



## POST OFFICE LIMITED GROUP EXECUTIVE REPORT

<b>Title:</b>	Prioritisation & Resourcing of CIU investigations	<b>Meeting Date:</b>	28 June 2023
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### 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 recommended below necessary to service the current and projected investigations within these priorities.

### Executive Summary

Previous Governance Oversight: Group Executive Tactical Meetings of 5 May 2021, 15 September 2021, 20<sup>th</sup> April 2022, 3<sup>rd</sup> August 2022, 25<sup>th</sup> January 2023. Also, IDG meeting 3<sup>rd</sup> May 2023.

- In order to be able to maintain a broader impact for POL, and in particular to meet POL's obligations to the Inquiry and protect public funds, the GE is asked to approve reprioritising CIU's current priorities to be (in priority order):
  - Investigating PIDA-qualifying Speak Up reports;
  - Supporting investigative needs of the Inquiry team
  - Assurance of investigations of conducted by Dispute Resolution, Network Monitoring & Reconciliation, and Contracts teams as part of the execution and development of CIU's target operating model
  - Preparing for transition of the network to NBIT;
  - The investigation of **all** substantiated losses in branches over £100k, police liaison, & seeking compensation from the courts;
  - Providing evidence packages for civil court hearings;
  - Systems & process integrity investigations only at an enterprise risk level;
  - Behavioural/conduct/integrity investigations only relating to GE and Board;
- By GE agreeing to these priorities and thresholds, together with approving funding of c£693k for 13 additional roles (5 permanent roles & 8 FTCs for the duration of NBIT roll-out) and external technical support, would result in:
  - The active progression of cases currently paused or not allocated due to lack of investigative and analytical resources (at 8th June 2023, 18 cases totalling IRRELEVANT);
  - Absorbing the anticipated increase in BAU referrals to CIU;
  - Deliver existing investigative requests from the Inquiry;
  - Provide sufficient case volumes to provide more of a preventative deterrent;
  - Secure compensation paid to POL via the courts (current, paused & not allocated cases, if progressed total IRRELEVANT in loss with cautious potential to be awarded IRRELEVANT in compensation); and
  - Capacity being in place to manage cases emerging from the pre-NBIT all-branches audits.



## Report

### *Prioritisation*

1. POL requires a business-as-usual central investigation function which is resourced to deliver quality investigations in priority areas at an appropriate scale and to assure the investigative capabilities of the Dispute Resolution, Network Monitoring & Reconciliation, and Contracts teams. Financial Crime, Data Protection & Information Rights, and ER investigation teams could also be assured in this way in the future.
2. POL also needs the central function to be able to flex in a way that allows it to deliver investigative requirements outside of, and in addition to, BAU.
3. CIU is not currently resourced to deliver these demands.
4. The BAU scope of CIU is 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 criminal investigations and recovery of assets). Analysis of the BAU pipeline identifies an additional 12 complex criminal cases per year being referred from the Retail or Contracts team. However, the capacity of the team cannot match current BAU demand and is not well placed to absorb future increases in demand.
5. The Inquiry team now has seven matters on which they would like CIU support. Only two of these are currently supported. One has been funded by the Inquiry team which allowed 4x 12-month FTC investigators to be brought in for that express purpose. A separate funding discussion is underway between CIU and the Inquiry team re additional resource for CIU to support the Inquiry more widely, including the currently unsupported matters.
6. The intention to conduct a full network count of stock and cash prior to rolling branches on to NBIT will reasonably generate significant numbers of criminal investigations. CIU will be required to play its part in managing this investigative demand. CIU is not staffed to meet current requirements and certainly not a short- to medium-term increase caused by the move to NBIT. The roll-out of NBIT will almost certainly generate significant case work for CIU during the all-branch audit phase. Whilst this is difficult to precisely anticipate, if only 1% of branches are found to have issues that need potential criminal investigations to resolve shortfalls or stock issues then a potential c115 new cases will result.
7. To meet the current/future BAU, Inquiry, and NBIT demands, the following tightening of CIU priorities are proposed in priority order:

#### **PIDA – a statutory requirement**

- Our commitment to investigate all matters reported through Speak Up channels to become limited to those that are Public Interest Disclosure Act (PIDA)-qualifying reports only or are from Postmasters. No undertakings will be given to effectively investigate other, non-PIDA or non-Postmaster-originating, reports (currently c70% of reports received by Speak Up). The non-PIDA matters outside of capacity levels in



the Speak Up team would need to be allocated to CIU if the cases are complex or serious and to Area Managers and head office managers/teams for the remainder. The Speak Up Policy recently reviewed and authorised by ARC would require amending to reflect these changes.

#### **Inquiry Support – public interest**

- Although not subject of a funding request in this paper, it is asked that GE formally approve that when the Inquiry/HSS team requests CIU to conduct an investigative task, external resourcing on fixed term contracts is funded from the Inquiry/HSS budget. This specific, short term, purpose-focused resource will be managed by one of the senior investigators in CIU. We recommend that a £500k pot is earmarked within the Inquiry/HSS budget that can be drawn upon for this purpose by Head of CIU with the agreement of two of Group General Counsel, Group Legal Director, Inquiry Director or Historical Matters Director without further approval from GE.

#### **Target Operating Model – safe operation of Postmaster-facing investigations**

- Continue to develop the wider investigation and Speak Up functions within POL, particularly the conduct of the assurance work carried out by CIU of the Postmaster-facing investigation teams.

#### **NBIT Roll-Out – assisting the re-set**

- All suspected thefts/frauds to be passed to CIU who will then triage them and report as necessary to the police. Where a report is for amounts in excess of £100k then CIU will provide active investigative support to the police. Where the sum is below £100k, CIU will form a link between the Retail Central Operations investigation teams and the police to facilitate the obtaining of evidence and witness statements by the police.

#### **Business Integrity Operations (1) – protection of public funds**

- Investigate all suspected theft and fraud offences against POL and manage the interaction with police for cases over the value of £100k. For matters below £100k, CIU will manage the reporting process to the police, but the police will need to deal directly with other POL teams to secure evidence and witness statements. Alternatively, consideration could be given to writing off any value below £100k or consider civil recovery.
- Provide support to case building and testing of evidence for civil recoveries >£50k. Matters below £50k would need to be supported by external counsel (for which there is currently no funding) or not proceeded with.

#### **Business Integrity Operations (2) – governance and conduct**

- Systems & process integrity matters which are truly enterprise threatening. Other matters would require Internal Audit, Compliance, or line management investigation.
- Behavioral integrity issues that are the most sensitive or complex e.g., relate to GE or Board members. Other matters of this type could be allocated to the ER investigation team or passed out to external investigators but would need funding.





### *Current Resource and Capacity*

8. CIU is made up of two teams, with four functions, and six permanent staff:
  - The Speak Up team:
    - 2x FTE - Triage - interacting with reporters, conducting risk analysis, triage and development of potential cases
    - 2x FTE conducting resulting investigations
  - The CIU 'proper':
    - 2x FTE who conduct all complex and criminal investigations and also the Assurance of the Retail Central Operations investigation teams
    - A team of 4x FTC is being formed to review 30 cases linked to the Inquiry
9. The current caseload is not sustainable with the present staffing levels alongside the time commitment of assuring the other investigation teams and supporting the Inquiry. Currently, 18 cases of theft/fraud have been paused or have not been allocated and so sit in Triage due to lack of capacity. The effect of this is that in excess of [IRRELEVANT] of potential loss to POL is not being investigated and so no court-enabled compensation is being sought post-prosecution and no deterrence effect is being achieved. These are high-value, complex cases and without CIU's active involvement, experience shows that it is unlikely that law enforcement will progress them if CIU simply reports them and steps back.
10. A conservative basis of 20% of lost funds are recoverable as compensation through cases that are successfully investigated and prosecuted by law enforcement and public prosecutors. Requesting that the court award compensation to POL in criminal cases is the only current non-voluntary method of recovering funds, and so this [IRRELEVANT] is 0% recovered if it is not investigated. If law enforcement and the public prosecutors were successful in these cases, then potentially [IRRELEVANT] could be recovered from this otherwise total loss if CIU can manage the full case volume. Current, paused, and unallocated cases together if progressed total [IRRELEVANT] in loss with the cautious potential to be awarded [IRRELEVANT] in compensation. It is worth noting that in one of the CIU criminal cases that CIU has been able to progress, that the police have located and restrained 100% of the lost amount [IRRELEVANT] which should be awarded in totality to POL as compensation once the court case is concluded.
11. The recent EY Speak Up Review observed that due to capacity issues, the Speak Up manager was carrying too high a personal case load and having to conduct too much engagement with Speak Up reporters herself due to lack of other resource to be as effective in developing the function as she could be. The volume of operational work is detracting from the strategic evolution of the Speak Up function.
12. One of the two Speak Up Integrity Investigators used to work in the Tier 3 retail investigations team and is currently fully focused on turning transaction data into evidence rather than conducting Speak Up investigations. Due to a lack of capacity in Tier 3 and the demanding nature of evidence production required by the criminal justice system and highlighted by the judgements, this approach is the only way CIU has been able to progress the criminal cases they currently work on.
13. One of two permanent Senior Investigation Managers is engaged four days per week in conducting assurance work with the Retail and Contract investigation teams and the other





day is spent developing training packages and carrying out criminal investigations. This is essential transformational work to deliver in a real and tangible sense the requirements and learnings from the judgements.

14. The Head of CIU is carrying a complex case load himself which is slowing the evolution of the investigation function as time on casework competes with the capacity to evolve.
15. There is a known pipeline of a further c40 cases in the Contracts, Dispute Resolution, Branch Support, and Postmaster Experience teams. Should the additional projected caseload materialize, the total average case load will be several times the sustainable volume CIU and Speak Up teams can reasonably manage with the current resource levels. This would be the case even with the proposed change in priorities detailed in para 11 above if staffing levels remain the same.
16. A team of four fixed term contractors, under the direction of one of the permanent Senior Investigation Managers, are conducting 32 merits assessments (Project Phoenix) to assist the Inquiry team. This has now subsumed the full-time effort of the senior investigator on oversight and so he is not able to carry BAU case load. The other non-BAU projects requested by the Inquiry are un-serviced with current staffing levels.

#### *Requested Resourcing*

17. It is helpful to separate out the different resourcing challenges and proposals.
18. To meet current and projected BAU requirements:
  - Increase the current head count of the Triage team:
    - By one grade 2a Investigator to take on much of the case development, investigations, and law enforcement engagement work currently conducted by the Speak Up & Intelligence manager and intelligence analyst. This will reduce the back log of unallocated cases, free-up time for the manager to engage further with Postmasters and permit the analyst to conduct more investigative risk analysis.
    - **New funding:** [IRRELEVANT]
  - Increase the current head count of the CIU team 'proper':
    - By two grade 2a Transaction Analysts. One of the most significant blocks in progressing criminal cases is the turning of complex transactional data into evidence for law enforcement. Having two dedicated staff focused on this task would allow CIU to move criminal cases along at double the current volume: and
    - By two grade 2a Investigators. These investigators would take direction from the Senior Investigation Managers on the unallocated complex and/or criminal case work which would reduce case age and allow for the increased BAU case load to be met. They would also assist with the assurance work.
    - **New funding total:** [IRRELEVANT]

<sup>1</sup> All staff costs in this report are estimates based on likely salary (adjusted for recent pay rises) based on grade and experience plus 20% for NI and pension.



19. To meet the requirements of the Inquiry requests:
  - The 32 merits assessment cases are funded for one year by the Inquiry team
  - The remaining requests are worked on in an ad hoc fashion, if at all. To progress these, additional resources are required. They could be overseen by the same Senior Investigations Manager who is managing the four FTC staff funded by the Inquiry. CIU and Inquiry team are discussing resourcing options separately.
20. To prepare for and manage the anticipated pre-NBIT audit matters:
  - The volume of cases which will fall out of these branch audits is very difficult to accurately predict. If 1% of branches once audited produce a complex and or criminal investigation requirement, then an additional c115 investigations may be necessary. If this figure is halved, it still equates to an over 100% increase in CIU's average case holding. The cases will all be transaction analysis-heavy and require significant engagement work inside POL but also with law enforcement.
  - To effectively plan, train, and prepare for this activity, it is requested that as soon as possible CIU recruit on initial 12-month FTCs:
    - 4x grade 2a Transaction Analysts to evaluate potential evidence, present it in a court-friendly manner, and attend court as required; and
    - 4x grade 2a Investigators to conduct non-transaction enquiries, produce evidence bundles in accordance with disclosure rules, coordinate within POL, manage law enforcement engagement, and attend court as required.
  - **New Funding total c£360k**
21. Additional case work will reasonably generate a limited and ad hoc need for external specialist assistance e.g., external investigative support, digital forensic examination, or forensic accounting. A provision of £100 per year should be made to cover these operational costs. This may be drawn upon with agreement from either the Group Legal Director or Inquiry Director dependent on the nature of the investigation

**New budget allocation to meet all priorities and case volumes:**

<b>BAU:</b>	c£233k p.a. – permanent addition
<b>NBIT:</b>	c£360k p.a. – at least for the duration of roll-out
<b>External Support</b>	£100k p.a. – permanent addition
<b>Total c£693k</b>	

22. With the increased volumes of anticipated criminal investigations, it is highly likely that the single in-house criminal counsel will require additional support to effectively manage governance and compliance with policy in passing evidence to law enforcement. This may require the addition of a criminal law trained Legal Counsel or an experienced criminal law paralegal.
23. It should be noted that utilizing a limited civil court route may be advantageous during the pre-NBIT re-set. If this route is authorised by GE, then the Group Legal function will require additional litigation support in the form of one or two Legal Counsel and associated external counsel budget.





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24. To meet the requirements of paras 25 and 26, it is suggested at a provision of c£200k is made available to be drawn upon with agreement from the Group Legal Director as necessary rather than pre-emptive recruitment made.