



POST OFFICE LIMITED GROUP EXECUTIVE REPORT

Title:	Post Office Investigations: Next Steps	Meeting Date:	20 th April 2022
Author:	Sarah Gray, Group Legal Director John Bartlett, Head of Central Investigations Unit	Sponsor:	Ben Foad, Group General Counsel

Input Sought

The GE is asked to **note** and **discuss** the contents of this paper; **determine** the extent to which Post Office will in future conduct investigations; and **approve** the concept of an Investigations Champion.

Previous Governance Oversight

- Group Executive Tactical Meeting of 5 May 2021
- Group Executive Tactical Meeting of 15 September 2021

Executive Summary

In order to be compliant with the Group Litigation Order and achieve our objectives regarding the Inquiry the measures outlined in this report are the minimum required actions.

1. Following detailed assessment¹, KPMG concluded in their report of August 2021 that Post Office should create a Central Investigations Unit ("CIU"). The introduction of the CIU was to ensure POL-wide investigations would be properly planned, resourced, documented, and executed; with lessons learnt fed back into the business. KPMG also recommended a target operating model.
2. Post Office decided to form a CIU and the Head of CIU ("HCU") was appointed on 21 February 2022. We are seeking approval to recruit the rest of CIU in line with KPMG's recommendations² and two additional six-month fixed term (FTC) investigators. The cost per year for the permanent staff is 2x Senior Investigators (Band 3a) and an Intelligence Analyst (Band 2a) total cost c£240k³. Total costs for the two six-month FTC investigators is c£60k.
3. CIU would be built as soon as possible with the two FTC investigators providing additional capacity and capability whilst CIU develops processes, procedures, systems, thresholds, and internal and external stakeholder relationships. Lead time is six months from the date of decision to be operating the model. This could be October 2022.
4. All observations made by KPMG are considered as being met or adapted in this proposal which is as follows:
 - A virtual Post Office Investigations Branch develops a one-team approach to Post Office investigations, ensuring the application of best practice across the organisation.

¹ The scope of KPMG's work did not include a review of historical investigations or those conducted in relation to the Historical Shortfall Scheme

² Outstanding recruitment in line with KPMG's recommendations supported by this paper are: 2x Investigation Managers (Band 3a), and an Intelligence Analyst (Band 2a). Both investigator and the analyst roles are in budget for 2022/23.

³ Salary plus employers National Insurance/Pension



- Business-based, de-centralised, teams conduct the highest volume and lower risk case work with the CIU conducting the higher risk or more complex investigations.
- CIU also provides investigative training, mentoring, and coaching to the de-centralised teams as well as introducing and carrying out quality assurance of the lower risk investigations.
- The current Speak Up team's remit is broadened to act as a centralised triage and assessment function; providing Post Office with a central view of investigative risk and escalation route from the de-centralised teams to CIU.
- Make greater use of technology to allow for the expeditious conduct of complex case work and reliably meet our disclosure obligations more cost effectively. A reserve of £50k per year for use of a document review and disclosure platform sourced direct from a supplier rather than via a law firm.
- An alternative to private prosecutions is proposed to permit criminality evidenced by Post Office investigators to be progressed in all four nations of the UK in order to act as a deterrent and to seek financial recoveries.
- A NED is appointed as Investigations Champion.

Questions addressed

- How should Post Office fund and structure the conduct of investigations?
- What head count and technology budget is required on an annual basis?
- How should Post Office manage criminal investigations and prosecutions?

Report

Operating Model – Structure & Oversight

1. Post Office is committed to undertake ethically executed, evidence-led, transparent investigations which can withstand external scrutiny by applying best practice, applicable laws, and guidance.
2. As part of this commitment, it is proposed that there are two levels of investigative capability within Post Office⁴. This approach was also suggested by KPMG. The first level is a small group of experienced and trained professional investigators who conduct investigations into matters presenting the greatest risk to Post Office or which are the most complex to carry out. The CIU and the Speak Up Investigations Team form this group of investigators. The other strata of investigators are based in the business and will continue to either conduct investigations infrequently or carry the lower risk and volume cases. Conducting investigations may be only a small part of their role or are quite routine or similar in nature. CIU will be their escalation point.
3. Together, it is proposed that the centralised and de-centralised teams form a virtual resurrected Post Office Investigations Branch ("IB"⁵). The de-centralised investigative

⁴ As well as proposing a central investigative function, the KPMG review examined the investigative activity conducted by the following teams: Network Monitoring, PM Dispute Resolution, PM Complaints, Contracts, Customer Complaints, Financial Crime, Conduct Compliance, Whistleblowing, Data Protection, and Cyber, as well as those under HR's remit eg Grievances, Code of Conduct, and Dignity at Work complaints.

⁵The Post Office Investigations Branch was the first recognised investigation unit in the world dating back to near the foundation of the Post Office itself. It has an unblemished reputation. It's motto was *Suaviter in Modo, Fortiter in Re* meaning *Gentle in Manner, Resolute in Deed* which is very much in keeping with the intended approach of the new investigation function.



activity would continue under their existing reporting lines but for investigative activity they have a dotted line to the centralised team. The IB as a whole will perform to the same standards and methodologies adjusted for the complexity of the cases in-hand. By using the IB brand the aim is to foster a one team approach in the conduct of investigations.

4. It is proposed that the Head of IB (who is also HCIU), assisted by the CIU, will set standards, provide coaching, and conduct quality assurance of lower-risk investigations conducted by the de-centralised staff. It is not practical for a centralised team of dedicated investigators to conduct all investigations. However, within appropriate parameters and with suitable support, those not in the central team can conduct quality investigations that meet the requirements of Post Office best practice. Head of IB is accountable for these investigations as well as those conducted by the central teams.
5. Once the additional staff are recruited there will be sufficient capacity and capability to start increasing the volume of investigations from the current run by the three Speak Up investigators. At the same time, CIU and Triage will develop processes, procedures, systems, thresholds, and internal and external stakeholder relationships to operate the model. Lead time is six months to recruit and be fully operating the model. This could be October 2022.

Operating Model – Information & Intelligence Collection: Triage Process

5. The lifeblood of any investigative function's activities is intelligence and information. To ensure that the right risks are identified, the right investigations are conducted, by the right team, Post Office requires a single picture of past, possible, and current investigations. This requires a central clearing house of information and intelligence which is then also well placed to act as a triage function and produce thematic, geospatial, temporal or other analytical assessments for GE, Board, Legal, and senior business leaders.
6. The Annex 1 shows the flow of information and tasks between the decentralised teams and the centre utilising a Notification / Referral approach. It is proposed that the teams will have agreed criteria to apply in their own environments which will determine whether they will provide a Notification to the triage function or whether they make a Referral.
7. A Notification: agreed criteria applied by the business-based teams to pass details to Triage relating to what the notifying team considers to be their low/medium-risk investigation and where they are not requesting assistance from the central teams. This information can be drawn upon in assessments thereby contributing to wider investigative risk management. Triage would review the Notification and most likely take no further action. However, if they assess the Notification as a high risk and/or it fits in to a wider piece of on-going work, and/or it is their view that there is insufficient independence of the business-based investigator then Triage are able to re-allocate the investigation to Speak Up, to CIU, or to a different business-based investigator. This would be a collaborative process, but the Head of IB would have the authority to make the final decision in order to maintain the independence of the investigation or appropriately manage risk.
8. A further advantage of this approach is that each investigative risk is triaged twice: firstly, by the business in considering whether to make a Notification or a Referral and then by the Triage team in reviewing the Notification. This provides a local and central



assessment of the issue, each with recorded decision-making being applied resulting in safer management of the issue.

9. A Referral: made to Triage when the de-centralised teams or senior managers consider that the issue at hand is sufficiently complex or exceeds their local risk appetite and that assistance from CIU is needed. A Referral may also relate to Speak Up issues and these should be reported following the Whistleblowing Policy. As part of KPMG's review, a working group established a proposed table of escalation criteria (Annex 2) which is a good starting point for defining the criteria for Referral and can be refined further at a later date. Triage will engage with the referrer and with the HCIU to determine the appropriate approach. This may be that CIU will assist the decentralised team in the conduct of the investigation or CIU may take carriage of the case and seek specialist support as appropriate. Again, and for the same reasons, the Head of IB is the decision maker as to where a Referral sits.

Operating Model – Structure of the Triage Function & Team Size

10. The triage function will form part of a new combined team together with the assessment and Speak Up functions.
11. Until volumes are better known, it is proposed that this team will be staffed by a manager plus two Speak Up Investigators and an intelligence analyst. This team reports into HCIU.
12. The manager and the analyst would carry the triage function, supported on a surge basis by Speak Up and/or CIU staff as needed, with the analyst producing assessments as required. If Notification / Referral volumes reach a level that prevents the analyst from producing the MI and assessment papers then a second analyst may be needed. A review of volumes and the impact on effectiveness is recommended after 12 months of operation.
13. Whilst KPMG did identify that a triage function was required their report did not specify a centrally resourced triage team. KPMG observed that each team conducting investigations should have a more formalised triage activity within their own team and then refer cases to CIU based on agreed criteria. This does not facilitate a central oversight of potential cases, a central assessment of independence and transparency risk, and does not result in a single enterprise-wide picture from which central reporting can be produced.
14. It is proposed that the analyst is recruited as soon as possible in Q1 FY 2022/23 to assist in the design and build of the triage function. The Speak Up investigators would continue with their current role.
15. The existing Speak Up team and the Intelligence Analyst are in the 2022/23 budget submission.

Operating Model – Wider Function of CIU

16. In addition to conducting the most complex or high-risk cases, CIU has responsibility for the continuous improvement of the non-centralised investigative activity and in assuring this work. A CIU staff member will provide training in investigative approaches and methodologies, in particular ensuring that investigation records are maintained to an agreed standard that works for both the de-centralised team and the organisation as a



whole. Standardisation of approach and minimum standards are important in driving consistency. It also makes quality assurance easier and more effective.

- 17. CIU will also provide coaching and mentoring on particular cases to others conducting investigations. This allows for live monitoring of standards, the identification of best practice that could be adopted or improved, but also facilitates skills transfer as a capability and capacity improvement.
- 18. A Quality Assurance Framework ("QAF") will be produced together with the decentralised teams which is an industry standard approach to ensure incremental and live-time continuous improvement. CIU will conduct monthly QAF reviews of a sample from each area where investigations are conducted. There are binary elements to this (eg is there a strategy and plan for the investigation or is there a record of decisions with rationales) as well as a qualitative assessment (eg how good is the strategy and plan or are the decision rationales sufficiently detailed). The more universal and standardised the record keeping across investigations the more effective for the organisation the QAF will be. Annual reports can be produced, hopefully charting the improvement across the year. CIU should be measured on this improvement.
- 19. In areas like HR, the CIU may be able to assist in setting a standardised approach for investigating managers who are allocated an HR-related matter to follow together with guidance.

Operating Model – Structure of CIU

- 20. HCIU will also be the Head of the IB. It is proposed that reporting directly in to HCIU will be one Senior Investigator responsible for England & Wales and another for Scotland and Northern Ireland combined. This recognises that the different legal environments will impact how they conduct their work. The Inquiry, in their Completed List of Issues, had an interest in how POL would approach investigations differently in the four nations⁶.
- 21. The Senior Investigators, whilst predominantly working in their specialist jurisdictions, will be required to flex across geographical areas and lead complex casework where required based on need. They will also plan and conduct the capability training with the decentralised teams, conduct QAF reviews, and have relationship management responsibilities with the senior staff in the decentralised teams, providing investigative mentoring. It is proposed that these two roles are recruited as soon as possible in Q1 of FY 2022/23.
- 22. The Senior Investigators will be assisted by two junior CIU Investigators on FTC for six months in the conduct of investigations, provision of training and coaching, and carrying out QAFs. They will be a central resource allocated on need. It is proposed that these two roles are recruited in Q1 of FY2022/23.
- 23. KPMG recommended in their report that CIU would have similar functions as outlined above. Budget provision for 2021/22 was for HCIU plus one Senior Investigator in CIU but only HCIU was recruited. Budget submission for 2022/23 includes HCIU and the 2x Senior Investigators. Approval for the two more junior FTC investigator roles is also required.

Operating Model – Use of Technology

⁶ Point 162 of the Completed List of Issues



- 24. Our ability to have a single, enterprise-wide view of investigative activity, the ability to produce MI and assessments, and to conduct evidenced-based complex investigations at pace is dependent on access to, and effective use of, technology. This was also an issue raise by KPMG.
- 25. It is proposed that all Notifications / Referrals should be submitted to Triage via Convergent, the software used for Speak Up submissions. Post Office have unlimited licence use and so all staff conducting investigations would be able to enter information and up-load evidence or other material into Convergent at no additional cost⁷. This collates all data into a single system.
- 26. Convergent can also be configured to allow tags and sorting in order to segregate Speak Up material from other matters and to facilitate analysis. It has the capability to be used as a basic case management system, preserving an audit trail for activity and actions, negating a need to purchase a more bespoke and costly system.
- 27. Reviewing emails, Teams messages, reports and other material from Post Office systems is necessary. Unless an in-house solution can be found (this is being explored), this requires a document review platform such as Relativity. Post Office does not have this in-house. It is recommended that budget is allocated to provide on-demand services for this requirement. A digital forensics capability, primarily to work on Post Office mobile digital devices, is also required. Document review and digital forensics can often be provided by the same company. Depending on volumes, an initial reserved budget of £50k would cover both services unless a significant case (>20,000 documents) arises. Dealing directly with a supplier is less costly than sourcing through a law firm.
- 28. As part of the document review provision, Post Office should look to use technology assisted review on the larger cases (>20000 documents). This is now an accepted, even expected, concept in civil and criminal courts, reducing investigation timescales without degrading reliability of evidence. Machine learning and thematic sorting allows the discovery of the highest impact evidence earlier in a document review than traditional methods and also aids faster and defendable disclosure exercises.
- 29. To aid the analyst in producing assessments and also the investigators in producing investigation reports it is recommended that i2 or another analysis and visualisation tool is used. Costing this tool is yet to be carried out.
- 30. Once the new function has operated for a year, a review of the types of cases conducted should be conducted. If necessary, Altia should be considered. Altia is a combined financial investigation analysis tool and case management system. It is used by all 40+ police forces and law enforcement agencies in the UK and would significantly assist in the preparation of casework and risk reduction in the conduct of cases. Cost will dependent upon used functionality and scale of deployment. It also has a built-in visualisation tool.

Operating Model – Extent of Investigative Remit

- 31. For an operational investigation function the Post office is not a straightforward organisation. Normally, the full extent of a corporate's activities and all "staff" would fall within the function's remit. However, the Post Office is a more complex environment for an investigation function to engage with.
- 32. Given this complexity, it is proposed that GE selects one of the below options (or another variation) as the remit for the investigation function for the first 12 months that

⁷ Currently, use of Convergent is £6k p.a. Some additional costs would be incurred in the reconfiguration work.



it is in place and that this decision is reviewed at the one-year marker⁸.

33. This appetite would then form a mission statement e.g.: *The investigation function conducts structured, transparent, objective, fair, and evidence-based collection and assessment of information with the intent to prove or disprove the suspicion of wrongdoing, or assertion of a chain of events, that has or could affect* (insert applicable categories from the table below)

Option	Extent of remit	POL & POL staff	Postmasters	Postmasters' staff	POL's Business Partners	Customers at a post office	Post Office website visitors
1		✓	✓	✓	✓	✓	✓
2		✓	✓	✓	✓	✓	
3		✓	✓	✓	✓		
4		✓	✓	✓			
5	*	✓	* ✓				
6		✓					

* Denotes current investigative activity. However, investigations which consider Postmaster conduct or activities, such as that governed by the Dispute Resolution Committee, do not currently have an escalation point for evidential investigations and ultimately referral on to law enforcement.

34. It is our recommendation that the minimum remit of the investigation function is Option 4. This would allow POL to act in determining facts relating to situations ranging from allegations of theft or fraud by Postmasters' staff using/misusing POL systems or functions where either or both POL and the Postmaster are victims, through to misconduct or HR-related matters in POL and the subsidiaries. The Horizon issue identified a failure to investigate beyond the Postmaster in determining culpability. By investigating Postmasters' staff we demonstrate that POL has learned from that finding and would seek to determine actual culpability, if any, which is treating the Postmasters fairly. Allegations of misconduct by Postmasters would be explicitly included in the proposed remit.

35. There may be situations where it is suitable for the investigation function to conduct an evidential investigation building on intelligence work conducted by Financial Intelligence Officers in Compliance e.g. when a post office is the venue of a serious and/or series of frauds or money laundering which uses Post Office infrastructure to facilitate the offence. Cooperation and liaison with other organisations and agencies would be essential in these circumstances.

36. It is our view that more exploratory work is required to better understand the investigation needs of Post Office's on-line presence before proposing an investigative remit in this space.

Operating Model – Criminal Investigations & Prosecutions

37. It is understood that there is a policy decision for Post Office to cease acting, for the moment, as a private prosecutor of alleged criminal offences in England & Wales. This paper does not seek to change that decision.

38. As a government organisation, Post Office is viewed by law enforcement (LEA) differently from a privately owned company. It is unfortunately fact that LEAs de-prioritise most reports of crime made by government-linked organisations if made in the

⁸ The Whistleblowing team sits outside this decision as those types of investigations are determined by the Public Interest Disclosure Act 1998 and laid out in the Whistleblowing Policy.



traditional way. There is an expectation that a degree of self-sufficiency exists. Without recourse to private prosecutions an alternative is required if the interests of Post Office, Postmasters, our staff, and shareholder are to be protected.

39. Dishonesty offences would form the vast majority of our criminal investigations. This would include theft, false accounting, fraud of all types, and money laundering. These types of offences are those to which LEAs do not have sufficient, nor sufficiently skilled, resource allocated and which are lengthy to investigate, often resulting in them not being prioritised. If we do not investigate these matters then the likelihood of recoveries significantly diminishes, as does the deterrence factor.
40. Jurisdiction is also relevant. Typically, authorities in Scotland are less inclined to adopt evidence collected by non-LEA investigators. England & Wales LEAs expect an almost complete case in an admissible format and Northern Ireland is likely to be somewhere between the two.
41. It is proposed that ahead of any specific case referrals:

England & Wales:

- A CEO letter to BEIS and then on, with a Minister's endorsement, requests assistance from the Commissioner of the City of London Police's (CoLP) Economic Crime Directorate (ECD) (the national lead force for fraud and other economic crime) to work in partnership with CIU to investigate and then refer to the Crown Prosecution Service all strong cases of dishonesty-based offences above a certain level of complexity or monetary loss;
- A dedicated team to be formed within CoLP ECD and working closely with CIU under a MoU would be the best-case scenario – its size would be dependent upon volumes and budget;
- Post Office or BEIS may be asked to contribute to the cost of this team

Scotland:

- A CEO letter to BEIS and then on, with a Minister's endorsement, to the Crown Office and the Chief Constable of Police Scotland seeking a similar arrangement to England & Wales; OR
- the HCIU and CIU Senior Investigator for Scotland engage Police Scotland and seek a solution at a more operational level with their ECD;

Northern Ireland

- A CEO letter to BEIS and then on, with a Minister's endorsement, to the Public Prosecution Service and the Chief Constable of the Police Service of Northern Ireland (PSNI) seeking a similar arrangement to England & Wales; OR
- the HCIU and CIU Senior Investigator for Northern Ireland engage PSNI and seek a solution at a more operational level with their ECD;

42. The purpose, as ever with criminal case work, is to act as a deterrent, seek punishment, and to seek compensation for the victim(s) (including Postmasters where they are the victims). By working with and through LEAs we could achieve all three but this is less predictable if we take an ad hoc approach to LEA referrals.

Investigation Champion



- 43. The Speak Up function includes a visible endorsement of its purpose and independence by having a NED appointed as Speak Up Champion. To demonstrate the independence of the investigation function in the same manner, it is recommended that a NED Investigation Champion is appointed. This will hopefully foster greater trust in investigation activities.

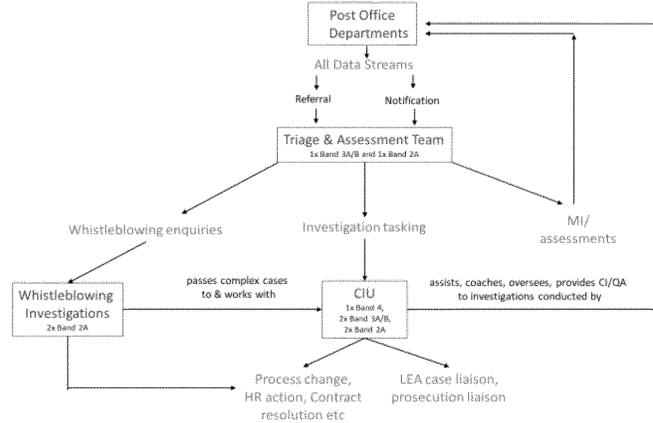
Next Steps

- 44. Based on approvals given and decisions made as a result of this paper, The Group Investigations Policy will require up-dating.
- 45. Annex 3 shows HCIU's mapping of KPMG's observations and Post Office business leaders' up-dates relating to KPMG's observations onto the proposed approach contained in this report. Decisions made from this report will be reflected in this mapping to ensure all issues are captured. All observations made by KPMG are considered as being met or adapted in this proposal.
- 46. The Cooperation with Law Enforcement Policy will also require amending to reflect any decision made and subsequent work with LEAs.
- 47. Recruitment of two CIU Senior Investigators, two FTC CIU Investigators, and Triage's Intelligence Analyst to commence once role descriptions have been completed. Working practices with de-centralised teams can then be developed.



Annex 1 – Flow of Information and Tasks

Post Office Limited - Document Classification: INTERNAL



Annex 2 - KPMG's criteria for identifying higher risk investigations

Type of criterion	Possible criteria for BAU investigations	Potential to be high risk if several criteria met	Possible criteria for high risk investigations
Financial impact	Financial impact under e.g. £50,000	Financial impact between e.g. £50,000 and £1m	Financial impact e.g. > £1m
Reputational damage	Unlikely to be reputational damage	Potential for reputational damage	Capable of significant reputational damage to the business / significant media coverage
Seniority of those being investigated	Below Band 4	Band 4 and above	Concerns a member of Board / GE / certified role
Postmaster or employee theft or misappropriation of assets	N/A - No allegation of theft or misappropriation of assets	Suspicion of theft or misappropriation of assets	Serious allegation of theft or misappropriation of assets
Regulatory breaches by Postmaster or employee	N/A - No regulatory involvement	Potential for regulatory notification	Relates to a identified breach or issue
Misconduct by employee	Allegation of misconduct	Potential to be gross misconduct	Relates to gross misconduct
Privilege required	No suggestion of litigation	Possibility of litigation	Likely to result in litigation
Postmaster detriment	N/A – No Postmaster detriment	Potential for individual Postmaster detriment	Potential to lead to pervasive Postmaster detriment
Referral from business	N/A	N/A	Requested by a Director level or above

These criteria are designed to allow flexibility and interpretation, rather than provide a prescriptive approach to ensure that all investigations are given the appropriate consideration in relation to risk.

Annex 3 – KPMG Observations mapping to proposed TOM