and which areas of the business are driving the demand?
3. What should CIU's priorities be, how do they align with POL's strategic priorities and what implications does this have in terms of caseload, resource and funding?
4. Are there alternative options?

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5. Subsequent to the Court of Appeal Criminal Division finding a number of the private prosecutions brought by Post Office to be unsafe and "*POL's failures of investigation and disclosure so egregious as to make the prosecution of any Horizon cases an affront to the conscience of the court*", Post Office sought assurance that current investigations were being conducted appropriately. The GE approved the creation of a centralised investigations team to ensure all future investigations were delivered in line with a set of minimum standards / protocols and that high-risk investigations were performed by independent investigators. The introduction of a CIU was also to ensure investigations were properly planned, resourced and executed with lessons learnt fed back into the business.
6. December 2022 was the target date for the establishment of a triage function for CIU and Speak Up; the creation of a new investigation risk intelligence function; the designing and documenting of new processes and procedures; as well as the creation of an assurance framework for the other teams falling under the Investigation Branch. This was to allow a fully formed CIU to start taking cases into a properly structured function and to begin assuring the other teams' investigative activities from the start of January 2023. However, business need has required CIU to take on live cases prior to the end of December 2022.
7. CIU is made up of 2 teams with 3 functions – the Speak Up team which predominantly deals with whistleblowing (2 FTEs) and the CIU 'proper' (2 FTEs) who conduct all other investigations which meet the current CIU threshold test. There is a current caseload of c60 investigations which can be categorized as follows:

Impact	Types of Cases	
High Impact:	- Modern Slavery. - Process failures e.g. Zunoma contract management. - Process issues e.g., Payzone loans and invoices.	- Criminal cases collectively in excess of £1.5m (£0.5m of assets restrained by Police in POL's favour) and a £5.2m money laundering case. - Conflict of interest.
Medium Impact:	- Theft & fraud. - Auditing concerns. - Harassment.	- Missing cash pouches. - Behaviour in branches.
Low Impact:	- Low value theft, fraud, accounting concerns. - Bullying / ethics breaches.	- Policy breaches. - Compliance breaches.

8. The current case load is not sustainable with the present staffing levels alongside the time commitment of assuring the other investigation teams. 17 of the low and medium impact cases have been paused to allow the combined team to focus on the highest impact



investigations. This has required a prioritisation of activity on a weekly basis without the ability to reference a current strategic priority statement that defines scope, scale, or value. In effect, this ad hoc approach has resulted in the Head of CIU determining the strategic priorities for the investigation function.

9. There is a known pipeline of a further >50 cases in the Inquiry, Contracts, Dispute Resolution, Branch Support, and Postmaster Remuneration teams. Should the additional projected caseload materialize, this is over six times the sustainable volume CIU and Speak Up teams can manage with the current resource levels and case acceptance criteria.
10. To service all this unfiltered demand, CIU would require an additional budget of between £725k and £1.825m¹ depending on variables that are difficult to predict at this time. This can however be reduced by revising CIU's priorities and acceptance criteria to release CIU capacity to manage the current case load and by removing some future commitments.
11. Assuming the scope of CIU remains both inward looking (e.g. significant process failures and senior conduct issues) and outward-looking business integrity investigations (e.g. evidence-based, transparent, ethically conducted recovery of assets) the following changes to CIUs priorities are proposed:

Approved at GE on 20 April and 23 August 2023	Proposed (changes to original proposal in blue)
Legal Risk – PIDA-qualifying and other Speak Up-reported investigations.	Legal Risk – PIDA-qualifying investigations and Inquiry/HSS/HMU Ops- linked investigations Many of the non-PIDA Speak Up-routed reports would need to be taken up by the Complaints team, Area Managers, or other teams.
Functional Development – Building a CIJ-compliant Investigation Branch which withstands external and internal scrutiny through documented policies, processes, guidance, assurance, and training.	Functional Development – Building a CIJ-compliant Investigation Branch which withstands external and internal scrutiny through documented policies, processes, guidance, assurance, and training: e.g.: Assuring investigative work conducted in the Contracts, Dispute Resolution, Network Monitoring, Information Rights, People-based investigation unit, and Financial Crime teams Producing and maintaining the Investigator's Manual and supporting guidance, templates etc
Business Integrity – Financial integrity by investigating substantiated losses with a view of making reports to the police and public prosecutors (no thresholds were set as the potential scale of this was unknown); systems and process integrity failures (the nature of these issues was not defined again due to the unknown nature and frequency of these matters); and behavioral/conduct matters relating to Grade 4 staff and above.	Financial integrity: Criminal investigations and POCA compensation process into substantiated losses >£100k. This raises the informal threshold from £50k. This would require CIU, where authorised under policy, to report suspected criminal matters below £100k to the police without the benefit of CIU evidentially supporting any subsequent police investigation; Collection of evidence to consider potential civil action for amounts of >£50k leading to civil recovery Systems and process integrity: Only at an enterprise risk level where the fact base is not broadly known. This would result in Payzone and Zunoma-type cases being dealt with within line management or by Internal Audit; and Behavioural Integrity: Matters relating to GE and Board only. All other conflicts of interest or allegations of misconduct would

¹ Though this should be seen alongside the potential to recover funds via criminal compensation, civil recovery, and from deductions from remuneration.



	need to be managed elsewhere, perhaps in the new People investigation team.
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12. If the modified priority areas and the thresholds described above are adopted from February 2023, budget implications would be reduced from a worst case of an additional £1.8m to £540k in 23/24, built up from the following:
 - I. Inquiry / HMU: 4x Grade 3a Investigators. [IRRELEVANT] of budget to be transferred from the Inquiry and HMU budgets. Three of these roles are included in the Inquiry and HM budget proposals going through Board on 24 January.
 - II. Dispute Resolution:
 - a. Historic cases: FTC for 1x Grade 3a Investigator, 1x Grade 2a Integrity Investigator, 1x Grade 2a Transaction Analyst. Salaries totaling [IRRELEVANT]
 - b. Recent and Projected cases: FTC for 1x Grade 2a Integrity Investigator and 1x Grade 2a Transaction Analyst. Salaries totaling [IRRELEVANT]
 - III. PM Remuneration: FTC for 1x Grade 3a Investigator and 1x Grade 2a Transaction Analyst. Salaries totalling [IRRELEVANT]
 - IV. Branch Support: FTC for 1x Grade 3a Investigator, 1x Grade 2a Investigator, 1x Grade 2a Transaction Analyst. Salaries totalling [IRRELEVANT]
 - V. Contracts: 1x Grade 2a Investigator, plus 1x Grade 2a Transaction Analyst. Salaries totalling [IRRELEVANT]
13. The funding of these additional roles will form part of the budget bid (and conversations with Finance) for 23/24. The detailed rationale behind their need is set out at **Annex A**. If the additional funding cannot be provided, the information has been presented in Annex A, in a tabular / shopping list type format, to enable the GE to agree which of the additional investigations driving the funding request should not be conducted by CIU.
14. Three other potential options were also considered though these have been discounted as, in short, they go against the original rationale for establishing the CIU. For completeness, they were as follows:
 - I. Significantly reduce the scope of CIU and Speak Up's case adoption criteria to either focus only on a subset of the three priority areas or maintain a rigid number of High, Medium, and Low cases across a year on a first come, first adopted basis. This has the advantage of certainty in that the operational requirements for the team are clearly set out and can be managed firmly. The disadvantage is that flexibility is designed out but more importantly it only allows for a very limited number of cases to be conducted
 - II. Have a ready reserve of £500k available to the Head of CIU over the two-year period to call on contractor investigators for specific cases as required across a year. This provides flexibility and the potential to conduct more cases than Option 1 (but not all listed in the Annex) but has budgetary uncertainty as how much of £500k will be required. Contract resources are more expensive than in-house team members and case for case, this may be the more expensive way of delivery a reasonable case load.



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- III. Drastically reduce or cease the size and scope of the assurance work conducted by CIU to release more of the two Senior Investigation Managers' time for case work. This option would scale back or stop the investigative assurance work of the two CIU Senior Investigation Managers. The current planned commitment to spend on assuring the average portfolio of 500+ cases held by the decentralised teams is two days per week each. If this was reduced by half, up to one additional High Impact case or two Medium Impact cases could potentially be carried at any one time by each of the Senior Investigation Managers. If stopped completely, the gain would logically be double. It would, however, reduce or remove the level of assurance of the wider investigative activity which GE may consider to be of a CIJ-priority nature.



Business Area / Driver of Demand	Projected additional caseload in next 12 months	Additional Resource Requirement & Cost	Business Case / Rationale for Funding	Funding Mechanism
Inquiry	Best case 9 (2 matters (the P&P cases) with CIU now, 7 others will be by end of March 2023) Potentially 38 (10 phased to end of March, remainder with unknown phasing) 18 Case Reviews (Ready to be allocated)	3x Grade 3a Investigators 1x Grade 3a Investigator	There are various allegations of wrongdoing against POL staff members (current and former) which have come to light in the context of the Inquiry: - During the Human Impact hearings - 31 have been referred to the POL 'Speak Up' team. Letters have been sent requesting further information and, during w/c 24 October, 2 postmasters responded. - Arising during the Human Impact hearings, a matter involving a particularly serious allegation about the planting of evidence. A case summary has now been prepared by P&P and referred to CIU. [REDACTED] It should be noted that the HMU are also looking at how allegations made in the context of claims to the HSS should be investigated. There are five potential cases under consideration at this stage. It is important that the allegations are considered for investigation to: - Demonstrate that POL has been listening to the Human Impact evidence and is taking seriously the allegations made by postmasters. [REDACTED] <u>Honour commitments made to the Inquiry in POL's Opening Statement about carrying out investigations as part of the Response tracker work</u> [REDACTED] A further round of letters was sent on 19 December 2022 to those that raised issues in phase 1 hearings. - Identify broader issues for POL which can be remediated, such as where gaps in training may have been behind the wrongdoing. - Treat employees fairly by exploring allegations which have been made against them in a public forum. These cases form a pool of matters where postmasters are making repayments following a mix of criminal convictions or repayment agreements following an investigation by POL re historic shortfalls. All these cases involve some form of admission which are seemingly evidenced to a varying degree of certainty. Consideration is being given as to whether these repayments should cease. To inform this decision making, CIU has been asked to conduct full file reviews to determine whether the outcomes generated in each of these cases were based on 1) sound evidence and 2) achieved ethically, transparently and in accordance with best practice and any applicable laws or code.	Inquiry Programme Budget - One-year fixed term contracts HMU budget One-year fixed term contract
Dispute Resolution	5 Historic (Shortfall cases with suspected	For the historic elements:	These historic cases are valued at around £750k in potential loss to Post Office. The unadopted cases may need to be written off. This could be treated as a one-year project and any compensation awarded by the courts under POCA or civil routes to be returned to POL.	New Funding – for 1 year using fixed term contracts



	criminality elements relating to former PMs) 3 Recent (Shortfall cases, expected to be referred to CIU in January 2023) 6 Projected referrals in 2023-24 (Matters of a criminal nature or where civil recovery is considered)	1x Grade 3a Investigator, plus 1x Grade 2a Integrity Investigator, plus 1x Grade 2a Transaction Analysts (Salaries totalling IRRELEVANT) For the recent and projected shortfall cases: 1x Grade 2a Integrity Investigator, plus 1x Grade 2a Transaction Analyst (Salary total IRRELEVANT)	Two of the three current cases are criminal investigations each with a possible loss of <£100k and will be referred to CIU in January 2023. The third is a complex & sensitive shortfall case consisting of seven Tier 3 reports requiring CIU's analytical capability and interaction with the PM's legal advisor and MP. Without monetary or other thresholds applied to the rest of the portfolio additional resource is required to progress these significant cases. Any compensation awarded by the courts under POCA would be returned to POL for the criminal cases and via deductions from remuneration or civil court for the third matter if supported by evidence. The Dispute Resolution Committee is considering cases on a monthly basis which current trends suggest the need for CIU's involvement in collecting and testing evidence to support a police investigation or a civil recovery action. Any compensation awarded by the criminal courts under POCA would be returned to POL, as would any order-enforced award in the civil context.	New Funding – permanent additional budget
PM Remuneration	Up to 100 cases	1x Grade 3a Investigator and 1x Grade 2a Transaction Analyst (Salary total IRRELEVANT)	It has been reported that potentially 100 post offices have generated additional and fraudulent remuneration through an abuse of process. This is a significant risk which requires dedicated resource over an extended period to evidentially test the report. As the enquiries and analysis can be templated, resource requirements are more modest than that required to investigate varied allegations. Civil recovery or deduction from remuneration may be possible where supported by evidence.	New Funding – as a 1-year project using fixed term contracts
Branch Support	6 cases (Due in January 2023)	1x Grade 3a Investigator, plus 1x Grade 2a Investigator, plus 1x Grade 2a Transaction Analyst	Six large value potential stamp-reversal theft cases (total c£2.2m). These are significant cases given the value and "live" nature of the concerns. Any compensation awarded by the courts under POCA will be returned to POL. These cases were detected by a new risk analysis tool which is believed to be detecting large concerns, the number of which can be seen to be diminishing the longer the tool is run. Therefore, a surge of cases such as these six cases are considered unlikely and so capacity to investigate them is not considered to be required long term.	New Funding – for one year



		(Salaries total IRRELEVANT)		
Contracts	6 cases per year	1x Grade 2a Investigator, plus 1x Grade 2a Transaction Analyst (Salary tot IRRELEVANT)	Contracts team are anticipated to require support with the collection of evidence for the police or civil court from their portfolio over the course of a year separate to cases referred to them by Dispute Resolution. These cases have traditionally not resulted in recovery of loss in recent years and CIU's evidence collection and assessment capability is required to present quality and impartial evidence to the police or in support of civil action.	New funding – permanent additional budget